PROFERTIL

# Profertil Sociedad Anónima

Board of Directors' Annual Report

Financial Statements as of December 31, 2019

(presented on a comparative basis with the year ended

December 31, 2018)

Report of Independent Public Accountants.

Statutory Audit Committee's Report

## LETTER FROM THE GENERAL MANAGER

It is a pleasure for me to present the Annual Report and Balance Sheet (2019), a key document in which we provide a detailed account of our economic and financial results.

A significant milestone in the year was that we started producing granular urea based on renewable energy sources as part of an agreement signed in 2018. In 2019, 14% of the energy used was from renewable sources, and it is estimated that by 2020 60% of the Urea produced in our plant – namely, about 760,000 tons of fertilizer – will be produced from these sources. This is excellent news for our country since 50% of the national production of wheat and corn, will soon be fertilized with Urea produced from wind power.

The International Fertilizer Association (IFA) granted, in 2019, the most important certification a plant such as ours can aspire to: They gave Profertil a score of excellence in the "Protect & Sustain Product Stewardship" program. Such program acknowledges safety and sustainability in the comprehensive management of fertilizers during their lifecycle. After a long period of assessment of all our processes by independent auditors, IFA placed Profertil, together with other 51 world certified companies, as one of the leading fertilizer companies in the world. It was, clearly, a moment of great joy and responsibility.

As we have seen, the history of Profertil shows that economic and productive development has always been accompanied by a growing commitment to sustainability. The three key axes of sustainable development -economic, environmental and social- are constantly present in the actions we undertake. This is especially true since we adhered to the United Nations Global Compact, which has prompted us to fulfill genuine commitments to comply with the Sustainable Development Goals (SDG) that this agreement fosters.

Along these lines, and as part of our policy of responsibility and transparency, in 2019, our eighth Sustainability Report was published. This work is of utmost importance to us since it involves the entire company, and prompts us to reflect on the concrete actions, in line with the SDGs set by the United Nations, in order to share them with the community.

Financially, it is excellent news to say that we continue to reduce debt due to commitments made on the occasion of the large investments made in recent years. During this year, net debt was reduced by 54%, which reaffirms us as a financially responsible company. Furthermore, despite the complexity of the national and global situation of the past year, we fulfilled all our financial commitments with suppliers, tax authorities and banking and financial institutions.

This year, our work environment was mainly enhanced by the development of actions related to diversity and inclusion. It is part of Profertil's mission to provide opportunities for all, to reject any type of discrimination and to promote equality. In 2018, we had conducted a diagnostic survey to better understand where we were and to define the steps to follow so that each person felt valued and thus create a positive work environment. In this way, in 2019, in addition to implementing training programs and coaching at all levels of the organization, the year marked a milestone because for the first time we incorporated women as operators in our production plant in Bahía Blanca.

Regarding the management of human resources, our Addiction Prevention and Control Policy was also fully operational and we obtained certification as a Preventive Labor Area, granted by SEDRONAR (Secretariat for Programming Drug Abuse Prevention and the Fight against Drug Trafficking). Our policy was also included in the Good Practice Guide of the IFREI Club (IAE). Both events constitute an important recognition of the work done for people's health and care.

Moreover, the results obtained in the climate survey, in which all employees participated, represent historical records for Profertil, with a Satisfaction Index of 93%, Organizational Climate of 80%, and Commitment of 82%. These figures indicate a strong growth and show that Profertil is a good place to work and develop. Our community has become aware of this, and year after year, the indicators that place Profertil as the best employer brand in Bahia Blanca have risen.

The deep, constant, and responsible work that we have been developing and Profertil's financial strength, allows us to project more growth. Four factors encourage us: the experience of almost two decades of work, the possibility of expansion of current facilities, the availability of raw materials -thanks to the development of natural gas in Vaca Muerta, and the nitrogen deficit in agricultural production in the region. All these variables generate an excellent opportunity to analyze the possibility of significantly increasing our production of nutrients, a project that is in its initiation phase to determine technical and economic feasibility.

We would like you to read this edition of our Annual Report and Balance Sheet. In addition to the figures and economic results of our work, we also show our way of doing things here: with professionalism, honesty, transparency, commitment and a focus on sustainability, as has been the case for more than 19 years.

**Ing. Daniel Pettarin**
**General Manager**

# COMPANY REPORT

(Information not covered by the Independent Auditors' Report).

To the shareholders of Profertil SA:

In compliance with current legal and statutory provisions, we are pleased to contact you to submit for your approval the present report, inventory and balance sheet as of December 31, 2019, as well as income statement, net equity and cash flow for the fiscal year ended on December 31, 2019.

# PLANNING, STRATEGIC SUPPLIES AND MANAGEMENT CONTROL

**Natural gas supply**

Profertil runs on approximately 2,500 dam3/ day of natural gas from the Austral Basin, the San Jorge Gulf and Neuquen's Basin. This supply is backed by agreements on continuous provision signed with YPF and Pan American Energy. On the other hand, the firm transportation of the supply is secured through long-term contracts with TGS, with maturities close to the year 2048.

**Electric power supply**

Profertil purchases a total of some 210 GWh annually, from the wholesale electricity market, while generating about 5 MWh on average, which allows it to release consumption from the national grid.

In 2018, our company signed an agreement with YPF Energía Eléctrica for the provision of renewable energy for a term of 21 years. This energy was supplied during 2019 by Manantiales Behr Wind Farm, located in the Province of Chubut, which allowed the replacement of + 12% base energy with renewable energy.

In turn, from 2020 the Los Teros Wind Farm, located in the province of Buenos Aires, will start operating, hence increasing the consumption of renewable energy by over 60% of Profertil's current demand for electricity.

**Industrial water**

During 2019, the level of the Paso de las Piedras dam remained outside the alert level (above 158 MASL).

In line with this, the Ammonia plant operated with a reliability factor (actual v. expected running time) of 89%, lower than the 97.4% planned, but higher than the 87.7% of the previous year. In the Urea plant, the reliability factor was 99.6%, higher than the 98% expected and the 90.7% of the previous year.

The annual production of ammonia was 708,900 t (about 72,450 t less than budgeted) and 1,178,400 t (91,620 t below planned) of urea.

## INDUSTRIAL OPERATIONS

During 2019, there were some problems, especially in the Ammonia plant, which did not allow reaching the budgeted production volumes of both ammonia and urea in the Bahía Blanca site.

The aforementioned problems were mainly due to failures in static equipment (pipes and heat exchangers) and electrical and electronic components. In fact, static equipment failures caused approximately 63% of urea production losses. In order to minimize potential threats to the site's continuous operations, a Reliability Improvement Plan was launched. It includes the replacement of assets for lifespan / obsolescence, inspection of pipes and equipment, Root Cause Analysis (RCA) and Reliability Analysis. Most of these actions are being carried out and will be completed during the turnaround scheduled for 2020.

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The specific energy consumption (natural gas and electric power) was over budget value due to the above-mentioned problems that reduced the operational continuity of both plants and had a direct impact on the energy efficiency of the facility. In fact, the specific consumption in the Ammonia plant (main energy consumer) was 44.6 MMBTU / t, versus a planned value of 40.8 MMBT / t, that is to say 9% higher. However, it was lower than the previous year.

Regarding the human resources management in the area, the training and development plan for the operational staff was sustained. During 2019 a total of 9,522 hours of capacitation and training were provided distributed in specific activities for Field Operators, Operational Leaders -people who operate the control panel of the plants, Contact Engineers, and Supervisors. This number of hours represents a 30% more than the previous year. Accreditation of acquired knowledge was accompanied by classroom process theory and field practices.

In addition to technical training, approximately 1,200 hours of emergency care training were conducted (10% more than last year). Following modern training and development standards, more than 50 videos on operational procedures were made, which were linked to their respective written procedures, in addition to being part of the electronic training plan for Operators and Operational Leaders.

Likewise, as part of the Corporate Leadership program, personalized “Coaching” workshops for Supervisors were continued, focusing on feedback to staff.

On the other hand, the “Culture of Operational Excellence” program was launched where Best Practices and Key Performance Indicators were identified to measure excellence in operational management. The launch was made through a presentation to all personnel (Field Operators, Panel Operators, Supervisors, and Engineers), motivating and generating commitment to a culture of excellence. This program was developed with the support of the Swedish firm BTS (a company that works in many countries around the world) and NEURALTIS (a consultancy in Neuroscience applied to Operations).

In accordance with the personnel replacement retirement plan, eleven new Field Operators were hired. The fact that 3 of them were women, marks a milestone for the company's history in Diversity Schemes.

With regard to the company's investment plan for the 2019 period, the OI area had an allocated budget of U$D 18.6 million, divided between the Technical-Projects (U$D 16.1 million) and Maintenance (2.6 U$D million).

The projects managed directly by the area were 172 counting small, medium and large ones. As usual, during the course of the year, some projects were cancelled, postponed or redefined in terms of their original scope, either for budgetary reasons or because others with higher priority emerged. In any case, projects that were not provided for in the original budget were settled using a modified assigned budget or with the one for cancelled investments.

It is important to note that, from the initial amount planned, an approximately U$D 2.5 million was saved, due to factors such as: good joint arrangements with purchases (in the case of heat exchangers), exchange rates, rescheduling of expenses, and the non-use of contingencies provided.

On the other hand, about U$D 3.3 million was allocated to the 2020 budget for short-term financial reasons, an amount that is now part of the 2020 budget.

Also, in the Process Security technical department, several activities were carried out, such as:

A new revalidation of the Hazop study (risk identification technique) of the Urea plant, which was carried out directly using the Meridium system (asset management software), unifying the nodes belonging to the original plant with the changes implemented with the project of capacity expansion carried out in 2015. From April to September, 14 multidisciplinary sessions were held, in which the number of deviations analyzed was increased by 74%, achieving a deeper and more detailed evaluation of what was the study's base. This is done every 5 years.

The specifications for the update of the Advanced Process Control (APC) of the Urea plant and for the Real-Time Optimizer (RTO) of the Ammonia plant were written after the execution of the plant capacity increase project. Both tasks, which will be carried out during 2020, will allow the plant to operate at its most efficient point, resulting in greater profitability.

Migration to the new version of Meridium, specifically in the Hazard Analysis, SIL Management and LOPA modules was finalised, which allows to continue having adequate support due to the obsolescence of the previous version.

As for the management of asset maintenance, performance indicators (such as compliance with monthly programming, emergency work hours and extras, proactive maintenance, and backlog) show improvements after the revisions of the strategies of maintenance and its associated maintenance plans.

One of the most significant challenges for the year 2020, both for the Maintenance department and for the entire area of IO, and the company, is the maintenance equipment turnaround, which will be the most important recorded. It will be carried out during 54 days in the months of June and July, with approximately 2,500 jobs planned.

This activity, which consists of several stages, began more than 1 year ago with the Strategic Planning and Budgeting stage and the organization of the plant's turnaround team at the beginning of the year. The team groups different sectors of the company and, given the scope of this project, Human Resources has collaborated in re-defining new temporary jobs and in the search for these positions for the Planning and Programming, Quality, and Projects and Processes areas.

During the year, a detailed services, materials and equipment (development of technical specifications, tendering of third-party works and awards) plan was formulated, aiming at optimizing resources and minimizing execution times.

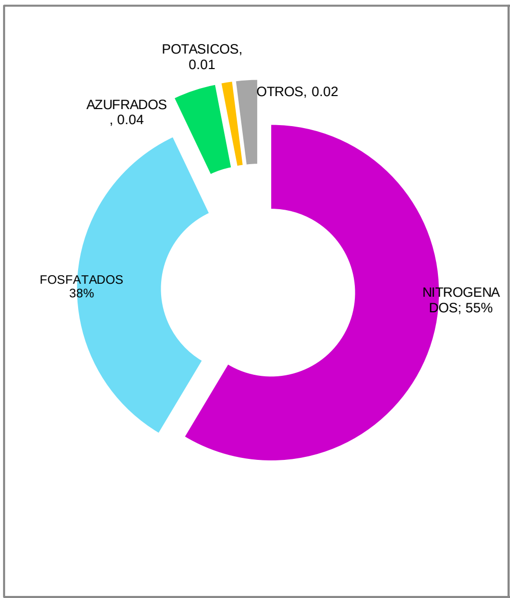
The completion of the planned work will allow for greater operational reliability; an increase in equipment's lifespan due to greater mechanical integrity; an increase in energy and production efficiency; the reduction of the risk of unplanned shutdowns; and the preparation of equipment for future projects.

Another first in the Maintenance sector, is that 2 Mechanical Engineering and Electrical Engineering students from Universidad Nacional de Sur have joined the team as interns for one year, in addition to the 9 technicians from Ingeniero White's school, who continue doing their 200 hours of professional practices for the third consecutive year with us.

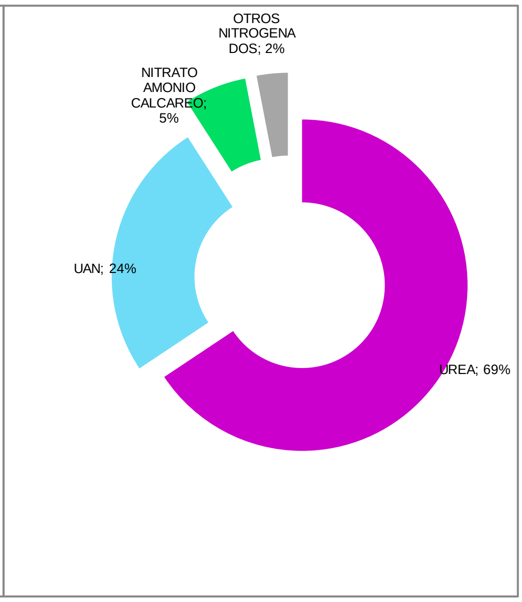
## COMMERCIALIZATION

During 2019, estimates regarding the fertilizer domestic market show a total between 4.5 and 4.7 million tons, indicating a growth compared to the volume of the previous year that registered 4.3 million tons.

As shown in the following graphs, nitrogen fertilizers would represent 55% of the total fertilizers used in the 2019 campaign, which would reduce their share compared to the previous year, due to a slight growth of phosphates that would reach 38% of the total. On the other hand, granular urea is still by far the most used nitrogen fertilizer, with a share increase of 69% in the segment, followed by the UAN that represented 24% of the total.




*Argentina Market by Type of Fertilizer. Own calculation based on Kleffmann.*




*Argentina Market: Nitrogen Fertilizers. Own calculation based on Kleffmann.*

Regarding the agricultural campaign, according to the data from the National Ministry of Agriculture, Livestock and Fisheries, main crops production during the 2018/2019 cycle totaled 142 million tons, 31% more than during previous cycle. The crop that contributed the greatest volume was corn (57 million tons), closely followed by soy (55 million tons). During this cycle soy production increased 46% which shows a great recovery compared to the previous cycle.

| Total Production by Type of Crop (thousand tons.) | | | |
|---|---|---|---|
| **Crop** | **2017/2018** | **2018/2019** | **Variation** |
| Wheat | 18,518 | 19,460 | 5% |
| Barley | 3,741 | 5,061 | 35% |
| Corn | 43,462 | 56,861 | 31% |
| Sunflower | 3,538 | 3,826 | 8% |
| Soy | 37,786 | 55,264 | 46% |
| Sorghum | 1,563 | 1,601 | 2% |
| **TOTAL** | **108,608** | **142,073** | **31%** |

***Own elaboration based on data from the Argentine Ministry of Agriculture, Livestock and Fisheries.***

**AGRICULTURE EXPORT DUTIES RETURN**

Although the previous government had already restored export duties as a fixed sum in pesos per dollar exported, the new administration resorted more heavily to export duties as a tax collection tool. Consequently, the regulations that apply a percentage rate on the export price (FOB) of grains and by-products re-entered into force. This scheme sets a 12% tax on the exports of wheat, corn, barley and sunflower, and 30% on exports of soybeans. Additionally, in accordance to the Economic Emergency Act, the government is granted the power to increase export duties an extra 3% in all cases. Previously, in December 2019, export duties had an impact of 6.7% on wheat and corn and 24.7% on soy. This means that the tax incidence in wheat and corn may be doubling. Accordingly, sensitivity analysis about production margins against export duties increase were released by agriculture associations representatives revealing alarming negative margins in several regions.

Despite the above, we believe it is worth highlighting the willingness to dialogue that the current government has shown to the representatives of the sector. We think a government- farmers confrontation, similar to the one that happened 10 years ago, would lead to negative effects for both sides. In those days, in addition to the export duties scheme, there existed a wheat and corn export regulation system which had a negative impact on the production of these cereals and the sales of nitrogen fertilizers in the domestic market.

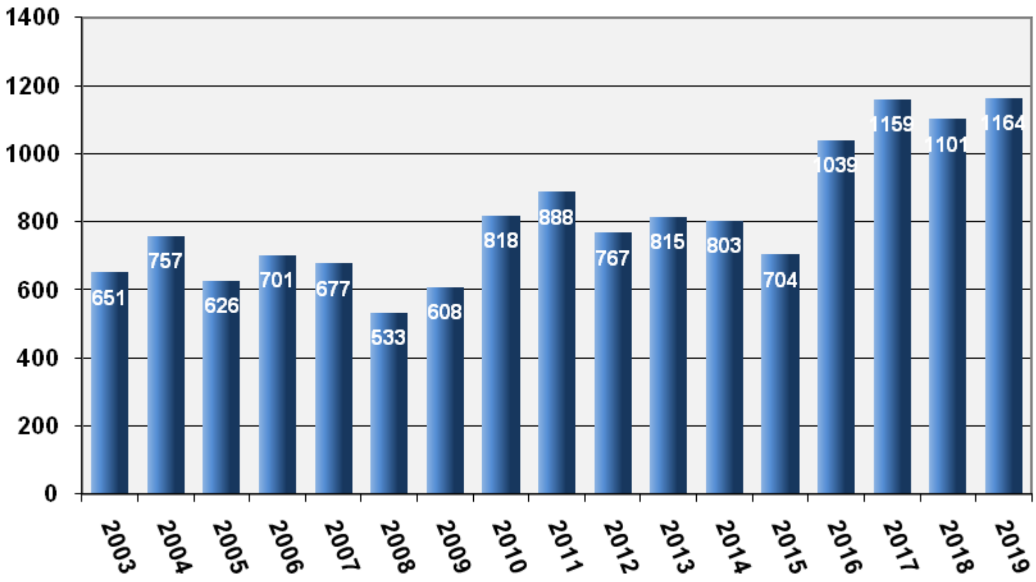
**Regarding estimates for the 2019/2020 campaign, the United States Department of Agriculture (USDA) does not expect significant changes. Argentine soy, corn and wheat production estimates** are **53, 50 and 19 million of tons,** respectively. In case these estimates are confirmed, a relatively optimistic scenario is expected for the sector, with volumes similar to those of the 2018/2019 campaign.

Profertil 2019 Sales Report

- Total annual sales turnover: U$S 511 million.
- Urea annual turnover: U$S 378 million representing 74% of the total.
- Urea annual turnover (domestic market) U$S 337 million, this means 89% of urea sales was destined to the Argentine market.

Regarding the reference prices, we maintained our sales volume despite the fact that the FOBs in the Gulf of Arabia (AG) averaged U$S 259 per ton, U$S 16 less than the average of 2018.

The following graph displays the evolution of domestic sales of Profertil's urea, which in recent years has represented around an 80 % share in the agriculture urea market. 2019 ended with a new record of 1,164,000 tons of sales in the local market, which produces the greatest commercialization margin.




***Profertil Urea Sales Evolution in the Argentine Market.***

***Source: own elaboration.***

Regarding marketing actions, the company developed an End User Relationship Program; a Fertilizer Application MIT (Innovation and Technology Model), training in the correct application of solid fertilizers, was carried out in the town of Marcos Juarez; and 22 'Mitings' (salesforce training) were also carried out with distributors in different regions. As part of the Prosuelos Program, 7 training meetings about Best Management Practices for Crop Nutrition aimed at technicians and consultants were held by our distributors: La Bragadense, Desab, Alfagro, Pucará, Soluciones Agropecuarias, Depetris Cereales y Ortega Hnos.

As regards our participation in third-party events, we highlight our presence in the Aapresid Congress where results of eNeTOTAL Plus application in the cultivation of corn were presented with the participation of guest speakers. Plus, we took part in the Fertilizer Symposium 2019 as sponsor with an exhibit booth; both events were held in the city of Rosario. Also, we participated in the Citrus Congress of the EEOC (Industrial Agriculture Experimental Station Obispo Colombres), in the city of Tucuman.

During the second semester we developed the eNeTOTAL Plus Promotion Campaign “Make Your Crop Yield Fly”, the urea treated with the BASF Limus volatilization inhibitor which reduces nitrogen loss, maximizing crop use efficiency.

As for market research activities, in 2019 customer satisfaction surveys were carried out in Retail Distributors and National Accounts channels.

In logistics, during 2019, 2,240,440 tons were dispatched from Profertil terminals, 1,510,350 were sold to our customers under various logistic conditions. Our terminals are located in Bahia Blanca, Necochea and San Nicolás, in the Buenos Aires Province and in Puerto General San Martín in the province of Santa Fe.

A total of 719,630 tons of Urea and Ammonia were carried by ships to our storage terminals, domestic and foreign markets from Bahia Blanca. In our San Nicolas and Puerto General San Martin terminals, logistics services such as unloading, storage of liquid and solid fertilizers, mixing, packing and dispatch for a total of 302,060 tons were provided to third parties. Additionally, land delivery services to customer depots were offered from the terminals of Bahía Blanca and Necochea. 275,720 tons were carried by trucks and 31,120 tons by trains.

## ADMINISTRATION AND FINANCE

**Determining Factors of Business Year Result**

2019 was characterized by a high exchange rate volatility (annual average variation of 58%), mainly in the second half of the year, as a result of the primary elections held in August. After adverse results in the elections, the government implemented a package of measures through the Central Bank to control capital flight and prevent further collapse in the depreciation of the peso (30% devaluation in one day). These measures included reporting new imports, requesting authorizations to make payments abroad, mandatory foreign currency entry five days after the export payment is made and exchange control in financial markets.

Despite this complex and pessimistic scenario, Profertil knew how to adapt and the 2019 business year showed a net profit of $$ 1.401 millions. This was due to sustained growth in the demand for Urea in the local market (record of tons sold), with stable international prices (average variation of 6%), and the partial absorption of the devaluation of the peso using financial hedging instruments on monetary items in pesos, which were affected by the increase in the exchange rate.

**Economic and financial indicators**

The main economic-financial indicators, compared to the previous year, are presented below.

| Indicator | Calculation | 2019 | 2018 |
|---|---|---|---|
| Solvency | Equity and Liability | 1,29 | 0.92 |
| Current Ratio | Current Assets / Current Liabilities | 124,7 % | 103.4 % |
| Fixed Assets | Non-current Assets / Assets | 79,1 % | 72.2 % |
| Total and ordinary return on shareholder investment (ROE) | Net Profit / Average Net Worth | 7,1 % | 6.0 % |
| EBIT (millions of $) | Earnings Before Interest and Taxes | 5.268,2 | 3052.3 |
| ROCE | (EBIT - Income Tax Return) (Net Equity + Financial Liability) | 8,1 % | 10.5 % |
| Net Margin | Net Profit / Sales | 5,6 % | 4.0 % |
| Liability Index | Financial Liabilities / (Net Equity + Financial Liability) | 22,4 % | 37.2 % |

***Main economic-financial indicators 2018-2019 (own elaboration).***

**Financial Situation**

Profertil started 2019 with a cash position of U$S 61.4 million and a financial liability of U$S 228.9 million. At the 2019 year-end these totaled U$S 46.7 million and U$S 123.4 million, respectively.

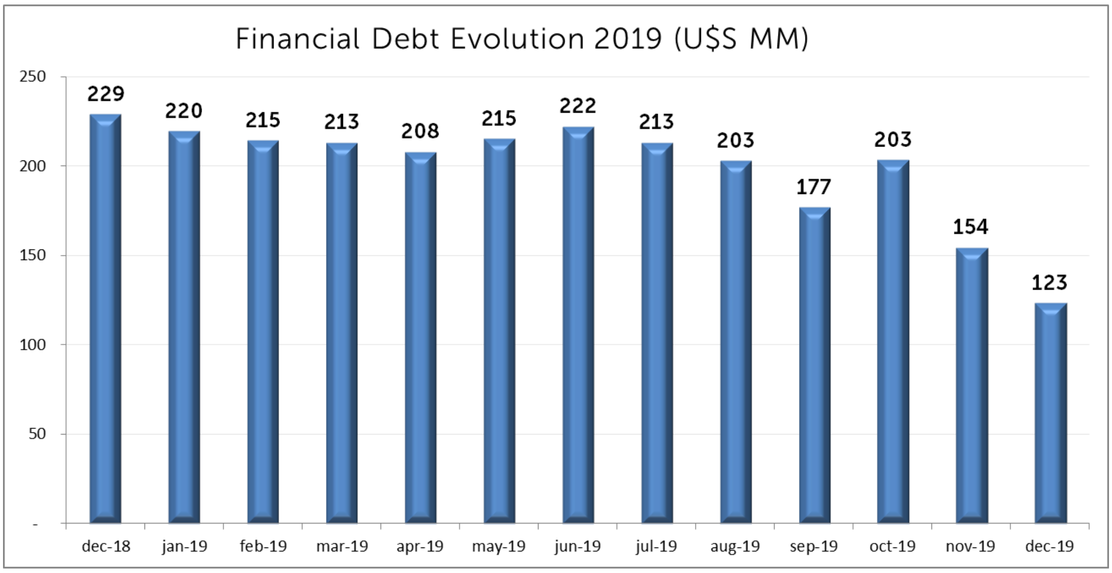
**Financial Indebtedness**

At the beginning of 2019, a year expected to be challenging due to uncertainty caused by elections, Profertil focused on continuing with its sustainable indebtedness policy that would ensure sufficient liquidity to meet its working capital and current investment needs.

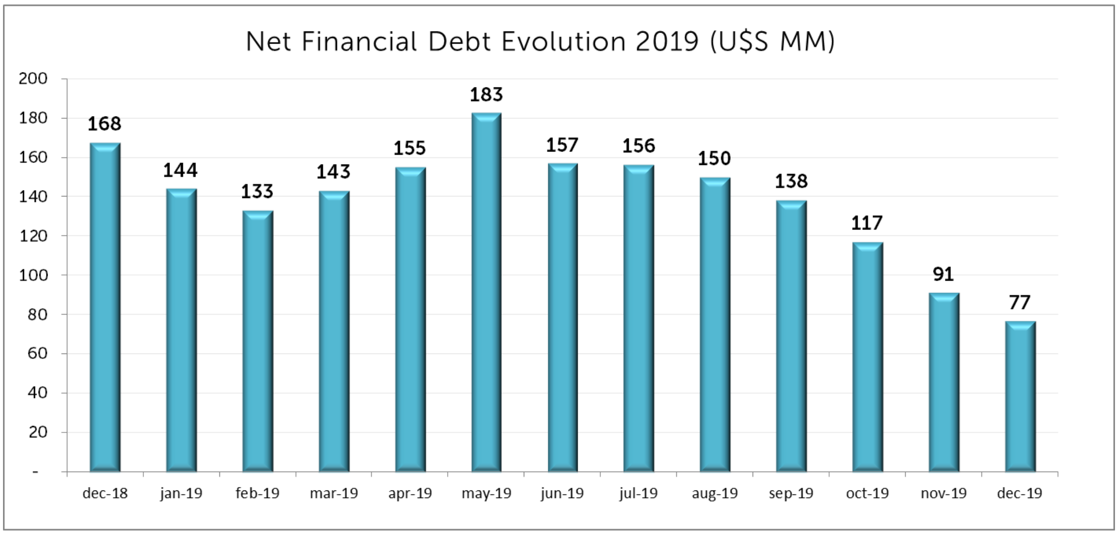
Therefore, between March and April, a large part of the U$S 116 million that expired in that period could be renewed despite the fact that the market was beginning to resent credit crunch and withdrawal of deposits.

In October, after the result of the Primary Elections, when the exchange rate rocketed from $ 45 to $ 59 and the country risk from 860 points to 2500 points, in the context of the short-term public debt reprofiling, Profertil managed loans for U$S 59 million at very competitive rates and strengthened its cash position in case a possible interruption in the payment chain occurred.

Finally, despite the adverse context, Profertil was able to fulfill all its obligations. By the end of the year the average debt rate was around 5.48 %. Below, we attach the debt progression during 2019:




***Source: Own elaboration.***




***Source: Own elaboration.***

**Credit and Collection**

In 2019, credit exposure accompanied the development of sales, in accordance with the commercial policy and the terms and rates offered by the fertilizer market.

The development of alternative financing tools for the Distribution segment continued, in addition to continuing to operate with rural credit cards and grain financing through cereal forwards contracts.

The company's collection period was kept as planned, giving an average of 38 days.

The largest concentration of credits belonged to the National Accounts and Exports segment. Regarding the Distribution segment, credit lines are divided between 170 clients, which allows Profertil to diversify the risk.

## ENVIRONMENT, HEALTH AND SAFETY AND QUALITY

In 2019, the Liquid Effluent Dump Permit, granted by the Water Authority of Buenos Aires province, was renewed. It is valid for four years and expires on May 28, 2023.

In the same way, the Environmental Aptitude Certificates (CAA) of the terminals of Puerto General San Martín, granted by the Ministry of Environment of the Santa Fe province and valid for three years, were obtained. Also, the provincial Agency for Sustainable Development (OPDS) of Buenos Aires province extended the certificates for our San Nicolás and Quequén terminals for the next four years. In addition to this, last November, the environmental audit for the CAA renovation of the Bahía Blanca site was submitted to OPDS.

Within its regular activities, the department fulfilled the requirements in the scheme of the environmental control program enforced by the relevant authorities. They cover measurements in fixed emission sources (chimneys), air quality, liquid effluent discharge, underground water monitoring, and management and final disposal of solid and semi-solid waste. With these measurements, Profertil complies with current legislation and demonstrates an environmentally sustainable operation both in the Bahía Blanca site and in its terminals.

Profertil continued to adhere to and participate in the "Responsible Care for the Environment" program managed by the Chamber of Chemical and Petrochemical Industries of the Argentine Republic (CIQyP), attending scheduled meetings and complying with the seven codes self-assessments and the delivery of performance indicators. With these data, the CIQyP consolidates reports of the sector it represents. At the end of next year, we will receive the biannual program’s audit, carried out by Det Norske Veritas.

Regarding the Integrated Management System, its annual cycle of activities was fulfilled: HSE (MASS) legal compliance audits, internal audits, and management revision and external surveillance audits, conforming to ISO 9001, ISO 14001, OHSAS 18001 and ISO 50001. Our auditor was Bureau Veritas. Recertification of the ISO 50001 Energy Management standard was obtained. For the other standards, the maintenance audit program requirements were met with satisfactory results.

In addition, the Protect & Sustain Product Stewardship program certificate was issued. This is a program developed by members of the International Fertilizer Association (IFA) for IFA members with independent auditors (DNV-GL and SGS) and has become a global standard for fertilizer companies. Our goal is the continuous improvement of safety and sustainability standards in our fertilizer production plants, taking it beyond the organization in collaboration with suppliers, carriers, etc., and promoting the implementation of responsible management processes throughout the product life cycle.

Some of the benefits of the program are: safe working conditions, environmental protection, a good reputation, lower regulation and taxes, lower insurance payments, higher profitability, safe communities, and lower risk for investors. In the audit conducted by Det Norske Veritas, six work areas were examined: management system, product planning and development, procurement and contractor management, production, customer supply chain, and marketing and sales. The score obtained was 91.7 points out of 100 and being over 80 the recognition is included in the category of excellent. This certification is valid for three years.

Profertil was also recognized by IFA in the “Industry Stewardship Champion” companies’ category, a recognition granted only to 34 companies out of a total of 500 participants. This acknowledgement is received by companies that have the Protect & Sustain Product Stewardship program certification and have participated in all safety, environment and energy benchmarking requested by this international association.

In September, a gap analysis of our emergency response system was carried out by the Casco Consulting Group LLC, which is based in Houston. They toured the plant for two days and held meetings with people at all levels of the organization. As opportunities for improvement, among others, a general confinement drill of all the people present in the plant for a duration of more than an hour and a half was carried out, along with a training workshop for the Emergency Commission. An Emergency Crisis Committee was also created, being the general manager and several members of the management team responsible for the strategic response during an emergency. The members of this committee were trained in a workshop held on an exclusive basis, which produced very good results.

Also, as part of the usual activities of the department and in collaboration with the person in charge of Industrial Operations training, the Plant Brigade Training Program succeeded in maintaining the standards of previous years. This program includes the drills carried out both at the Bahía Blanca site and at the Quequén, San Nicolás and Puerto General San Martín terminals.

Work continued within the APELL process by participating in the emergency response and risk analysis commissions. In addition to this, and together with the coordinator of that program, a revision of the time frame for communicating an event in the industrial plant to local authorities was conducted. Institutional Relations personnel also participated in this meeting.

A total of 1,574,696 hours worked between own personnel and contractors were recorded in the year, obtaining lost time incident rates (LTI, number of accidents with leave for every 200,000 hours worked) and total recordable injuries (TRI, number of total accidents for every 200,000 hours worked) with a value of 0.25. In this context, there were two accidents with sick leave, both cases in the Bahía Blanca site and ten events that required first aid care.

The annual program of “Training and accreditation of technical skills related to Environment, Health and Safety” was completed, according to the legal requirements established in Res SRT 905/15 that includes all members of the organization.

Regarding occupational health activities and by virtue of the new controls that emerged on carcinogenic substances, two training courses were created and included in the company's electronic system. Meanwhile, microclimate, lighting, noise, vibrations and chemical components in the work environment were monitored regularly.

Regarding the Safety Data Sheets (SDS) of chemicals used in Profertil, more than 200 SDS (or MSDS) were added to the electronic database, according to the standards required by Resolution SRT 801/15.

## INSTITUTIONAL RELATIONSHIPS

During 2019, Profertil’s institutional management model, based on the fundamental principles of transparency, honesty and integrity has strengthend the bond between the Company and its stakeholders. Profertil strives to generate communication channels that contribute to developing relationships based on trust and respect towards its clients, suppliers, neighbors, public authorities, business organizations, civil society organizations and mass media among others. To do so, it has developed communication activities and Corporate Social Responsibility (CSR) programs to interact with the community while at the same time disclosing the principles and values with which it develops its activities.

## COMMUNICATION ACTIVITIES WITH THE COMMUNITY

Profertil seeks to strengthen the bond with its stakeholders making communication more transparent and offering relevant information about the Company. In such interaction, Profertil uses different communication channels, such as press releases, newsletters, manuals or reports as well as its own digital communications ecosystem, which includes its website and social media.

### Media activities

In 2019, Profertil communicated several initiatives carried out by the Company as part of its CSR and sustainability policy. Some of these actions are: Profertil and APLA (Petrochemical and Chemical Latin American Association) joint donation of robotic equipment to schools in Ingeniero White as part of the project Reinventando el Futuro (Reinventing the Future); an agreement with the Chemical Engineering Department of Universidad Nacional del Sur to sponsor the Tecnicatura Universitaria en Operaciones Industriales (technical university degree in industrial operations); the 2019 Experiencia UP (university students in Profertil); the internship program for fifth year students at Universidad Nacional del Sur; and donations to two of Bahía Blanca's public hospitals.

At the same time, communication of the innovative agreement between Profertil and YPF Luz, which will provide wind power to the Ingeniero White plant, continued. The objective of this agreement is to generate 60% of Profertil's plant production through wind power.

In all the above cases, communication helped strengthen Profertil's positioning as a sustainable business company in the agribusiness and the community as a whole; a company committed to best practices and the development of the communities in which it operates.

### Digital communication, web and social media

In 2019, a digital communication strategy through specific campaigns catered for digital media continued to be used. This led to an increase in interactions and followers across the networks.

Additionally,the strategy sought to increase the specific audiences of the Twitter social network, namely agricultural institutions, authorities, journalists and the media.

### Sustainability Report

Profertil issued its eighth consecutive Sustainability Report with the objective of giving an account of its annual work in the area of environmental care and social contribution to the community. The Report was prepared under the GRI G4 (Global Reporting Initiative) guidelines and based on the United Nations Sustainable Development Goals (SDGs), especially considering those in which Profertil contributes with its work.

As in previous years, an online version was chosen in order to obtain a wide reach by being openly and permanently available to all stakeholders. In addition, on the same webpage, there is a video that summarizes the content of the Report and presents the main data in a clear, attractive and dynamic way.

Finally, its launch was reinforced with a social media campaign where specific information was provided to invite interested parties to access the Report's main page.

### Crisis Communication

In 2019, progress was made in updating and revising the crisis communication processes, as well as the position papers (support documents) and Communication Manual. Work was done on strengthening the digital communication channels (social media, WhatsApp groups with important members from the neighboring community and journalists) to optimize the time in sending information to the community and to respond more quickly to enquiries about events or facts related to the Company.

## COMMUNITY OUTREACH PROGRAMS

As part of its Corporate Social Responsibility (CSR) program and in line with its social commitment, during 2019, Profertil continued to promote community development projects with neighbors, institutions and organizations in the fields of education, culture, health, sports and charities.

### Punto Profertil

Punto Profertil was created in 2018, as part of the #ElOrigen advertising campaign, and, in a short time, it has managed to establish itself as a very important meeting point with the community. In 2019, the Company reached its 20th edition delivery of the Punto Profertil Food Creator kits, which allowed direct dialogue with more than 15,000 neighbors in the community and transmitted the role of fertilizers in the generation of food. Punto Profertil was present in several events at Ingeniero White and Bahía Blanca, such as FISA 2019 and the traditional Shrimp and Prawn Festival, where, in addition to handing out kits of vegetable gardens, seeds and granular urea, it organized games and informative talks by specialists.

In turn, each of these actions was accompanied by various pieces of printed and digital information, videos with 'step by step' "recipes of the land" to create their own gardens and the best tips for the proper care of crops.

### Plant Visit Program

This program was created to invite the community to visit Profertil facilities and to learn about the processes that take place there. Since the program started, more than 43.000 people have visited the site.

During 2019, 2540 people participated in this initiative which connects the Company closely with its most relevant public. Besides, this year, Profertil organized a raffle and prize giving among the schools that visted the facility. To participate, the students had to join the “Videohuertas“ initiative, which consits of making a video showing the fertilization and sowing of a plant in a pot provided during the visit.

### Growing in Community Program

The Creciendo en Comunidad (Growing in Community) program seeks to generate a space for learning, development and dialogue with social institutions of Ingeniero White and Bahía Blanca, to enhance local organizations. In this eighth consecutive year, the training of leaders of social organizations in the community of Ingeniero White has continued; the objective has been to carry out long term projects and promote improvements in all the neighbors‘quality of life. Since the beginning of the program in 2012, more than 25 institutions have participated and more than 90 people have been trained in basic and continuous courses.

In 2019, the Growing in Community program was acknowkedged by the Argentine Business Council for Sustainable Development (CEADS) for its contribution to Objectives of Sustainable Development (ODS), more specifically for its contribution to ODS 11 "Sustainable Cities and Communities".

**Growing in Community- Project Board**

Eighteen institutions from Ingeniero White who completed the Growing in Community program are taking part in this initiative. It is a democratic space for dialogue: each of the entities that form the Board has the right to one vote, just like Profertil. Among the actions which have been carried out thanks to this program are: donation of medical equipment to Ingeniero White's Hospital Menor; the design, development and placement of tourist maps in three strategic points of the town, and the distribution of 35 dual recycle bins for source separation.

During 2019, the Project Board continued with the renovation of the Tulio Angelozzi Amphitheater of Ingeniero White. The improvements consisted of the construction of stands for the public, the installation of park benches and a playground, and the improvement of the surrounding green space.

On the other hand, at the end of last year four squares in Ingeniero White were completely renovated: Plaza del Tren, Barrio Saladero and Barrio Obrero squares and Plaza Omar Pereyra.

In these squares children's games were purchased and installed alongside integrative games and outdoor gyms. LED lighting and security cameras were also installed.

**Vegetable Garden Program**

The vegetable garden program is oriented to organizing workshops for teachers in Bahía Blanca and its surrounding area with the purpose of instilling in their students the importance of caring for the soil as its main source of food. In 2019, four years after it was created, it reached its tenth edition. More than 200 teachers and almost 5,000 students from around 160 schools have been trained. WhatsApp groups were created for each edition. These groups, which are still being used, have become small communities of information and monitoring on the subject of vegetable gardens in schools.

**Profertil Art Workshop**

The objective of the program, which has been carried out continuously since 2007, is to provide children and adults in the plant's neighboring area with easy access to an art experience. During 2019, 60 students participated in the free mosaic art workshops held at Cáritas Ingeniero White and the Juan B. Justo Boulevard neighborhood association.

**Public Health Collaborations**

In 2019, Profertil continued to support Public Health institutions in Bahía Blanca and Ingeniero White. On the one hand, through NACER, Profertil gave an ultrasound scanner to the Neonatology Service of the General Interzonal Hospital Dr. José Penna. This unit will allow diagnostic imaging studies of prenatal congenital anomalies.

On the other hand, supplies and equipment were donated to the Hematology area of the Municipal

Hospital of Acute Diseases Dr. Leonidas Lucero, in Bahía Blanca. This action constitutes the closing of a project started in 2018, in which the Hematology Service and the hospital's Blood Bank planned, together with the medical service of Profertil, a Blood Donation Campaign on the company's premises.

**AWARDS AND ACKNOWLEDGEMENTS**

In 2019, Profertil obtained several acknowledgements for its work in institutional communication and its corporate social responsibility and sustainability programs.

In November, the Company received two Eikon Awards for Excellence in Institutional Communication, a prestigious award given since 1997 by Imagen magazine. On the one hand, the Company received the gold statuette for the development of the Vegetable Garden Program in the category of Sustainability in Education; on the other, it received the blue statuette for the Project Board program in the category of Social Sustainability. In addition, the latter program obtained an Honorable Mention in the eighth edition of the Conscience Awards, which are granted to companies that develop Corporate Social Responsibility actions promoting social welfare. It also received a Merit Mention for the Vegetable Garden Program and for the #ElOrigen campaign in the Sustainability and Environment category.

The Argentine Business Council for Sustainable Development (CEADS) also distinguished the Creciendo en Comunidad (Growing in Community) program for its contribution to the Sustainable Development Goals (SDGs) set by the UN for 2030. Finally, the Ecumenical Social Forum acknowledged Profertil for its Vegetable Garden Program with the award for solidarity entrepreneurship.

## HUMAN RESOURCES

In Profertil we are committed to our vision, mission, and values in a framework of good organizational climate. That is why we promote a safe, inclusive and pleasant work environment in which respect, acceptance and non-discrimination come first.

During 2019, the Human Resources Management was focused on the following strategic axes: organizational development, internal communications and work climate, policies and practices, diversity and inclusion, compliance and labor relations.

In the context of organizational development, the following corporate training programs were implemented:

- Healthy Relationships: in order to uphold the results obtained in the work climate and commitment survey conducted in 2018, this program was developed to promote healthy and sustainable interpersonal relationships in the workplace.
- ProSoft: open and voluntary workshops were offered to develop professional skills.
- Synergy: in this program, collaborators themselves become facilitators in matters of their expertise.

The leadership team continued with their meetings to discuss, on this occasion, inclusive leadership, by identifying their role as key to promoting a culture that fosters inclusion and fairness. In addition, those collaborators who took on positions of responsibility participated in team leadership programs developed in leading educational institutions.

Focusing specially on prioritizing people's development, in 2019, 47% of vacancies in permanent positions were filled with internal candidates, thus providing career opportunities to collaborators through internal mobility. Taking into account contractors staff which Profertil took on permanent positions, the internal mobility indicator reaches 61%.

In line with the annual succession planning process, the Management team updated and identified development actions for the successors. During 2019, planned actions were executed.

We also continue with our links with educational institutions to strengthen our ties with the community, spotted young talent for future incorporation and cooperated in the training of undergraduates, helping them to acquire knowledge and experience to enhance their academic education. "University Students Experience in Profertil" is the internship program in partnership with UNS (Universidad Nacional del Sur). In 2019, seven young people from different majors took part in this program.

For the third consecutive year, 21 high school senior students from ARA General Belgrano Technical School from Ingeniero White did their Professional Practices during May-June and October-November. The activities constituted 200 hours of practice in the management of Industrial Operations.

In the area of internal communication and workplace climate management, actions set in the annual communication and climate plan were executed, with the objective of stimulating a sense of belonging, fostering diversity, and promoting healthy relations. During the winter holidays, we hosted the collaborators' families with the workshop "Food Makers" to learn about healthy nutrition and growing a vegetable garden at home.

In addition to the communication of internal news (promotions, admissions, indicators, day's anniversaries, plant news, etc.), specific actions such as two corporate communication meetings with the general manager and the publication of the internal magazine Todos Nosotros (All of us) were carried out.

The Buenos Aires team moved to new premises. Tasks performed throughout this process included: adaptation of the facilities to corporate image, preparation of offices and meeting rooms, and communication with collaborators and contractors.

In December, a meeting involving 220 people to celebrate the end of the year was held.

In Profertil we encourage work and family conciliation, so we carry out practices that favor this balance. For this reason, we continued to actively participate in the Family and Company Conciliation Center (CONFyE) of the IAE Business School.

Diversity and Inclusion is a top priority. After research done in 2018, an action plan was established to make diversity and inclusion part of our culture. We implemented a Policy to promote the differences and abilities of each individual to ensure the fair treatment of every collaborator regardless of their gender, beliefs, sexual orientation, age, and other personal characteristics. This Policy is a guide to the day-to-day commitments and requirements in the way we regard life in Profertil, to ensure a work environment of excellence.

Together with an improvement in the distribution of collaborators by gender, we celebrate a milestone: the admission of women operators in the production sector.

In the strategic area of Compliance, fraud and corruption prevention policies and processes were comprehensively revised. Therefore, the Ethical Code was updated; the guidelines for liasing with third parties were revised within the framework of Act 27401 including hiring proceedings for suppliers, distributors, service providers, agents, retailers; plus, all people were trained on the new Criminal Responsibility Act for Legal Persons (Act 27401).

As regards occupational health, according to the annual medical service program, 230 collaborators had their regular medical examinations performed. 12 female members of staff had gynecological preventive examinations conducted. In addition, a flu vaccination campaign was carried out involving 138 employees. This also included the collaborators' families as 143 family members were vaccinated. In the second semester, the Double vaccination program was launched, in which 47 employees participated.

Under the company's Substance Abuse Prevention and Control Policy, during 2019, 126 randomized controls on alcohol and drugs were carried out. In June, the Secretary of Comprehensive Policies on Drugs of the Argentine Nation (SEDRONAR) certified Profertil as "Preventive Labor Area". In turn, the implementation of the Substance Abuse Prevention and Control Policy was considered a success story; that is why it was included in the V edition of the Best Practices Guidelines of CONFYE (Family-Company Conciliation Center of the IAE Business School).

On the other hand, the medical service continued publishing health bulletins on topics of general interest.

Online health training covered the following topics: effects of tobacco on health, HIV, drugs of abuse, CPR and first aid, healthy lifestyle, and cardiovascular prevention.

Training workshops in the operation of the AED (automatic external defibrillator), CPR, and first aid continued, involving 211 employees.

Likewise, as in previous years, an annual collective bargaining agreement between the union and the companies of the Petrochemical Pole of Bahía Blanca was reached; this included not only the companies' personnel, but also all the contractors under current agreements that provide regular services.

The Systems department continued working on different projects to keep the IT platform strong, secure, reliable, and up-to-date, in addition to satisfying the company's needs. Cloud services were contracted in order to work on prototypes and assess the performance of this infrastructure for future projects.

New Computer Security and Infrastructure Services teams were consolidated, making it possible to establish short- and medium-term work plans, and develop a joint strategy.

In the Commercial department, a contractor control tool for the Necochea dispatch center was implemented and the document approval system and the distribution of logistic expenses in commercial operations were adapted. Together with the Industrial Operations Management, a technological update and review of the process of the Meridium reliability system was carried out. Regarding corporate applications, a new solution for the management of personnel transfers was found.

In IT security, user awareness practices continued and new policies in computer equipment to reinforce the Company's security were incorporated. An update of the Computer Security regulatory framework was conducted. On the other hand, tests on the new IT Service Continuity Plan were carried out, which could be activated in case of high-impact eventualities.

Several initiatives were defined and implemented in the Compliance management area such as digital identity approval by every Profertil collaborator; the incorporation of a tool to perform a centralized management of corporate cell phones; improvements in the employee discharge process; and the implementation of partial network access with external devices.

At the infrastructure level, a new phase of the laptop replacement plan was completed. Activities to update the base platform in terms of servers and communications and network equipment were carried out throughout the year.

## ACKNOWLEDGEMENTS

Profertil would like to thank all personnel and shareholders for their collaboration during the present year, and the banking institutions and suppliers for their support.

Autonomous City of Buenos Aires, March 18, 2020
The Management team

Deloitte & Co. S.A.
Florida 234, 5° piso
C1005AAF
Ciudad Autónoma
de Buenos Aires
Argentina

Tel.: (+54-11) 4320-2700
Fax: (+54-11) 4325-8081/4326-7340
www.deloitte.com/ar

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 29

# Report of Independent Public Accountants

To the Chairman and Board of Directors of
**PROFERTIL S.A.**
Legal address: Manuela Sáenz 323 – 8th floor, Of. 803
Buenos Aires City, Argentine

## 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 statement of financial position as of December 31, 2019, the statement of comprehensive 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 29.

The amounts and other information corresponding to the fiscal year ended December 31, 2018 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 accordance with International Financial Reporting Standards ("IFRS") adopted by the Argentine Federation of Professional Councils of Economic Sciences ("FACPCE") as professional accounting standards, as approved by the International Accounting Standards Board ("IASB"), as well as the 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 the International Standards on Auditing ("ISA") issued by the International Auditing and Assurance Standards Board ("IAASB") of the International Federation of Accountants ("IFAC"), adopted in Argentina with the validity established by the FACPCE through Technical Resolution No. 32 and the Standards Adoption Circulars Issued by the IAASB and the IESBA of IFAC No. 1 and 2. These standards require that we comply with the ethical requirements, as well as that we plan and execute the audit in order to obtain reasonable assurance that the financial statements are free from material misstatements.

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

We believe that the audit evidence 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, 2019, and the results of its operations, changes in its shareholder's equity and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

**5. 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 29 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 IFRS. The effects of the differences between IFRS 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 18, 2020

**Deloitte & Co. S.A.**
(Registro de Soc. Com. - C.P.C.E.
C.A.B.A. Tº 1 - Fº 3)

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

# PROFERTIL S.A.

Manuela Sáenz 323 – 8th floor, off. 803 - Buenos Aires City.

**FISCAL YEAR NUMBER 23**
**BEGINNING ON JANUARY 1, 2019**

**FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 (PRESENTED ON A COMPARATIVE BASIS WITH THE YEAR ENDED DECEMBER 31, 2018)**

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, 2019**
(expressed in Argentine pesos)

| | **Issued, registered, subscribed and paid-in (Note 22)** |
|---|---|
| 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 |
| | 782,582,640 |

MIGUEL EDUARDO MORLEY
President

## PROFERTIL S.A.

**STATEMENT OF FINANCIAL POSITION**
**AS OF DECEMBER 31, 2019 (PRESENTED ON A COMPARATIVE BASIS WITH THE YEAR ENDED DECEMBER 31, 2018)**
(Amounts expressed in thousands of Argentine Pesos - Nota 2.b.1)

| | Notes | 31/12/2019 | 31/12/2018 |
|---|---|---|---|
| **ASSETS** | | | |
| **Noncurrent Assets** | | | |
| Property, plant and equipment | 5 | 33,318,939 | 21,301,744 |
| Right-of-use asset | 6 | 1,298,146 | 843,275 |
| Other receivables | 8 | 262,881 | 260,770 |
| **Total noncurrent assets** | | **34,879,966** | **22,405,789** |
| **Current Assets** | | | |
| Inventories | 7 | 2,046,948 | 1,656,421 |
| Other receivables | 8 | 1,081,792 | 1,264,834 |
| Trade receivables | 9 | 3,248,541 | 3,127,566 |
| Investment in financial assets | 10 | 2,447,885 | 2,151,035 |
| Cash and cash equivalents | 11 | 340,804 | 156,126 |
| **Total current assets** | | **9,165,970** | **8,355,982** |
| **TOTAL ASSETS** | | **44,045,936** | **30,761,771** |
| **SHAREHOLDERS' EQUITY** | | | |
| Shareholders' contributions | | 782,583 | 782,583 |
| Retained earnings | | 24,026,353 | 14,011,168 |
| **TOTAL SHAREHOLDERS' EQUITY** | | **24,808,936** | **14,793,751** |
| **LIABILITIES** | | | |
| **Noncurrent Liabilities** | | | |
| Deferred income tax liabilities | 12 | 8,019,190 | 4,643,092 |
| Loans | 13 | 2,391,600 | 2,256,000 |
| Other liabilities | 15 | 1,476,026 | 943,243 |
| **Total noncurrent liabilities** | | **11,886,816** | **7,842,335** |
| **Current Liabilities** | | | |
| Taxes payable | 14 | 51,424 | 11,692 |
| Salaries and social security | | 137,641 | 86,869 |
| Other liabilities | 15 | 7,592 | 51,778 |
| Loans | 13 | 4,787,143 | 6,507,650 |
| Accounts payable | 16 | 2,366,384 | 1,467,696 |
| **Total current liabilities** | | **7,350,184** | **8,125,685** |
| **TOTAL LIABILITIES** | | **19,237,000** | **15,968,020** |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | **44,045,936** | **30,761,771** |

Accompanying notes are an integral part of financial statements

MIGUEL EDUARDO MORLEY
President

## PROFERTIL S.A.

**STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED DECEMBER 31, 2019 (PRESENTED ON A COMPARATIVE BASIS WITH THE YEAR ENDED DECEMBER 31, 2018)**
(Amounts expressed in thousands of Argentine Pesos - Nota 2.b.1)

| | Notes | 2019 | 2018 |
|---|---|---|---|
| Revenues | 17 | 24,933,328 | 15,262,296 |
| Costs | 18 | (15,825,137) | (9,359,450) |
| Other operating expenses | 19 | (997,690) | (1,249,748) |
| **Gross profit** | | **8,110,501** | **4,653,098** |
| Selling expenses | 19 | (2,054,657) | (1,137,562) |
| Administrative expenses | 19 | (694,299) | (439,133) |
| Net financial results | 21 | (1,191,085) | (1,816,932) |
| Other expenses, net | 20 | (93,302) | (24,136) |
| **Net profit before income tax** | | **4,077,158** | **1,235,335** |
| Income tax | 12 | (2,675,831) | (580,405) |
| **Net profit for the year** | | **1,401,327** | **654,930** |
| **Other comprehensive income** | | | |
| Traslation differences [1] | 2.b.12) | 9,213,858 | 7,256,312 |
| **Total other comprehensive income for the year** | | **9,213,858** | **7,256,312** |
| **Total comprehensive result of the year** | | **10,615,185** | **7,911,242** |
| **Total comprehensive income for the year attributable to:** | | | |
| Shareholders of the Company | | 1,401,327 | 654,930 |
| **Total net profit of the year** | | **1,401,327** | **654,930** |
| **Total comprehensive income for the year attributable to:** | | | |
| Shareholders of the Company | | 10,615,185 | 7,911,242 |
| **Total comprehensive income for the year** | | **10,615,185** | **7,911,242** |

[1] It has no tax effect.

Accompanying notes are an integral part of financial statements

MIGUEL EDUARDO MORLEY
President

**PROFERTIL S.A.**

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

**FOR THE YEAR ENDED DECEMBER 31, 2019 (PRESENTED ON A COMPARATIVE BASIS WITH THE YEAR ENDED DECEMBER 31, 2018)**

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

| | Shareholders' contributions | Retained earnings | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Subscribed capital | Legal reserve | Facultative reserve | Special reserve | Other comprehensive income | Retained earnings | Total | Total |
| **Balance at the beginning of the fiscal year 2018** | 782,583 | 156,517 | 113,103 | - | 934,822 | 4,955,484 (1) | 6,159,926 | 6,942,509 |
| As decided by the Shareholders' Meeting on March 22, 2018: | | | | | | | | |
| - Constitution of facultative reserve | - | - | 543,060 | - | - | (543,060) | - | - |
| - Dividends in cash | - | - | - | - | - | (60,000) | (60,000) | (60,000) |
| Net profit | - | - | - | - | - | 654,930 | 654,930 | 654,930 |
| Other comprehensive income | - | - | - | - | 7,256,312 | - | 7,256,312 | 7,256,312 |
| **Balance at the end of fiscal year 2018** | 782,583 | 156,517 | 656,163 | - | 8,191,134 | 5,007,354 (1) | 14,011,168 | 14,793,751 |
| As decided by the Shareholders' Meeting on April 3, 2019: | | | | | | | | |
| - Dividends in cash | - | - | - | - | - | (600,000) | (600,000) | (600,000) |
| - Constitution of facultative reserve | | | 604,723 | - | - | (604,723) | - | - |
| - Constitution of special reserve for IFRS adoption | - | - | - | 3,802,631 | - | (3,802,631) | - | - |
| Net profit | - | - | - | - | - | 1,401,327 | 1,401,327 | 1,401,327 |
| Other comprehensive income | - | - | - | - | 9,213,858 | - | 9,213,858 | 9,213,858 |
| **Balance at the end of fiscal year 2019** | **782,583** | **156,517** | **1,260,886** | **3,802,631** | **17,404,992** | **1,401,327** | **24,026,353** | **24,808,936** |

(1) Includes 3,802,631 of IFRS Adoption Result that were imputed to Reserve RG 7/2015 IGJ by the Shareholder´s meeting on April 3, 2019 (Note 2.b.12).

Accompanying notes are an integral part of financial statements

MIGUEL EDUARDO MORLEY
President

# PROFERTIL S.A.

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2019 (PRESENTED ON A COMPARATIVE BASIS WITH THE YEAR ENDED DECEMBER 31, 2018)**

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

| | | 2019 | 2018 |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| Net income for the year | | 1,401,327 | 654,930 |
| Adjustments to reconcile net income for the year to net cash flows provided by operating activities: | | | |
| Accrued income tax expense | | 2,675,831 | 580,405 |
| Residual Value of the derecognition of property, plant and equipment | | 87,260 | 235,693 |
| Depreciation of property, plan and equipment | | 1,150,818 | 646,691 |
| Amortization of right-of-use assets | | 35,222 | 20,035 |
| Financial accretion of leases | | 78,003 | 44,246 |
| Provision for doubtful trade receivables | | 12,469 | - |
| Interests and others [2] | | 56,162 | 68,334 |
| Exchange differences and others | | (1,967,132) | 1,876,809 |
| Changes in assets and liabilities: | | | |
| Trade receivables | | 1,343,037 | (562,365) |
| Other receivables | | 180,933 | 2,205 |
| Inventories | | 1,024,745 | (275,958) |
| Accounts payable | | 354,625 | 152,308 |
| Salaries and social security | | 50,770 | 27,273 |
| Taxes payable | | 739,999 | 2,757 |
| Other liabilities | | (46,236) | 46,236 |
| Leasing´s expenses | | (40,209) | (24,222) |
| **Net cash flows provided by operating activities** | | **7,137,624** | **3,495,377** |
| **Cash flows used in investing activities:** | | | |
| Investments non cash equivalent | | 407,765 | (407,765) |
| Increase of fixed assets | | (928,906) | (815,800) |
| **Net cash flows used in investing activities** | | **(521,141)** | **(1,223,565)** |
| **Cash flows used in financing activities:** | | | |
| Dividends paid | | (600,000) | (250,000) |
| Proceeds from loans | | 8,229,618 | 4,317,776 |
| Payments of loans | | (13,983,060) | (5,246,008) |
| **Net cash flows used in financing activities** | | **(6,353,442)** | **(1,178,232)** |
| **Increment in cash and equivalents** [1] | 2.b.15) | 263,041 | 1,093,580 |
| **Effects produced by the Exchange rate´s variation in cash** | | 626,252 | 589,328 |
| **Cash and equivalents at the beginning of year** [1] | 2.b.15) | 1,899,396 | 216,488 |
| **Cash and equivalents at the end of year** [1] | | **2,788,689** | **1,899,396** |

(1) Cash and Investments with an original maturity of less than three months (Nota 2.b.15).

(2) Include 697,811 and 328,470 corresponding to interest payments for the years ended December 31, 2019 and 2018, respectively.

Accompanying notes are an integral part of financial statements

MIGUEL EDUARDO MORLEY
President

## 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, 2019 were prepared in accordance with 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.

These financial statements have been prepared under historical cost criteria, except for the valuation of certain financial assets (investments) at their fair or current value, and they are expressed in thousands of Argentine pesos. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether the price is directly verifiable or estimated using some other valuation technique. In estimating the fair value of an asset or liability, the Company takes into account the characteristics of such asset or liability if the market participants had taken those characteristics into account when valuing them at the measurement date. The fair value for measurement and / or disclosure purposes in these financial statements is determined on such basis.

The amounts and other information corresponding to the fiscal year ended in December 31, 2018 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 18, 2020.

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 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 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 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 Company has not designated a financial asset at fair value by using this option.

  As of the closing date of these financial statements, the Company’s financial assets at amortized cost include certain elements of cash and cash equivalents and trade 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 financial statements, the Company’s financial assets at fair value through profit or loss include mutual funds and short term investments.

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 derecognized 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 recognized 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 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.

**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 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:

| | **Years of Estimated Useful Life** |
|---|---|
| Furniture, fixtures and installations | 10 |
| Computer equipment, communications, software | 3 |
| Vehicles, other equipments | 5 |
| Fertilizer complex (1) | 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. The Company recognize a provision for the decommissioning costs of its Bahía Blanca plant under the item Other non-current liabilities in the Statement of Financial Position as of December 31, 2019 and 2018 (Note 15).

When a contract qualifies as onerous, the related unavoidable liabilities are recognized in the 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 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) <u>Retirement plan</u>

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 of 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. They also offer delivery services to customer storehouses by land.

General criteria of revenue recognition

Profertil recognizes its income according to IFRS 15, whose obligatoriness begins as of January 1, 2018. In accordance with this standard, the company recognizes revenue when o(r as) the entity satisfies its obligations. An obligation is considered satisfied when the control of the underlying assets are transferred to the customer. Control of an asset refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from the asset.

Revenue is measured 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-of-use and the liabilities of the assets identified in the lease contracts 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-of-use 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

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 was reduced from 35% to 30% for fiscal years 2018 and 2019 and to 25% from year 2020. This law 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.

On December 23, 2019, the “Law of social solidarity and productive reactivation in the framework of the public emergency” No. 27,541 was enacted, which, among other considerations, modifies the income tax law and establishes for the years begun January 1, 2019, 2020 and 2021 a tax rate of 30% and a withholding of 7% for the same periods in case the Company distributes dividends to shareholders abroad.

The net deferred tax liability as of December 31, 2019 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.

On December 4, 2018, Law No. 27,468 was published in the Official Gazette, which, among other issues, modifies the definition of the inflation index to be used, the parameters for the application of the integral adjustment for inflation and the deferral of the exposure to inflation result. The established parameters are as follows: 55% for fiscal year 2018, 30% for fiscal year 2019 and 15% for fiscal year 2020. The result of tax inflation adjustment of will be imputed by thirds, from the moment the mechanism becomes operational.

In relation to the tax inflation adjustment, Law No. 27,541 of December 23, 2019 establishes that for fiscal years beginning on January 1, 2019 and January 1, 2020, positive adjustments and / or negatives resulting from applying the inflation adjustment should be imputed by sixths.

The Company has applied the tax inflation adjustment in the determination of income tax for the 2019 fiscal year and has considered the five sixth of such determination as deferred tax as established by Argentine law.

Minimum presumed income tax

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.

The Company determined the IGMP applying the current rate of 1% on the computable assets at the end of each year (until the end of December 31, 2018, inclusive). This tax was complementary to the income tax. The Company's tax obligation in each year coincided with the higher of both taxes. However, if the minimum presumed income tax exceeded income tax in a fiscal year, such excess could be computed as prepayment of the income tax that may be generated in in the next ten years. If the Company considered that it could not apply such credits before they expired, they should be charged to income for the year.

**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, 2019, 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:

| | Translation differences | Total |
|---|---|---|
| **Balance at January 1st, 2018** | **934,822** | **934,822** |
| Net profit for the year | 7,256,312 | 7,256,312 |
| **Balance at December 31st, 2018** | **8,191,134** | **8,191,134** |
| Net profit for the year | 9,213,858 | 9,213,858 |
| **Balance at December 31st, 2019** | **17,404,992** | **17,404,992** |

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 in retained earnings according to the regulations in force, was charged to a special reserve for the Shareholders' Meeting on April 3, 2019.

According to the aforementioned regulation, such reserve can not be disaffected to make distributions in cash or in kind and may only be discharged for capitalization or to absorb possible negative balances from the "Retained earnings" account.

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

During the year ended December 31, 2019, the Company entered into forward purchase transactions of US dollars.

As of December 31, 2019, the Company does not have signed contracts for the forward purchase of US dollars.

The loss 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, 2019 is 437,377 and is included in "Other financial results", in the "Financial results, net" item in the income statement.

**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 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:

| | **31-12-2019** | **31-12-2018** |
|---|---|---|
| - Cash and Banks | 340,804 | 156,126 |
| - Mutual fonds | 1,095,628 | 674,808 [(1)] |
| - Government securities | - | 14,053 |
| - Other short term investments | 1,352,257 | 1,054,409 |
| | **2,788,689** | **1,899,396** |

(1) Excluded 407,765, as of December 31, 2018, 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**

In the current year, the Company implemented a series of new and modified IFRS, issued by the International Accounting Standards Board (IASB), and adopted by the FACPCE, which are mandatory and entered into force on from the exercises started on January 1, 2019:

- ***IFRIC 23, Uncertainty about Income Tax Treatments***

On June 7, 2017, the IASB issued IFRIC 23, Uncertainty about Income Tax Treatments. This Interpretation establishes how to determine a tax position when there is uncertainty about the treatment of income tax. IFRIC 23 requires an entity to: (i) determine whether uncertain tax positions should be evaluated separately or together; (ii) evaluate whether the tax authority is likely to accept the uncertain tax treatment used or that is planned to be used by an entity in its income tax returns. If so, the accounting tax position must be determined in a manner consistent with the tax treatment used on income tax returns. If not, the effect of uncertainty should be reflected in determining the accounting tax position using the most probable amount or the expected value method.

IFRIC 23 is mandatory from the annual financial statements that started on January 1, 2019.

The application of this standard did not have a significant impact on the Company's financial statements.

- ***Annual improvements to IFRS (Cycle 2015 - 2017)***

The annual improvements to IFRS (Cycle 2015 - 2017) include modifications to the following standards:

a) IFRS 3, "Business Combinations": The amendments clarify that when control of a business that is a joint operation is obtained, the requirements for a business combination in stages apply, including the reevaluation of its previously held interest (PHI) for the joint operation at fair value. The previously held interest subject to remeasurement includes unrecognized assets, liabilities and goodwill related to the joint operation.

b) IFRS 11, “Joint operations”: The amendments clarify that when a party that participates in a joint operation did not have joint control, and obtains joint control, the previously held participation in the joint operation should not be reevaluated.

c) IAS 12, “Income Tax”: The amendments clarify that the consequences of income tax on dividends must be recognized in the income statement, in other comprehensive income or in capital as originally recognized the transactions that generated the distributable earnings. This applies regardless of whether different tax rates apply to distributed and undistributed earnings.

d) IAS 23, “Cost of loans”: The amendments clarify that, if any specific loan remains outstanding after the related asset is ready for its intended use or sale, the loan is part of the funds borrowed when calculating the capitalization rate of general loans.

Its adoption has had no material impact on the disclosures or amounts reported in these financial statements.

- ***Modifications to IFRS 9, Prepayment characteristics with negative compensation***

The Company adopted the amendments to IFRS 9 for the first time in the current period. The amendments to IFRS 9 clarify that, in order to assess whether a prepayment meets the condition of “solely payments of principal and interest” (SPPI), the party exercising the option may pay or receive reasonable compensation for prepayment regardless of reason for prepayment. In other words, financial assets with prepaid characteristics with negative compensation do not necessarily fail the SPPI test.

Its adoption has had no material impact on the disclosures or amounts reported in these financial statements.

- ***Modifications to IAS 28, Long-term interests in associates and joint ventures***

The Company adopted the amendments to IAS 28 for the first time in the current period. The amendment clarifies that IFRS 9, including its impairment requirements, applies to other financial instruments in an associate or joint venture to which the equity method is not applicable.

This includes long-term interests that, in substance, form part of the net investments in an associate or joint venture. The Company applies IFRS 9 to such long-term interests to which IAS 28 previously applied. In applying IFRS 9, the Company does not take into account any adjustments to the carrying amount of long-term interests required by IAS 28 (for example, adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or the impairment assessment in accordance with IAS 28).

Its adoption has had no material impact on the disclosures or amounts reported in these financial statements.

- ***Modifications to IAS 19, Modification, Reduction or Liquidation of the Employee Benefit Plan***

The amendments clarify that past service cost (or settlement gain or loss) is calculated by measuring the defined benefit liability or asset, using current assumptions and comparing the benefits offered and the plan assets before and after the modification. (reduction or liquidation) of the plan, but ignoring the effect of the asset ceiling (which can arise when the defined benefit plan is in a surplus position). IAS 19 now clarifies that the change in the effect of the asset ceiling that may result from the modification (reduction or liquidation) of the plan is determined through a second step and is normally recognized in other comprehensive income.

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

Its adoption has had no material impact on the disclosures or amounts reported in these financial statements.

There are no other IFRS or IFRIC interpretations that are effective for the first time for the financial year beginning on or after January 1, 2019 that have a significant effect on these financial statements, nor other IFRS or IFRIC interpretations that are not yet effective and that they are expected to have a significant effect on the Company.

**Standards and interpretations issued not adopted to date**

The IFRS detailed below are issued by the IASB and approved by the FACPCE, but their application is not required, admitting their early application, given the effective dates indicated below.

- ***Conceptual Framework of IFRS***

In March 2018, the IASB published a revised Conceptual Framework and also issued amendments to references to the Conceptual Framework in IFRS Standards. The document contains modifications to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC-32. Not all amendments, however, update those pronouncements regarding references and citations to 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 new revised 2018 framework) or to indicate that the definitions in the standard do not they have been updated with the new definitions developed in the revised Conceptual Framework.

The amendments are effective for fiscal years beginning on or after January 1, 2020, with early adoption permitted.

The Board of Directors of the Company anticipates that the application of the aforementioned modifications will not have a significant impact on the Company's financial statements.

- ***Modifications to IAS 1 and IAS 8, Definition of materiality***

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

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

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

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

The Board of Directors of the Company anticipates that the application of the aforementioned modifications will not have a significant impact on the Company's financial statements.

- ***Modifications to IFRS 3, Definition of a business***

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

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

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

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

The Board of Directors of the Company anticipates that the application of the aforementioned modifications will not have a significant impact on the Company's financial statements.

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

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

- modify the specific hedge accounting requirements so that entities apply those requirements as if the interest rate reference index on which the covered cash flows are based and the cash flows of the hedging instrument are not altered due to the reform of the benchmark interest rate index;
- apply to all hedging relationships directly affected by the reform of the benchmark interest rate index; and
- require specific disclosures about the extent to which the amendments affect the entities' hedging relationships.

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

The Board of Directors of the Company anticipates that the application of the aforementioned modifications will not have a significant impact on the Company's financial statements.

- ***Amendments to IAS 1 to clarify the classification of liabilities***

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

- clarify that the classification of liabilities as current or non-current should be based on the rights existing at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make it explicit that only the rights in force "at the end of the reporting period" should affect the classification of a liability;
- clarify that the classification is not affected by expectations about whether an entity will exercise its right to defer settlement of a liability; Y
- make it clear that the settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and will apply retroactively. Permit your anticipate app.

The Board of Directors of the Company anticipates that the application of the aforementioned modifications will not have a significant impact on the Company's financial statements.

There are no other interpretations of IFRS or IFRIC that have not yet entered into force and which are expected to have a material effect on the Company's financial statements.

**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 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 used derivative financial instruments as hedge against fluctuations in the exchange rate of the currency.

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:

| | 31-12-2019 | 31-12-2018 |
|---|---|---|
| Financial assets | 1,342,340 | 2,660,545 |
| Financial liabilities | (1,841,367) | (659,194) |
| Exchange rate exposure | **(499,027)** | **2,001,351** |

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, 2019:

| | Increase (+) / decrease (-) in the exchange rate of the peso against the dollar | Profit (Loss) for the year ended December 31, 2019 |
|---|---|---|
| Effect on pre-tax result corresponding to financial assets and liabilities | +10% | (49,903) |
| | -10% | 49,903 |

**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 investments in current accounts denominated in dollars abroad 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, 2019, depending on the type of applicable rate:

| | Financial assets(1) | Financial liabilities(2) |
|---|---|---|
| Fixed interest rate | 1,352,257 | 5,074,961 |
| Variable interest rate | - | 3,587,400 |
| Total | **1,352,257** | **8,662,361** |

(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 through profit or loss".

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, 2019:

| | Increase (+) / decrease (-) in the prices of investments in financial instruments | Profit (Loss) for the year ended December 31, 2019 |
|---|---|---|
| Effect on the result before taxes | 10% | 244,789 |
| | -10% | (244,789) |

**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, 2019, the liquidity availabilities reach 2,788,689, considering cash for 304,804 and other liquid financial assets for 2,447,885.

The expiration dates of the financial assets and liabilities existing as of December 31, 2019 are analyzed in the attached tables:

| | December 31, 2019 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Maturity | | | | | | |
| | **From 0 to 1 year** | **From 1 to 2 years** | **From 2 to 3 years** | **From 3 to 4 years** | **From 4 to 5 years** | **More than 5 years** | **Total** |
| **Financial assets** | | | | | | | |
| Trade receivables | 3,248,541 | - | - | - | - | - | 3,248,541 |
| Investments in financial assets | 2,447,885 | - | - | - | - | - | 2,447,885 |
| Cash and banks | 340,804 | - | - | - | - | - | 340,804 |
| | **6,037,230** | **-** | **-** | **-** | **-** | **-** | **6,037,230** |
| **Financial liabilities** | | | | | | | |
| Other liabilities | 7,592 | 7,998 | 8,520 | 9,078 | 9,671 | 1,440,759 | 1,483,618 |
| Loans | 4,787,143 | 2,391,600 | - | - | - | - | 7,178,743 |
| Accounts payables(1) | 2,366,384 | - | - | - | - | - | 2,366,384 |
| | **7,161,119** | **2,399,598** | **8,520** | **9,078** | **9,671** | **1,440,759** | **11,028,745** |

(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, 2019, distinguishing by type of financial instrument and without discounting the amounts covered by guarantees and other mechanisms mentioned below, is detailed below:

| | **Maximum exposure as of December 31, 2019** |
|---|---|
| Cash and banks | 340.804 |
| Other financial assets | 5.728.201 |

Considering the maximum exposure to the risk of Other financial assets depending on the concentration of counterparties, loans with related companies represent approximately 30%, while the other debtors of the Company are mainly concentrated in Asociación de Cooperativas Argentinas (16%) and Bunge Argentina SA (13%).

The following is an opening of financial assets due as of December 31, 2019:

| | **Current accounts receivables** |
|---|---|
| Expired with less than three months | 356,232 |
| Expired between 3 and 6 months | 2,598 |
| Expired with more than 6 months | 68,699 |
| | 427,529 |

MIGUEL EDUARDO MORLEY
President

As of such date, the Company has a provision for doubtful accounts for sales of 31,775.

**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. Since the line items "Trade receivables", "Other receivables", "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".

| | 31-12-2019 | | | | |
|---|---|---|---|---|---|
| **Financial assets** | **Financial assets at amortized cost** | **Financial assets at fair value through profit or loss** | **Subtotal financial assets** | **Non-financial assets** | **Total** |
| Other receivables | 143,713 | - | 143,713 | 1,200,960 | 1,344,673 |
| Trade receivables(1) | 3,280,316 | - | 3,280,316 | - | 3,280,316 |
| Investments in financial assets | - | 2,447,885 | 2,447,885 | - | 2,447,885 |
| Cash and banks | 340,804 | - | 340,804 | - | 340,804 |
| | **3,764,833** | **2,447,885** | **6,212,718** | **1,200,960** | **7,413,678** |

| | 31-12-2018 | | | | |
|---|---|---|---|---|---|
| **Financial assets** | **Financial assets at amortized cost** | **Financial assets at fair value through profit or loss** | **Subtotal financial assets** | **Non-financial assets** | **Total** |
| Other receivables | - | - | - | 1,525,604 | 1,525,604 |
| Trade receivables(1) | 3,139,369 | - | 3,139,369 | - | 3,139,369 |
| Investments in financial assets | - | 2,151,035 | 2,151,035 | - | 2,151,035 |
| Cash and banks | 156,126 | - | 156,126 | - | 156,126 |
| | **3,295,495** | **2,151,035** | **5,446,530** | **1,525,604** | **6,972,134** |

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

| | 31-12-2019 | | | | |
|---|---|---|---|---|---|
| **Financial liabilities** | **Financial liabilities at amortized cost** | **Financial liabilities at fair value through profit or loss** | **Subtotal financial liabilities** | **Non-financial liabilities** | **Total** |
| Other liabilities | 1,483,618 | - | 1,483,618 | - | 1,483,618 |
| Loans | 7,178,743 | - | 7,178,743 | - | 7,178,743 |
| Accounts payable | 2,366,384 | - | 2,366,384 | - | 2,366,384 |
| | **11,028,745** | **-** | **11,028,745** | **-** | **11,028,745** |

| | 31-12-2018 | | | | |
|---|---|---|---|---|---|
| **Financial liabilities** | **Financial liabilities at amortized cost** | **Financial liabilities at fair value through profit or loss** | **Subtotal financial liabilities** | **Non-financial liabilities** | **Total** |
| Other liabilities | 948,785 | 46,236 | 995,021 | - | 995,021 |
| Loans | 8,763,650 | - | 8,763,650 | - | 8,763,650 |
| Accounts payable | 1,467,696 | - | 1,467,696 | - | 1,467,696 |
| | **11,180,131** | **46,236** | **11,226,367** | **-** | **11,226,367** |

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

| | 31-12-2019 | | |
|---|---|---|---|
| | Financial assets / liabilities at amortized cost | Financial assets / liabilities at fair value through profit or loss | Total |
| Interest income | 187,242 | - | 187,242 |
| Interests loss and others | (908,298) | - | (908,298) |
| Net exchange differences | (531,486) | - | (531,486) |
| Financial accretion of leases | (78,003) | - | (78,003) |
| Fair value gains on financial assets at fair value through profit or loss | - | 576,837 | 576,837 |
| Loss on derivative financial instruments | - | (437,377) | (437,377) |
| | **(1,330,545)** | **139,460** | **(1,191,085)** |

| | 31-12-2018 | | |
|---|---|---|---|
| | Financial assets / liabilities at amortized cost | Financial assets / liabilities at fair value through profit or loss | Total |
| Interest income | 48,523 | - | 48,523 |
| Interests loss and others | (582,043) | - | (582,043) |
| Net exchange differences | (1,860,692) | - | (1,860,692) |
| Financial accretion of leases | (44,246) | - | (44,246) |
| Fair value gains on financial assets at fair value through profit or loss | - | 322,361 | 322,361 |
| Gains on derivative financial instruments | - | 299,165 | 299,165 |
| | **(2,438,458)** | **621,526** | **(1,816,932)** |

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 other short term investments.

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, 2019 and 2018 and their allocation to the fair value hierarchy:

| | 31-12-2019 | | | |
|---|---|---|---|---|
| Financial assets | Level 1 | Level 2 | Level 3 | Total |
| Investments in financial assets: | | | | |
| Current: | | | | |
| - Mutual funds | 1,095,628 | - | - | 1,095,628 |
| - Other short term investments | 1,352,257 | - | - | 1,352,257 |
| | **2,447,885** | **-** | **-** | **2,447,885** |

| Financial assets | 31-12-2018 Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Investments in financial assets: | | | | |
| Current: | | | | |
| - Mutual funds | 1,082,573 | - | - | 1,082,573 |
| - Government securities | 14,053 | - | - | 14,053 |
| - Fixed deposits | 1,054,409 | - | - | 1,054,409 |
| | **2,151,035** | **-** | **-** | **2,151,035** |

| Financial liabilities | 31-12-2018 Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Other liabilities | | | | |
| Current: | | | | |
| -Currency futures contracts | 46,236 | - | - | 46,236 |
| | **46,236** | **-** | **-** | **46,236** |

As of December 31, 2019, the Company has no financial liabilities measured at fair value through profit or loss.

The Company's policy is to acknowledge transfers between the different categories of the valuation hierarchy when occured or when there are changes in the circumstances that cause the transfer. During the years ended December 31, 2019 and 2018, there were 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, 2019, the fair value of the rest of the financial assets and liabilities measured at amortized cost do not differ significantly from their book value

| | **31-12-2019** | | **31-12-2018** | |
|---|---|---|---|---|
| | Valor nominal | Valor razonable | Valor nominal | Valor razonable |
| Financial liabilities | | | | |
| Maintained at amortized cost | | | | |
| Loans | 7.178.743 | 7.690.413 | 8.763.650 | 8.295.128 |

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## PROPERTY, PLANT AND EQUIPMENT

The evolution of the Company's property, plant and equipment for the years ended December 31, 2019 and 2018 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 | 78,369 | 11,055 | 18,616 | 21,919 | 14,938 | 357,146 | 94,328 | 1,479,478 | 400,511 | 15,639,216 | 496,879 | 18,612,455 |
| Accumulated depreciation | - | (11,055) | (13,664) | (18,636) | (12,124) | (306,599) | (89,760) | (527,753) | - | (7,034,776) | - | (8,014,367) |
| **Balance as of January 1, 2018** | 78,369 | - | 4,952 | 3,283 | 2,814 | 50,547 | 4,568 | 951,725 | 400,511 | 8,604,440 | 496,879 | 10,598,088 |
| Costs | | | | | | | | | | | | |
| Increases | - | - | 6,561 | 2,390 | - | 5,849 | 1,871 | - | 605,969 | 83,177 | 109,983 | 815,800 |
| Transfers | - | - | - | - | - | 10,540 | 8,947 | - | (846,496) | 827,009 | - | |
| Transition effects | 80,063 | 11,294 | 20,185 | 23,796 | 15,228 | 371,533 | 98,482 | 1,511,456 | 555,423 | 15,977,437 | 509,067 | 19,173,964 |
| Decreases and reclassifications | - | - | (4,056) | - | (52) | (226) | (75) | - | - | (285,049) | (97,737) | (387,195) |
| Accumulated depreciation | | | | | | | | | | | | |
| Increases | - | - | (3,894) | (3,180) | (1,756) | (57,687) | (3,482) | (101,500) | - | (475,192) | - | (646,691) |
| Transition effects | - | (11,294) | (12,924) | (19,993) | (12,991) | (339,498) | (92,950) | (574,597) | - | (7,339,477) | - | (8,403,724) |
| Decreases and reclassifications | - | - | 3,785 | - | - | - | - | - | - | 147,717 | - | 151,502 |
| Cost | 158,432 | 22,349 | 41,306 | 48,105 | 30,114 | 744,842 | 203,553 | 2,990,934 | 715,407 | 32,241,790 | 1,018,192 | 38,215,024 |
| Accumulated depreciation | - | (22,349) | (26,697) | (41,809) | (26,871) | (703,784) | (186,192) | (1,203,850) | - | (14,701,728) | - | (16,913,280) |
| **Balance as of December 31, 2018** | 158,432 | - | 14,609 | 6,296 | 3,243 | 41,058 | 17,361 | 1,787,084 | 715,407 | 17,540,062 | 1,018,192 | 21,301,744 |
| Costs | | | | | | | | | | | | |
| Increases | - | - | 4,223 | 11,058 | - | 24,224 | - | 107 | 640,376 | 6,095 | 242,823 | 928,906 |
| Transfers | - | - | - | - | - | - | 7,070 | 29,870 | (348,291) | 311,351 | - | - |
| Transition effects | 93,500 | 13,190 | 26,093 | 29,976 | 17,772 | 445,469 | 120,326 | 1,765,188 | 357,857 | 19,122,291 | 563,109 | 22,554,771 |
| Decreases and reclassifications | - | - | - | - | - | - | (402) | - | - | (22,458) | (70,090) | (92,950) |
| Accumulated depreciation | | | | | | | | | | | | |
| Increases | - | - | (6,746) | (9,131) | (3,089) | (54,950) | (5,161) | (176,148) | - | (895,593) | - | (1,150,818) |
| Transition effects | - | (13,190) | (17,230) | (26,131) | (16,523) | (427,961) | (111,049) | (748,218) | - | (8,868,102) | - | (10,228,404) |
| Decreases and reclassifications | - | - | - | - | - | - | - | - | - | 5,690 | - | 5,690 |
| Cost | 251,932 | 35,539 | 71,622 | 89,139 | 47,886 | 1,214,535 | 330,547 | 4,786,099 | 1,365,349 | 51,659,069 | 1,754,034 | 61,605,751 |
| Accumulated depreciation | - | (35,539) | (50,673) | (77,071) | (46,483) | (1,186,695) | (302,402) | (2,128,216) | - | (24,459,733) | - | (28,286,812) |
| **Balance as of December 31, 2019** | 251,932 | - | 20,949 | 12,068 | 1,403 | 27,840 | 28,145 | 2,657,883 | 1,365,349 | 27,199,336 | 1,754,034 | 33,318,939 |

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## 6. RIGHT-OF-USE ASSET

| | |
|---|---|
| Cost | 443,755 |
| Accumulated amortization | (13,313) |
| **Balance as of January 1, 2018** | **430,442** |
| Cost | |
| Transition effects | 453,347 |
| Amortization | |
| Increases | (20,035) |
| Translation effects | (20,479) |
| Cost | 897,102 |
| Accumulated amortization | (53,827) |
| **Balance as of December 31, 2018** | **843,275** |
| Cost | |
| Translation effects | 529,433 |
| Amortization | |
| Increases | (35,222) |
| Translation effects | (39,340) |
| Cost | 1,426,535 |
| Accumulated amortization | (128,389) |
| **Balance as of December 31, 2019** | **1,298,146** |

## 7. INVENTORIES

| | 31-12-2019 | 31-12-2018 |
|---|---|---|
| Finished goods | 1,762,101 | 1,440,865 |
| Materials | 284,847 | 184,683 |
| Goods loans | - | 30,873 |
| | **2,046,948** | **1,656,421** |

## 8. OTHER RECEIVABLES

| | 31-12-2019 | | 31-12-2018 | |
|---|---|---|---|---|
| | Noncurrent | Current | Noncurrent | Current |
| Value-added tax | - | 345,508 | - | 500,361 |
| Refunds on exports | - | 3,246 | - | - |
| Deposits in guarantee | - | 143,713 | - | 52,904 |
| Minimum presumed income tax | 176,922 | - | 90,871 | - |
| Income tax | 35,004 | - | 34,811 | - |
| Advances and withholdings of income tax | | 171,272 | - | 554,836 |
| Tax on gross income | - | 66,920 | 79,089 | 14,321 |
| Prepaid expenses | - | 127,273 | - | 67,867 |
| Advances to suppliers | 50,955 | 166,901 | 55,999 | 21,621 |
| Advances to suppliers of inventories | - | 17,856 | - | 18,680 |
| Miscellaneous | - | 39,103 | - | 34,244 |
| | **262,881** | **1,081,792** | **260,770** | **1,264,834** |

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## 9. TRADE RECEIVABLES

| | 31-12-2019 | 31-12-2018 |
|---|---|---|
| Accounts receivables | 2,268,898 | 2,133,024 |
| Related parties (Note 26) | 1,011,418 | 1,006,345 |
| Provision for doubtful trade receivables | (31,775) | (11,803) |
| | **3,248,541** | **3,127,566** |

## 10. INVESTMENTS IN FINANCIAL ASSETS

| | 31-12-2019 | 31-12-2018 |
|---|---|---|
| - Mutual funds (1) | 1,095,628 | 1,082,573 |
| - Government securities (2) | - | 14,053 |
| - Other short term investments (3) | 1,352,257 | 1,054,409 |
| | **2,447,885** | **2,151,035** |

(1) Corresponds to investments with an agreed maturity of less than three months. As of December 31, 2018 includes 407,765 as a guarantee for the forward purchase of dollar transactions arranged by the Company.

(2) Corresponds to Treasury Bills in pesos at 4% with due date 31/01/19 for a nominal value of 14,131,000.

(3) Corresponds to short-term deposits in foreign banks.

## 11. CASH AND BANKS

| | 31-12-2019 | 31-12-2018 |
|---|---|---|
| Cash | 1,335 | 4,312 |
| Banks | 339,469 | 151,814 |
| | **340,804** | **156,126** |

## 12. INCOME TAX

The calculation of the accrued charge for the income tax for the years ended December 31, 2019 and 2018 is as follows:

| | 2019 | 2018 |
|---|---|---|
| Current income tax | (1,208,092) | (96,735) |
| Deferred tax | (1,467,739) | (483,670) |
| | **(2,675,831)** | **(580,405)** |

The reconciliation between the charge to results for income tax corresponding to the years ended December 31, 2019 and 2018 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:

| | 2019 | 2018 |
|---|---|---|
| Net income before income tax | 4,077,158 | 1,235,335 |
| Current tax rate | 30% | 30% |
| Current tax rate applied to net income before income tax | (1,223,147) | (370,600) |
| Net effects of the fiscal adjustment on the purchasing power of the currency | (492,944) | - |
| Difference by functional currency and others | (959,740) | (209,805) |
| Charge for income tax | **(2,675,831)** | **(580,405)** |

(1) See note 2.b.11).

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Also, the composition of deferred tax as of December 31, 2019 and 2018 is as follows:

| | 31-12-2019 | 31-12-2018 |
|---|---|---|
| Deferred tax assets | | |
| Miscellaneous | 300 | 300 |
| Total deferred tax assets | 300 | 300 |
| | | |
| Deferred tax liabilities | | |
| Property, plant and equipment, and materials | (7,595,112) | (4,610,802) |
| Tax effect for exposure to the change in the purchasing power of the currency | (403,318) | - |
| Miscellaneous | (21,060) | (32,590) |
| Total deferred tax liability | (8,019,490) | (4,643,392) |
| **Total net deferred tax liability** | **(8,019,190)** | **(4,643,092)** |

## 13. LOANS

| | *Interest rate* [(1)] | 31-12-2019 | | 31-12-2018 | |
|---|---|---|---|---|---|
| | | Noncurrent | Current | Noncurrent | Current |
| Bank debts | (2) | 2,391,600 | 4,787,143 | 2,256,000 | 6,507,650 |
| | | **2,391,600** | **4,787,143** | **2,256,000** | **6,507,650** |

(1) Annual interest rates in effect as of December 31, 2019.

(2) As of December 31, 2019 includes 2,331,810 that accrue interest at annual nominal rates between 6.25% y 7%, 1,464,700 accrue interest at annual nominal rates between 68% y 69%, 1,195,800 accrue LIBOR annual interest plus 2.25%, 1,195,800 accrue LIBOR annual interest plus 3%, 597,900 accrue LIBOR annual interest plus 5.25% y 597,900 accrue LIBOR annual interest plus 5.75% .

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

| | 2019 | 2018 |
|---|---|---|
| Balances at the beginning of the year | 8,763,650 | 4,256,605 |
| Cash flows from financing activities | | |
| Proceed from loans | 8,229,618 | 4,317,776 |
| Payments of loans | (13,983,060) | (5,246,008) |
| | (5,753,442) | (928,232) |
| *Other changes:* | | |
| Accrued interest | 753,973 | 396,804 |
| Payments of interest | (697,811) | (328,470) |
| Net exchange differences and translation | 4,112,373 | 5,366,943 |
| | 4,168,535 | 5,435,277 |
| Balances at the end of the year | **7,178,743** | **8,763,650** |

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, certain loans include, as a clause, the execution of a forward purchase and sale operation of foreign currency, which is carried out without the delivery of foreign currency and by offsetting exchange rate differences on a certain amount established in dollars, between a projected exchange rate and the reference exchange rate, at the time of cancellation of such loans.

## 14. FISCAL CHARGES

| | 31-12-2019 | 31-12-2018 |
|---|---|---|
| Withholding of income tax | 12,755 | - |
| Withholdings from added-value tax | 38,669 | 11,692 |
| | **51,424** | **11,692** |

## 15. OTHER LIABILITIES

| | 31-12-2019 | | 31-12-2018 | |
|---|---|---|---|---|
| | Noncurrent | Current | Noncurrent | Current |
| Leases | 593,412 | 7,592 | 422,258 | 5,542 |
| Decommissioning provision | 882,614 | - | 520,985 | - |
| Other liabilities for currency futures contracts | - | - | - | 46,236 |
| | **1,476,026** | **7,592** | **943,243** | **51,778** |

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

| | Leases | Decommissioning provision | Total |
|---|---|---|---|
| **Balances as of January 1, 2018** | 214,299 | 241,892 | 456,191 |
| Translation effects | 217,389 | 255,181 | 472,570 |
| Financial accretion | 20,334 | 23,912 | 44,246 |
| Lease payments | (24,222) | - | (24,222) |
| **Balances as of December 31, 2018** | **427,800** | **520,985** | **948,785** |
| Translation effects | 178,914 | 318,125 | 497,039 |
| Financial accretion | 34,499 | 43,504 | 78,003 |
| Lease payments | (40,209) | - | (40,209) |
| **Balances as of December 31, 2019** | **601,004** | **882,614** | **1,483,618** |

## 16. ACCOUNT PAYABLES

| | 31-12-2019 | 31-12-2018 |
|---|---|---|
| Suppliers | 1,407,980 | 927,979 |
| Related parties (Note 26) | 468,216 | 388,015 |
| Advances from customers | 482,779 | 151,702 |
| Goods loans | 7,409 | - |
| | **2,366,384** | **1,467,696** |

## 17. REVENUE

| | 2019 | 2018 |
|---|---|---|
| Sales by product type | | |
| Urea | | |
| - Local market | 16,496,607 | 9,826,845 |
| - Exports | 2,107,626 | 288,635 |
| Ammonia | | |
| - Local market | 249,090 | 226,377 |
| - Exports | 181,799 | 225,755 |
| Other resale products | | |
| - Local market | 6,084,428 | 4,774,265 |
| Grain sales | 1,612,459 | 1,046,565 |
| Cost of grain sales | (1,598,322) | (1,041,004) |
| Grain sales commission | (9,239) | (5,561) |
| Grain sale result | 4,898 | - |
| Services: | | |
| Untying | 127,590 | 111,459 |
| Storage | 130,940 | 85,089 |
| Shipping | 63,751 | 58,298 |
| Other services | 20,759 | 18,596 |
| | | |
| Gross income tax | (541,051) | (359,289) |
| Export refunds | 6,891 | 6,266 |
| | **24,933,328** | **15,262,296** |

## 18. COSTS

| | 2019 | 2018 |
|---|---|---|
| Inventories at the beginning of the year [(1)] | 1,471,738 | 705,788 |
| Purchases | 4,456,213 | 5,027,222 |
| Cost for services | 112,893 | 83,972 |
| Production costs (Note 19) | 10,131,122 | 5,454,938 |
| Translation difference | 1,415,272 | (440,732) |
| Inventories at year-end [(1)] | (1,762,101) | (1,471,738) |
| | **15,825,137** | **9,359,450** |

[(1)] 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, 2019 and 2018:

| | 2019 | | | | |
|---|---|---|---|---|---|
| **Account** | **Production costs** | **Selling Expenses** | **Administrative expenses** | **Other operating expenses** | **Total** |
| Payroll | 358,762 | 104,635 | 245,255 | 11,686 | 720,338 |
| Other staff expenses | 18,817 | 15,962 | 39,893 | 4,309 | 78,981 |
| Social contributions | 78,258 | 22,871 | 41,308 | 5,896 | 148,333 |
| Taxes, fees and contributions | 8,474 | 388,432 | 3,756 | 6,746 | 407,408 |
| Rentals and common expenses | 6,705 | 6,003 | 10,771 | 583 | 24,062 |
| Office expenses | 11,171 | 22,390 | 39,075 | 5,905 | 78,541 |
| Travel expenses | 2,870 | 5,118 | 10,670 | - | 18,658 |
| Handling and storage | 1,191 | 281,846 | - | 634 | 283,671 |
| Transport and freight | - | 714,961 | - | - | 714,961 |
| Internal transfers | 648,794 | - | - | - | 648,794 |
| Fees and compensation for services | 7,581 | 45,793 | 46,723 | 5,353 | 105,450 |
| Hiring | 96,231 | 69,792 | 112,921 | 38,519 | 317,463 |
| Depreciation of property, plant and equipment | 811,311 | 179,237 | 64,694 | 95,576 | 1,150,818 |
| Amortization of right-of-use | 10,329 | 2,364 | 18,021 | 4,508 | 35,222 |
| Insurance | 138,742 | 29,555 | 2,124 | 22,639 | 193,060 |
| Communication expenses | 2,336 | 7,248 | 9,407 | 1,708 | 20,699 |
| Provisions | 9,011 | 56,182 | - | - | 65,193 |
| Publicity and marketing | 222 | 9,270 | 35,117 | 426 | 45,035 |
| Materials and supplies | 14,342 | 10,322 | 2,457 | 13,901 | 41,022 |
| Gas, energy and others | 7,558,712 | - | - | 727,373 | 8,286,085 |
| Maintenance and repairs | 344,870 | 74,166 | 2,201 | 51,928 | 473,165 |
| Miscellaneous | 2,393 | 8,510 | 9,906 | - | 20,809 |
| **Total 2019** | **10,131,122** | **2,054,657** | **694,299** | **997,690** | **13,877,768** |

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| Account | 2018 Production costs | Selling Expenses | Administrative expenses | Other operating expenses | Total |
|---|---|---|---|---|---|
| Payroll | 190,277 | 70,081 | 146,299 | 49,021 | 455,678 |
| Other staff expenses | 11,014 | 10,961 | 22,776 | 4,386 | 49,137 |
| Social contributions | 45,222 | 13,984 | 24,975 | 7,850 | 92,031 |
| Taxes, fees and contributions | 5,006 | 161,393 | 1,049 | 4,762 | 172,210 |
| Rentals and common expenses | 1,172 | 5,543 | 5,415 | 179 | 12,309 |
| Office expenses | 9,381 | 16,512 | 22,296 | 6,891 | 55,080 |
| Travel expenses | 389 | 2,497 | 3,810 | 731 | 7,427 |
| Handling and storage | 523 | 176,324 | - | 523 | 177,370 |
| Transport and freight | - | 368,321 | - | - | 368,321 |
| Internal transfers | 380,670 | - | - | - | 380,670 |
| Fees and compensation for services | 6,224 | 27,063 | 26,930 | 2,812 | 63,029 |
| Hiring | 47,746 | 57,471 | 85,899 | 31,344 | 222,460 |
| Depreciation of property, plant and equipment | 360,192 | 103,256 | 64,813 | 118,430 | 646,691 |
| Amortization of right-of-use | 10,682 | 3,612 | - | 5,741 | 20,035 |
| Insurance | 56,972 | 12,556 | 1,171 | 15,351 | 86,050 |
| Communication expenses | 1,843 | 4,065 | 5,686 | 580 | 12,174 |
| Provisions | - | 40,371 | 1,145 | - | 41,516 |
| Publicity and marketing | 178 | 3,380 | 19,633 | 75 | 23,266 |
| Materials and supplies | 12,253 | 5,880 | 710 | 6,513 | 25,356 |
| Gas, energy and others | 4,137,012 | - | - | 921,364 | 5,058,376 |
| Maintenance and repairs | 176,483 | 49,304 | 1,117 | 72,739 | 299,643 |
| Miscellaneous | 1,699 | 4,988 | 5,409 | 456 | 12,552 |
| **Total 2018** | **5,454,938** | **1,137,562** | **439,133** | **1,249,748** | **8,281,381** |

## 20. OTHER INCOME AND EXPENSES, NET

| | 2019 | 2018 |
|---|---|---|
| Bank credits and debits tax | (249,617) | (149,161) |
| Miscellaneous | 156,315 | 125,025 |
| | **(93,302)** | **(24,136)** |

## 21. NET FINANCIAL RESULTS

| | 2019 | 2018 |
|---|---|---|
| Financial income | | |
| Exchange differences | 1,783,421 | 431,531 |
| Net interest income | 187,242 | 48,523 |
| **Total financial income** | 1,970,663 | 480,054 |
| Financial loss | | |
| Exchange differences | (2,314,907) | (2,292,223) |
| Financial accretion of leases | (78,003) | (44,246) |
| Net interest loss | (908,298) | (582,043) |
| **Total financial costs** | (3,301,208) | (2,918,512) |
| Other financial results | | |
| Fair value gains on financial assets at fair value through profit or loss | 576,837 | 322,361 |
| Gains on derivative financial instruments | (437,377) | 299,165 |
| **Total other financial results** | 139,460 | 621,526 |
| **Total financial results, net** | **(1,191,085)** | **(1,816,932)** |

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**22. EQUITY**

The nominal capital of the Company as of December 31, 2019 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, 2019 is as follows:

| | |
|---|---|
| YPF S.A. | 50% |
| Agrium Holdco Spain S.L. [1] | 50% |
| | 100% |

[1] Nutrien 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 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 |
| Provisions | 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 |

MIGUEL EDUARDO MORLEY
President

## 26. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The Company conducts 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, 2019 and 2018, as well as the operations with them for the years ended December 31, 2019 and 2018.

| | 31/12/2019 | | 31/12/2018 | |
|---|---|---|---|---|
| | Account Receivables | Account Payables | Account Receivables | Account Payables |
| YPF S.A. | 138,694 | 390,137 | 466,567 | 334,534 |
| Nutrien Ag Solutions Argentina S.A[1] | 872,724 | 50,922 | 539,778 | 46,434 |
| YPF Energía Eléctrica S.A.[2] | - | 27,157 | - | - |
| MetroEnergía S.A[2] | - | - | - | 7,047 |
| | **1,011,418** | **468,216** | **1,006,345** | **388,015** |

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Net sales | Purchases and services | Net sales | Purchases and services |
| YPF S.A. | 2,816,660 | 4,486,632 | 1,933,695 | 2,772,830 |
| Nutrien Ag Solutions Argentina S.A[1] | 4,306,079 | - | 2,625,762 | - |
| YPF Energía Eléctrica S.A.[2] | - | 123,553 | - | - |
| | **7,122,739** | **4,610,185** | **4,559,457** | **2,772,830** |

[1] Related party of Nutrien Inc.
[2] Related party of YPF S.A.

MIGUEL EDUARDO MORLEY
President

## 27. ASSEST AND LIABILITIES IN FOREIGN CURRENCY

| | 31/12/2019 | | | | 31/12/2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | Class and amount of the currency other than the peso (in thousands) | | Exchange rate (1) | Total | Class and amount of the currency other than the peso (in thousands) | | Exchange rate (1) | Total |
| **Current assets** | | | | | | | | |
| Cash or cash equivalents | US$ | 3,558 | 59.79 | 212,733 | US$ | 2,273 | 37.60 | 85,465 |
| Investments | US$ | 22,605 | 59.79 | 1,351,553 | US$ | 28,009 | 37.60 | 1,053,138 |
| Account Receivables | US$ | 52,360 | 59.79 | 3,130,604 | US$ | 80,716 | 37.60 | 3,034,922 |
| Other credits | US$ | 4,820 | 59.79 | 288,188 | US$ | 3,358 | 37.60 | 126,261 |
| | € | 2,344 | 67.03965 | 157,141 | | | | |
| **Total current assets** | | | | **5,140,219** | | | | **4,299,786** |
| **Total assets** | | | | **5,140,219** | | | | **4,299,786** |
| **Noncurret liabilities** | | | | | | | | |
| Other liabilities | US$ | 24,687 | 59.79 | 1,476,026 | US$ | 25,086 | 37.60 | 943,234 |
| Loans | US$ | 40,000 | 59.79 | 2,391,600 | US$ | 60,000 | 37.60 | 2,256,000 |
| **Total noncurrent liabilities** | | | | **3,867,626** | | | | **3,199,234** |
| **Pasivo corriente** | | | | | | | | |
| Accounts payables | US$ | 28,066 | 59.79 | 1,678,066 | US$ | 20,971 | 37.60 | 788,510 |
| | € | 643 | 67.03965 | 43,106 | € | 465 | 43.00135 | 19,996 |
| Other liabilities | US$ | 127 | 59.79 | 7,592 | US$ | 1,377 | 37.60 | 51,775 |
| Loans | US$ | 60,060 | 59.79 | 3,590,987 | US$ | 173,076 | 37.60 | 6,507,658 |
| **Total current liabilities** | | | | **5,319,751** | | | | **7,367,939** |
| **Total liabilities** | | | | **9,187,377** | | | | **10,567,173** |

(1) Exchange rate according to Banco Nación Argentina.

## 28. SUBSEQUENT EVENTS

The financial statements as of December 31, 2019, have been approved by the Board of Director's meeting and authorized to be issued on March 18, 2020, and will be considered in the shareholders' meeting.

As of the date of issuance of these financial statements, there have been no other significant subsequent events whose effect on the financial situation and the results of the Company's operations as of December 31, 2019, if applicable, would not have been considered therein according to IFRS.

## 29. ENGLISH TRANSLATION OF THE STATUTORY FINANCIAL STATEMENTS

The accompanying financial statements are the English translation of those originally issued in Spanish. They are presented in accordance with International Financial Reporting Standards ("IFRS"). Certain accounting practices applied by the Company, that conform with IFRS, may not conform with generally accepted accounting principles in other places. The effects of the differences, if any, between IFRS, and the generally accepted accounting principles in the places in which the accompanying financial statements may be used have not been quantified. Accordingly, these financial statements are not intended to present the information on the Company's financial position, and the related results of operations or cash flows in conformity with generally accepted accounting principles in places other than in Argentina.

MIGUEL EDUARDO MORLEY
President

## RATIFICATION OF LITHOGRAPHED FIRMS

We hereby ratify the signatures that are lithographed in the above pages from the page No. 1 to No. 36.

MIGUEL EDUARDO MORLEY
President

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 29

# REPORT OF THE SUPERVISORY COMMITTEE

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

Of our consideration:

1. In accordance with clause 5, article 294 of Law No, 19,550 and current dispositions, we have performed the work mentioned in the following paragraph in relation to the statement of financial position as of December 31, 2019, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended. These documents are the responsibility of the Board of Directors of the Company within the scope of its exclusive functions. Our responsibility is to report on 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 significant information contained in those statements with the corporate decisions set forth in the minutes, and the conformity of those decisions with the law and the Company's bylaws, insofar as formal and documentary aspects are concerned. In conducting our work, we considered the report issued by the external auditors Deloitte & Co. S.A. dated March 18, 2020, issued in accordance with the International Financial Reporting Standards (IFRS). We have not performed any management control and, accordingly, we have not assessed the criteria and business decisions in matters of administration, financing, sales and production, because these issues are the responsibility of the Company's Board of Directors. We consider that our work and the above mentioned external auditors' report provide a reasonable basis for our report.

3. In our opinion, the financial statements mentioned in the first paragraph present reasonably in all material respects the financial position of Profertil S.A. as of December 31, 2019, as well as its comprehensive income, changes in its net equity and cash flow for the year then ended, in accordance with the International Financial Reporting Standards (IFRS).

4. This report and the financial statements referred to in the first paragraph have been translated into English for the convenience of English-speaking readers. As further explained in Note 29 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 IFRS. The effects of the differences between IFRS 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 accounting principles generally accepted in the countries of users of the financial statements, other than IFRS.

Ciudad Autónoma de Buenos Aires, March 18, 2020.

By Supervisory Committee

Eduardo Alberto Baldi

Statutory Auditor