



PROFERTIL

Profertil Sociedad Anónima

Board of Directors' Annual Report
Financial Statements as of December 31, 2017 and 2016
Report of Independent Public Accountants.
Statutory Audit Committee's Report

GENERAL MANAGER'S LETTER

In order to close cycle 2017, we submit our Annual Report and Balance Sheet with the results of the annual management.

In 2017, we optimized our resources again and made our best efforts to continue with the positive results reached in 2016.

In this way, the effort and efficiency of each area and each collaborator were fundamental to achieve most of the goals and projects proposed at the beginning of the year.

After fine tuning the Capacity expansion and energy saving project in 2016 —which provided higher capacity and operating reliability to the plant—, **we were able to reach the second production historic record in the Company**, with a volume of 1,270,108 tons of Granulated Urea. This is a significant milestone, because since 2006 production had not exceeded 1,200,000 tons.

In that connection, we should highlight the constant supply of our main feedstock - natural gas-, as there were neither cuts nor restrictions during the year. This confirms a positive change in the supply of this input, which started to be perceived the year before.

The sales of our products also presented satisfactory indexes, both locally and in exports. In the case of urea, **1,159,167 tons were commercialized in the local market, which represent a sales historic record.**

Accordingly, production and sales figures allowed us to continue accompanying the sustained growth of fertilizer demand, a trend that had begun to show in the country in 2016.

Also, within a socially responsible management, we improved our environmental performance, reducing the number of significant environmental accidents.

In 2017, we also re-certified our Management Integrated System, as well as ISO 9001, ISO 14001 and ISO 18001 standards in their latest version.

In the same vein, and after two years of deep work and research, Proaire was launched. It is an automotive grade urea solution that allows the reduction of greenhouse gases emissions produced by the diesel motors of heavy duty and passenger vehicles.

After assembling the equipment required to elaborate this product, which was previously imported, we plan large scale Proaire production in our Bahía Blanca site. In this way, we will be able to supply the national market as well as the main neighboring countries', with an annual production above 150,000 tons.

As regards safety, in 2017 we redoubled efforts to improve the safety of all the people working at Profertil. We performed safety diagnose audits and we implemented improvements in the Terminales Norte. In addition, we continued with normal work in the Bahía Blanca plant.

During the year, we also carried out constant training sessions for our personnel and successfully performed the inspection and cleaning project in our ammonia tank after 15 years of operation. The initiative focused on two important aspects: on one hand, the safety of all the personnel involved and the neighboring community and environmental care; on the other hand, a solid communication strategy that allowed us to reassure institutions, government representatives and neighbor associations.

Regarding the ties with our publics, in 2017 Profertil was awarded the prize AmCham in the category "Engagement of Stakeholders." It is one of the most important honors at country level for management focused on sustainability as work axis.

Under the framework of sustainable development in the agricultural sector, we continue betting on innovations that improve agricultural producers' performance and profitability, by launching products such as eNe Total Plus.

Each of these achievements accounts for a high degree of participation and commitment from each area in the Company. In the future, the efficiency concept we are working on and the team spirit that characterizes us as a company will be key to continue growing and maintaining a positive profitability.

May the new year bring us more opportunities to continue giving life to our land.

Eng. Daniel Pettarin
General Manager

ANNUAL REPORT

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

To Profertil S.A. Shareholders:

According to legal and statutory provisions we are pleased to submit for approval the annual report, inventory and general balance sheet to December 31, 2017, and the statements of income, changes in shareholders' equity and cash flows for the fiscal year completed by Sunday, December 31, 2017.

Planning, Strategic Inputs and Management Control

Natural Gas Supply

Profertil uses around 2,500 dam³/day of natural gas, coming from the Austral basin (about 600 dam³), the San Jorge Gulf (1,400 dam³) and the Neuquina basin (500 dam³). This supply is supported by un-interruptible supply agreements. Also, it has ensured firm transport of supply by means of long term contracts entered into with TGS, expiring close to 2048.

Electrical energy supply

Annually, Profertil purchases from the market a total of 210 GWh through Cammesa (Electrical Wholesale Market Managing Company). The cost of this energy agreed with the values budgeted for the year. Also, our company self-generates around 5 MWh on average, which allow it to relief consumption from the national grid, and it is also working towards the replacement of part of the present consumption with renewable source energies.

Raw water

The level of Paso de las Piedras dam remained out of the alert level (above 158 meters above sea level) thanks to rainfall in the region, thus ensuring supply. This is a consolidating trend since 2014, reaching values close to the maximum level of 165 m a.s.l.

Profertil Strategic Plan

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

INDUSTRIAL OPERATIONS

The Ammonia and Urea plants in the Bahía Blanca site had a very good performance during 2017, both in terms of operating continuity and production volumes.

The Ammonia Plant operated with a reliability factor (real operating time vs foreseen) of 97.5 %, while in the Urea Plant it was 99.6 %, with puts it among the world first class plants. These high service factors of both plants made it possible to exceed the production volumes foreseen for the year.

Ammonia production was 767,583 tons, against a planned value of 727,593 tons —which represents 39,990 tons over the plan. For its part, Urea production was 1,270,108 tons against a budget volume of 1,213,713 tons —i.e. 56,395 tons more than planned. This volume represents the second best annual production in the history of the Company. In turn, in June and July, monthly production historic records were set for both products for these months.

As regards energy specific inputs, some of the benefits foreseen in the expansion project have been obtained. One example is the partial reuse of a process waste gas stream which is burnt in a recovery boiler for steam generation, which has enabled an improvement of energy consumption by ton of product in the Ammonia Plant (main natural gas consumer). In fact, the base consumption, before the project, was 39.35 MMBTU/ton, which was decreased to 38.4 MMBTU/ton during stable operation periods. However, we continue working on other related issues, to turn operation even more efficient in terms of energy.

One the most important milestones of the year was the inspection of the liquid ammonia storage tank. This tank, which started operating in 2000, has a double wall (double integrity), a capacity of 30,000 m³ (20,000 tons) and it works at a temperature of -33 °C and a pressure slightly above atmospheric.

The necessity to perform this inspection, after 15 years of using the tank, results from the stress corrosion cracking risk, according to the results of the Risk Based Inspection or RBI and the Fitness for Service or FFS analyses.

Taking the tank out of service while keeping the site running, was a huge challenge. It entailed thorough adjustments and synchronization of the Ammonia and Urea plants operations, as we had no large storage capacity for the ammonia excess that was not consumed by the Urea plant (main function of the tank). This “in balance” operation lasted around 3 months (March to May), when activities to empty and prepare the tank for opening (nitrogen blanketing and aeration), the inspection itself and the activities associated to further commissioning were executed.

The operation was a success. The jobs were executed within schedule with no safety or environmental accidents. In addition, no anomalies were detected during inspection, neither on the plates nor in the tank floor and wall welding.

In addition, in September, the gas turbine driving the process air compressor was taken out of service, as well as the electrical energy generator, for inspection. This turbine —main piece of equipment of the site capacity expansion project— was commissioned at the beginning of 2015 and was kept running to the moment without problem. However, according to the manufacturer's recommendation (Siemens), the turbine has to undergo periodic inspections to check for wear out of its components that may result in a mechanical failure.

The most important fact is that when the machine was taken out of service, the site continued running, as we switched the process air compressor to the original one (which has been kept as auxiliary equipment), driven by a steam turbine. This maneuver had not been made before and was risky from the operating continuity point of view.

As regards human resources management, we continued with the training and development plan for operations personnel. Accordingly, 7150 hours of training were completed throughout the year, distributed in specific activities for field operators, panel operators, contact engineers and supervisors. In addition to the technical training, around 1100 hours of emergency response training were carried out. All the accreditations include field practice hours and process theory in classroom.

Also, this year was special as the training area coordinator completed a development and knowledge exchange activity abroad (Canada), in order to improve his skills.

As regards the Company's investment plan, it can be mentioned that the number of approved projects for the period 2017 was 72 (41 annual and 31 multiannual), for a total amount of about 24 million dollars. Throughout the year some were canceled, delayed or modified with respect to their original planning, either for budget reasons or due to change of scope of the turnaround to be performed in 2018. To the investments foreseen for 2017, 5 other projects were added, which were paid for with the budget assigned to several modifications or with that of canceled investments.

One of the most important projects in 2017, completed in November, was the construction of facilities for the production, storage and dispatch of Proaire (generically called Arnox32), an additive to reduce emissions to the atmosphere from diesel motors. The new facilities at the Bahía Blanca site will make it possible to produce 150,000 tons of this product. The project was executed successfully, with no safety incidents, before scheduled time and within the budget approved.

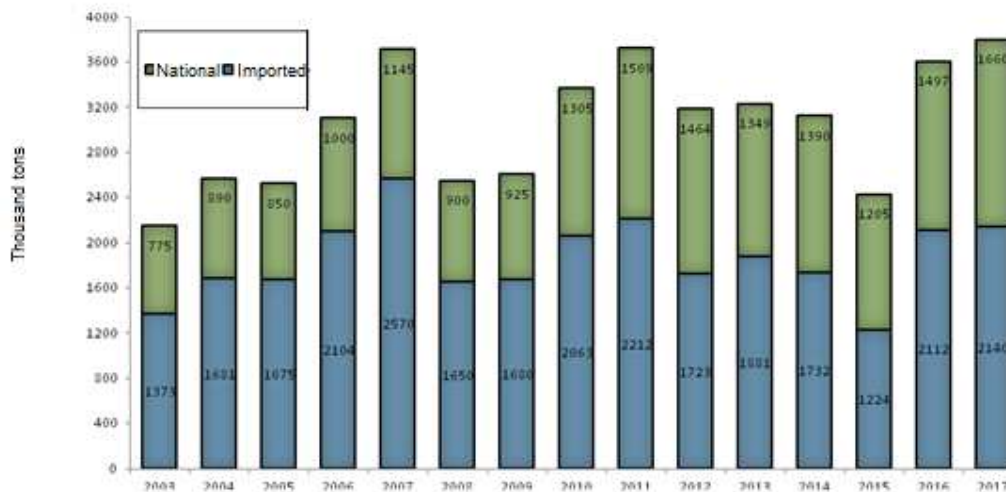
Also, activities were performed in the technical area related to process safety, such as the development of an over-firing protection system in the primary reformer and safety improvements in the start-up heater in the ammonia plant. In addition, an agreement was entered into with the Ammonia plant technologist (Haldor Topsoe, Denmark) to develop the "Digital Services" project. Progress was made together with the technologist in the Granulation units (TKFT, Germany) regarding the production of Granulated Urea without formaldehyde for automotive use. At the same time, the instability problem in the electrical energy generator G-990 was solved, making it more robust by means of changes in the control and disconnection strategies. Also, a maximum capacity and bottlenecks study was completed in the Ammonia Plant.

As regards asset maintenance management, performance indicators (such as accomplishment of monthly schedule, emergency hours and overtime, proactive maintenance and back log) show that they can be compared to the best world class similar plants. In this sense, as part of the strategy and maintenance plans revision, within a general optimization program, a joint revision was made with the reliability engineers. Thus, according to the history of periodic interventions, frequencies were analyzed, as well as change of strategies and applied technologies according to the failure rates of pieces of equipment and their components. As a result of this process, we proceeded, for example, to the calibration of some safety valves -a job planned to be made with the plant out of service- with the plant running. It also allowed the analysis of the maintenance process of the product dispatch equipment (Logistics). For this purpose, a methodological plan was structured to be able to identify problems, determine their causes and develop improvement proposals to minimize and/or eliminate them.

COMMERCIAL

During 2017, the fertilizer domestic market reached 3.8 million tons, growing a 5% in volume with respect to the previous year. In 2016 it had shown a leap over 46%, resulting from the change of economic and political expectations, and from specific measures that benefited the agricultural sector (peso devaluation, removal of export obstacles, removal of wheat, maize and sunflower export withholdings). In 2017, although growth was moderate, record levels were reached, thanks to the increase of area and doses applied. The agricultural campaign presented high rainfall in most of the producing regions, causing good yields in some areas and water excess in others, with negative implications for crops.

Next, a chart with the Argentine fertilizer market evolution is shown from year 2003 to year 2017, and the break down in supply based on local production and imported product.



Evolution of Argentine fertilizer market

Source: own preparation.

As it can be seen in Chart 1, the fertilizer market remained stagnant at values close to 3 million tons between 2012 and 2014, it decreased in 2015 to 2.4 million tons, it recovered strongly in 2016 and reached a record level of 3.8 million tons in 2017.

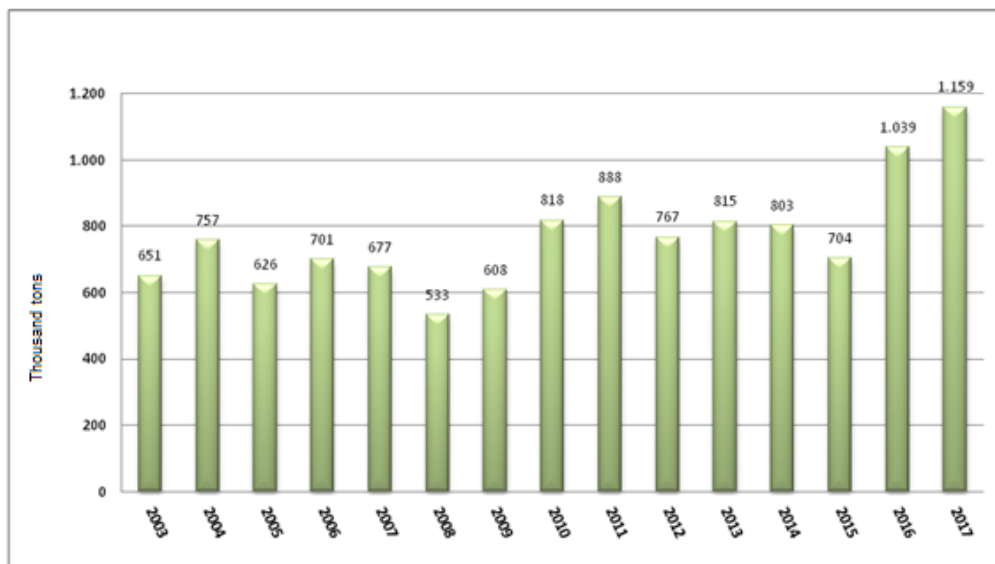
As regards the planted area, it increased 7% in the case of wheat, reaching almost 5.45 million hectares, and it increased 6 % in maize, reaching 5.4 million hectares, according to the estimations of the Bolsa de Cereales of Buenos Aires. For soybean, a reduction of 6% is estimated for the planted area.

The main Profertil sales data during 2017 were the following:

- Total annual invoicing: USD 432 millions
- Urea annual invoicing: USD 345 millions
- Local market urea annual invoicing: USD 335 millions
- The Company hit a record of urea sales volume aimed at the local agricultural market, exceeding the previous year record. The total of Urea commercialized in Argentina was 1,159,167 tons, which represented 96% of the total sales.

As regards reference prices, the Arab Gulf (AG) FOBs averaged USD 231.6 by ton, with a floor of USD 179.5 at the beginning of July and a maximum of USD 292.5 in the last week of October.

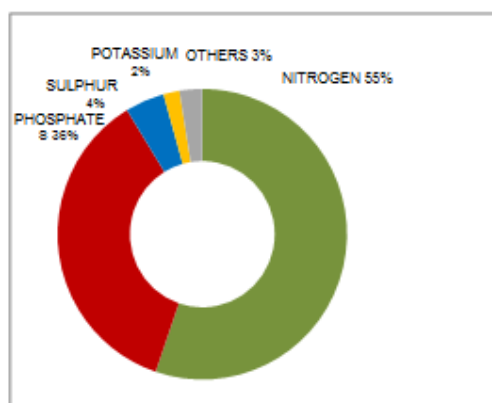
The following chart shows the evolution of urea domestic sales. Profertil maintains an important share in nitrogen fertilizers, representing more than 80% of the total urea dispatches for the Argentine agricultural sector.



Graph 2. Profertil Urea sales evolution in the Argentine market

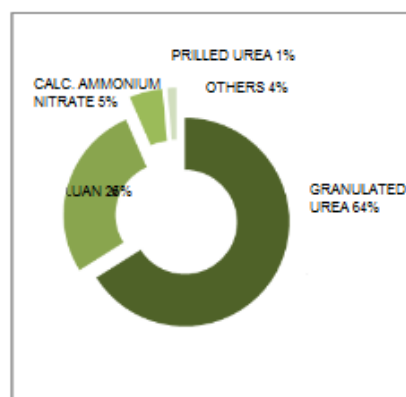
Source: own preparation.

As shown in the following graphs, nitrogen fertilizers represented 55% of the total fertilizers used in the 2017 campaign. They increased their share to the detriment of phosphate fertilizers. For its part, the most used nitrogen fertilizer was Granulated Urea, with 64% share in the category, followed by UAN (26%) and the rest of nitrogen fertilizers (which amounted to 10% in total).



Argentine market by fertilizer group.

Source: Kleffmann.



Argentine market: Nitrogen fertilizers

Source: Kleffmann.

With respect to marketing actions, the Company has accomplished the Programa de Relacionamiento con Clientes 2017 (Client bonding program). In this context, different promotional actions were executed: Profertil Excelencia Técnico (Pergamino, province of Buenos Aires) aimed at technical counselors in the Distributors Network and two pre-campaign meetings in the cities of Bahía Blanca and Rosario.

As regards the Relations Program with Final Users, the activities completed were the MIT on surface solid fertilizer application (technical agronomic training), which took place in Carlos Casares, 9 de Julio, Coronel Arnold and Idiazábal. Also, seven Mitings were held with different distributors and in different areas: Bragado, General Pinto, San Andrés de Giles, Pedro Luro, Sinsacate, Río Cuarto and Alcira Gigena. The Prosuelos program was developed with three distributors in different locations: San Luis, Sinsacate and Pilar (province of Córdoba), to spread soil sampling practices and the interpretation of their results.

Within our participation in Events with Third Parties, we can mention the Congress A Todo Trigo 2017, Aapresid Congress, the Congress of the Argentine Association on Soil Science, the Fertilizar Symposium and the Technological Congress of CREA (CREA Tech). Also, we participated in different meetings of

Aapresid (Pergamino, Paraná, Monte Cristo and Bahía Blanca) and AACREA (Azul, Balcarce and Coronel Suárez).

As regards market research, customer satisfaction surveys were made in 2017 in the Distributors, Retailers and National Accounts channels.

As regards logistics activity, during 2017 we dispatched directly to our clients, in diverse conditions, 1,425,274 tons. This was made from the different Profertil terminals and third parties' terminals that render services to us, which are distributed in Bahía Blanca, Necochea and San Nicolás in the province of Buenos Aires and Puerto General San Martín in the Province of Santa Fe.

From Bahía Blanca, Urea and Ammonia ships were loaded destined to own storage facilities, the domestic market and exports, adding up a total of 844,829 tons. In addition, in our San Nicolas and Puerto General San Martín terminals, logistics services were rendered to third parties. This included ship unloading, liquid and solid fertilizer storage, mixing, bagging and dispatch of different fertilizers. We also offered services of land dispatch to clients by train or truck, for a total of 298,806 tons.

ADMINISTRATION AND FINANCES

Determining factors of fiscal year statement

The net income of fiscal year 2017 was \$ 603,059,767. The excellent performance of the plant —with an annual production that has been the best second in the history of the company— and the record sales volume of urea in the local market affected positively this year results.

Financial-economic indicators

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

Indicator	Calculation	2017	2016
Solvency	Net equity / Liabilities	0.30	0.20
Current liquidity	Current assets / Current liabilities	115.5 %	106.0 %
Reason for freezing of assets or capital	Noncurrent assets / Assets	51.4 %	61.0 %
Total and ordinary return of shareholder investment (ROE)	Net profit / Average net equity	44.5 %	79.7 %
EBIT (million \$)	Earning before interests and taxes	1,269.79	1,809.86
ROCE	(EBIT - Income tax) / (Net equity + Financial debt)	17.8 %	27.7 %
Net margin	Net profit / Sales	7.9 %	9.6 %
Financial debt index	Financial debts / (Net equity + financial debts)	72.1 %	80.4 %

Main economic-financial indicators 2016/2017.

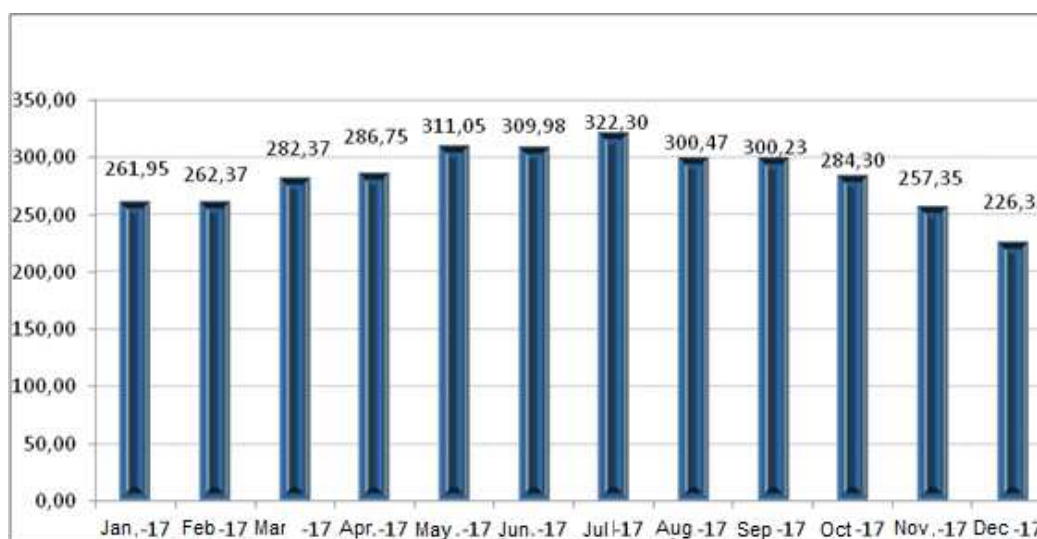
Source: own preparation.

Financial situation

Profertil started period 2017 with a cash position of MM USD 21.7 and a financial debt net of interests and fees of MM USD 269.3. These values upon closing of fiscal year 2017 resulted in a cash position of MM USD 11.6 and a financial debt net of interests and fees of MM USD 226.3.

Financial debt

During 2017, Profertil continued with its policy to maintain a sustainable debt structure, which allows ensuring the liquidity required to address investments and current expenses in the Company, maintaining its credit lines with local and international financial entities for about MM USD 400.0. The next chart shows the debt levels of the company and their evolution during 2017.



Financial debt evolution during year 2017

Source: own preparation.

During the year, Profertil S.A. financed its work capital and also continued with its dis-indebtedness policy. The total debt rate for 2017 was around 5% annual nominal.

In 2017, credit exposure accompanied the sales development, according to the commercial policy and in agreement with the fertilizer market offer as regards terms and rates.

We continued using alternative financial tools for the Dealers segment, by strengthening the use of rural credit cards with free days and adding agreements with banks for access to credit in dollars for

distributors, and we also continued operating with cereal financing through cereal forward contracts and discount of differed payment checks at different banks.

The company's collection term was an average of 40.4 days.

The highest credit concentration was in National Accounts and Exports sections. As regards Dealers segment, the credit lines are divided among 189 clients, thus allowing Profertil S.A. to diversify risk.

ENVIRONMENT, HEALTH AND SAFETY AND QUALITY

In 2017, EH&S played an outstanding role in the preparation of and later intervention in the inspection and maintenance work performed in the Ammonia tank. As a consequence, during the intervention there were no personal accidents recorded and there were no environmental significant incidents.

Also, the area was actively involved in the diffusion of the tasks performed, before the corresponding authorities (CTE, CCyM, Programa APELL and OPDS), the companies in the industrial complex, the Consorcio de Gestión del Puerto de Bahía Blanca and the companies operating there, as well as before the different NGO and Ing. White neighbors.

The work started in 2016, referred to a series of decisions made by the SRT, was consolidated throughout the year. Special emphasis was given to the observance of the training sessions related to Decision 905/15. For this purpose, all the modules were revised and added to the Success Factor platform within the Technical Competences accreditation and formation project referred to Environment, Health, and Safety, which made it possible to meet on time the training requirements for all the personnel.

Also, in observance of Decision SRT 801/15, progress was made in the updating of the Safety Sheets (FDS) of the products commercialized by Profertil. Regarding occupational health, all periodic checks were made involving light, noises, vibrations and chemical components in the work environment, and we continued with MDEA monitoring.

Considering own personnel and contractors, the organization recorded a total of 1,514,525 worked hours in the year, so that for LTIs (number of lost time incidents for every 200,000 hours worked) and TRIs (number of total accidents for every 200,000 hours worked) a value of 0.79 was obtained, as a consequence of five LTIs.

In terms of environment, the outstanding fact of the year was the renewal of the Environmental fitness certificate granted by the Organismo Provincial para el Desarrollo Sostenible (OPDS). It was issued on November 29 and is valid for two years.

During 2017, we accomplished the conditions within the environmental control programs issued by the corresponding authorities, which include measurements at fix emission sources (stacks), air quality, liquid effluent discharge and solid and semisolid waste final disposal, to meet the laws in force and contribute to the environmental sustainability of the site operation.

During the week of September 11, Bureau Veritas Certification (BVC) performed the external audit to recertify standards ISO 9001, ISO 14001, under the new 2015 version, the recertification of OHSAS 18001 and the surveillance audit of standard ISO 50001. The scope of the audit included the production and commercialization of granulated urea and anhydrous ammonia and fertilizer storage, custom mixes and bagging services. This entailed a huge commitment by the organization which resulted in the recommendation of BVC to recertify the above mentioned standards.

Same as in the latest years, Profertil attended all meetings of the Responsible care of Environment Program organized by the Chamber of Chemical and Petrochemical Industries of the Argentine Republic (Cámara de Industrias Químicas y Petroquímicas de la República Argentina (CIQyP)). Also, self-assessments were made corresponding to the seven codes and the performance indicators were delivered. This information was used by the CIQyP to set up global statistic data representing the integral activity of all its members.

As regards Emergency Response, the Plant Emergency Response Teams training was accomplished beyond expectations. In the initial program, 816 man hours of training had been proposed, and finally, 1545 m/h were completed, shown by the 103 training sessions performed against the 88 scheduled. This goal was achieved with the participation of the training area of Industrial Operations.

Also, the training on leadership in emergencies for shift supervisors was completed under the NFPA framework, which made it possible to attendants to be certified as Brigade Leaders.

Regarding road emergencies, all emergency response plans of transport companies and clients were updated together with Logistics.

EH&S mentors were trained so that the group is permanently updated and with the same level of instruction considering changes in job positions and the hiring of new mentors.

INSTITUTIONAL RELATIONSHIPS

The Institutional Management Model aims at strengthening the ties between our company and the different external audiences we interact with, to generate communication channels for mutual knowledge, by means of relationships based on trust and mutual respect.

These publics Profertil relates to, are clients, vendors, community neighbors, public authorities, corporate and agricultural institutions, civil associations, different NGOs and the media, among others.

Image Management

Profertil works to position itself within the agricultural/industrial sector as a sustainable company, committed with production, good practices and the development of the communities where it operates.

Profertil Cultural Cycle

The purpose of this program is to support and promote proposals aimed at different age and cultural preferences spectators, in diverse auditoriums of the city, through networking with different cultural associations and institutions of the city.

Since the beginning of the program to present, more than 376,400 spectators have participated.

In 2017, and through the agreement entered into with the Instituto Cultural del Gobierno de Bahía Blanca, we collaborated with the Fiesta Nacional del Camarón y el Langostino (National Feast of the prawn and the shrimp) of Ingeniero White, with the School Orchestra of Ingeniero White and the children and adult chorus. We have also sponsored the Organismos Artísticos del Sur, dependent on the Buenos Aires province government in ballet, provincial orchestra and permanent choir presentations. Finally, we continued networking with the Universidad Nacional del Sur in the concert cycle.

General satisfaction of the audience with the Cultural Cycle events during 2017 was 9.75.

Content production

During the entire cycle we continued consolidating the strategy proposed in 2016. The focus was in quality content production, optimizing the use of resources in 100% of the actions.

Also, diverse projects and initiatives were completed together with other sectors of the company. Together with Human Resources, several workshops were organized for employees. They attended more than 40 hours of training focused on image management and the applicability of resources defined in the Design Manual of Profertil. Also, we accompanied the Commercial Area in the development of the launching of the Profertil product, Automotive Grade Urea Solution.

External Communications Program

To optimize communications with the stakeholders, actions are undertaken to provide information on the Company and to receive the concerns that may arise.

Sustainability Report

During 2017, the Sustainability Report was issued for the sixth consecutive year, under the GRI G4 (*Global Reporting Initiative*) guidelines.

This triple balance among social, environmental and economic aspects of the Company includes the main qualitative and quantitative indicators of period 2016. Also, it meets the GRI requirement that demands adhesion to the United Nations Global Compact, so Profertil progresses are communicated with respect to the ten principles included in this initiative, through Communication of Progress (COP).

The material was presented in three formats: Complete report and Executive Summary —both digital—, and an audiovisual version for the company's web and social media.

Plant Visits Program

This program is performed with the purpose to welcome the neighboring community to Profertil, allowing them to get to know both the facilities and the processes of its industrial neighbor and the general activities of the company.

More than 39,000 people have visited the plant since the beginning of this Program in 2001. During 2017, we counted more than 2000 visitors.

Crisis communication

During 2017, work continued with the main areas and actors involved.

Together with Environment, Health and Safety, a *Crisis Manual* was prepared and more than 20 training man hours were given for managers and crisis committee members.

Support was also given to the diverse activities related to the Ammonia tank inspection and cleaning project, performed during the first semester of the year 2017.

Digital communication. Web and social networks

In order to make communication more transparent and optimum through digital media, in 2017 we continued working under the guidelines set forth in the Digital Communication Strategy.

In this context, all web sections were fully renewed and two microsites were added: "White y su gente (White and its people)" and "Solución de Urea Grado Automotriz (Automotive grade urea solution)", both conceived to further interaction between the users and the web.

In parallel, work was deepened with the entire digital ecosystem of the company, and Instagram was added. Also, the posting frequency was increased generating contents from news related with the company and implementing paid post impulses to generate traffic and new followers.

During the year, we continued sending digital newsletters to the publics the Company has a personal link with.

Distinctions

In 2017, Profertil was awarded three Eikon prizes to institutional communication excellence, for the campaign "Historias Whitenses que nos encuentran (Histories that find us)", the publicity spot "Día de la Música (Music Day)" and its *Manual de Diseño* (Design Manual).

The Company was also awarded the AmCham price in the category “Engagement of Stakeholders” for the ties with its publics. It is one of the most important honors at country level for management focused in sustainability as work axis.

Corporate Social Responsibility (CSR) Program and Sustainability

Aware of the social role of Profertil in the framework of the communities where it operates, the concepts of Corporate Social Responsibility (CSR) and sustainability are inherent to every practice of the company. In this context, initiatives are developed for community development that include support to and networking with educational, cultural, health, sports and public welfare institutions and organizations, to generate a larger social capital.

Creciendo en Comunidad (Growing in the community) Program

The company emphasized the promotion of institutional actions related to the institutional strengthening of base organizations to direct long-term community projects.

The program consists of seminars that provide capacities and knowledge, both for the social organizations and for the company, generating a horizontal company-society relationship that would break the philanthropy pattern. The three seminars making up the training plan are Volunteer Work and Shared Project, Annual Strategic Action Plan, and Financial Planning.

Upon completion of this first stage, the program continues accompanying the institutions that participated in Creciendo en Comunidad (Community growing) with continuous training courses. These sessions consist of permanent training focused on specific topics of interest for each institution.

In 2017, four continuous training meeting were held. Since the beginning of the program, 73 neighbors have participated, who are members of 20 institutions.

Creciendo en Comunidad (Community growing)- Project Board

In 2017 and in the context of the Creciendo en Comunidad program, the Project Board work continued with the participation of program graduates who are part of social organizations of Ingeniero White. At present, the group is formed by 12 local institutions.

The aim of the Project Board is to build up and formalize the bond of Profertil with neighboring social organizations, favoring joint work to improve the quality of life of the Ingeniero White population.

During 2017, the first stage of repair and enhancement of the amphitheater Tulio Angelozzi, in Ingeniero White, was completed. The goal of this work was to repair the stage so that it can be used by artists of different disciplines.

We also collaborated with the initiative performed by the Centro de Formación Profesional n.º 401, to build a greenhouse for Ingeniero White. At present, soil preparation tasks are being performed in the land.

In parallel to these initiatives, the institutions received more than 60 man/hours of training on “Communication, visibility and positioning tools.”

Huerta (Vegetable Garden) Program

The program, renewed in 2016, includes workshops for teachers in Bahía Blanca and the area to train them in the importance of soil fertilization, to promote school vegetable gardens and to generate awareness about their care. The pedagogical proposal is conceived for the teachers to be able to replicate the vegetable garden experience in their schools, thus making it possible for the values that drive Profertil work to reach more families.

In 2017, we reached more than 60 teachers, 1670 students and 950 families, with the 3 editions completed with a general satisfaction rate of 9.95.

Profertil art workshop

The purpose of the program, which has been executed consecutively since 2007, is to facilitate access to the art experience to children and adults of the neighboring sector. It consists of a free art workshop.

In 2017, 50 students learned mosaic design and new drawing, painting and sculpting techniques.

To finish 2017 edition, the students worked on the preparation of pieces related to the Ingeniero White estuary, which were exhibited in front of the amphitheater Tulio Angelozzi.

Buen Trabajo (Good Job) program

In 2017, the 11th edition of the Good Job program was completed. This initiative is jointly coordinated with the municipality, educational institutions and three of the main companies in the petrochemical complex: Dow, Profertil and Unipar.

Its purpose is to improve work competences and work insertion conditions of young people of Ingeniero White and Bahía Blanca, by giving free courses in charge of the Facultad Regional de Bahía Blanca of the Universidad Tecnológica Nacional.

To present, more than 1570 students have participated and more than 70 courses have been given. During these years, an insertion to work has been recorded of 60% of the graduates.

HUMAN RESOURCES

In 2017, Human Resources management focused on the following strategic axes: Organizational Development, Internal Communications and work climate, Policies and Practices, Labor Relations and Compliance.

Under the Leadership Capacities Development Program, several activities were organized to train employees, such as two leader meetings attended by 51 people with 125 training man hours. The topics addressed were the new work world challenges, work orientations and motivations and the presentation of the results of the Subjective work and welfare orientation quiz.

With the focus in privileging personal development, 71 % of vacancies for permanent positions were filled with internal candidates in 2017, thus providing career opportunities to Profertil employees through internal mobility. If Profertil contractor companies personnel that filled permanent vacancies is considered, internal mobility indicator amounts to 86%.

Earlier this year, and in compliance with the Succession Plan annual process, the Steering Committee updated and identified development actions for the successor group. During 2017, the actions foreseen in the plan were implemented.

The Steering Committee revised the Compliance risk matrix of the company, where the different risks are recorded together with their probability of occurrence and the impact on the organization. In observance of the **Foreign Corrupt Practices Act**, 136 employees in positions defined as critical, completed a virtual training to credit the course "Fraud prevention, corruption and money laundering." All employees underwent an annual certification in the Ethical Code of Conduct through a multimedia platform.

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

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

To continue with our Work Climate and Commitment Survey 2016, the leaders set goals and action plans for their teams to increase the aspects identified by means of the tool as improvement opportunities. Human Resources organized 8 meetings on Profertil compensation and benefit policies and 7 meetings to address development and growth issues.

To spread Profertil Strategy and SWOT to all collaborators, a breakfast cycle was organized, "Strategy is the protagonist." The presentation was coordinated by couples of managers to a group formed by representatives of each area. 12 meetings were held with 176 attendants.

Three "Open Dialogs" meetings were held. In this context, collaborators can get information about the Company they are not aware of, become multiplying agents and favor the statement of results that affect climate and are not communicated through other ways.

In order to know the motivations and links of each collaborator with respect to his/her job, a work orientation study was performed. The survey was coordinated by professionals from the Universidad Austral, thus guaranteeing confidentiality and anonymity, both during collection and analysis of data. 183 responses were obtained, which showed that 44% of the participants is oriented to vocation (work is significant for their lives), 16%, to career development (work is a means to reach a social status), 9%, to employment (work as source of livelihood) and 32% does not identify fully with only one category.

Professionalizing Practices were performed for the first time -a first group in May and a second one in October— in order to create ties with the community, make them aware of safety and environmental practices and detect talents. In this opportunity, they were attended by 20 students of the last year of the technical secondary school no. 1 ARA General Belgrano of Ingeniero White. The activities carried out by the students were distributed in 200 hours of practice in the company. They were able to acquire knowledge and experience to add to their academic formation.

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

During winter holidays, an activity was designed and implemented for the children and relatives of our employees to visit Bahía Blanca facilities, and to know the working place of their parents. This was repeated three times and 93 relatives were involved.

Also, the activity "Buscá tu huella, construí tu camino" was organized, to bring employees' teenage children closer to the Company, so that they know what a company does and talk to professionals about the career they plan for their future, thus collaborating with their vocational orientation. 12 teenage children participated.

In Occupational Health, in agreement with the Medical Service Annual Program, 225 employees underwent foreseen periodical medical examinations. Thirteen female employees underwent preventive gynecologic studies. A flu vaccination campaign was carried out with the participation of 109 employees, extended to employees' families, of which 149 individuals were vaccinated. Health Newsletters were designed addressing general interest topics for the employees and their families, such as: home safety, celiac disease, skin care and home first aids.

Health trainings addressed the following: HIV AIDS and other sexually transmitted diseases, the effects of tobacco on health, drug abuse, healthy life and cardiovascular prevention and CPR (theoretical). In addition, a workshop on this topic was organized for the practical execution of these cardiopulmonary resuscitation maneuvers. It was attended by 235 employees.

As regards Labor Relations, we worked together with the Chemical and Petrochemical Union Executive Committee and the Internal Committees of the different sectors to achieve the goals described in the collective bargaining agreements in force. Among the actions referred to Occupational Health and Safety, together with the trade union, an addiction prevention and control agreement was submitted to the Ministry of Labor. It was aimed at setting a general action framework facing the problem of dangerous substance abuse (alcohol and drugs), which may affect task performance and working environment safety.

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

In the last four-month period of the year, the salary negotiation commission was formed, with members of the company and the trade union, in order to renew the Company's collective bargaining agreement that will be valid for the next five years.

The Systems area continued working on diverse improvements to the computer platform of the Company, both at functional level of the applications and regarding infrastructure and general security aspects.

Application improvements were made to the Prodoc document management platforms and Progeo occurrence management, the systematization of Urea and Ammonia production entry in SAP, improvements in Pronet corporate web (expense reporting by employees and managers reports assistant), initiatives for project improvement in the Open Text platform and information exchange with Urea transporters via web.

With respect to computer security, projects were implemented related to functional security of applications, user roles were revised and adjusted and new network policies were set up to prevent malware in the Company's system. In addition to these activities, a security specialized company performed a network intrusion test to check its robustness. Also, users were made aware through different means (Pronet, meetings, multimedia).

At infrastructure level, a notebook replacement plan was started, and the telephone switch panel was changed in Bahía Blanca Plant for one with more modern technological features. Also, server and notebook backup tools were updated.

With a focus on the strategic management of the area, activities and workshops were organized to update the strategic plan, the process map and the Systems risk matrix.

ACKNOWLEDGEMENTS

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

Buenos Aires, March 14, 2018.

THE BOARD OF DIRECTORS

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

Report of Independent Public Accountants

To the Chairman and Board of Directors of
PROFERTIL S.A.
Legal address: Alicia Moreau de Justo 740 – 3rd floor, Off. 306
Buenos Aires City, 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 balance sheet as of December 31, 2017, and the statement of income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information included in notes 1 to 9 and Exhibits A, F, G, H and I

The amounts and other information corresponding to the fiscal year ended December 31, 2016 are an integral part of the financial statements referred to above and are intended to be read only in relation to the amounts and other information of the current fiscal year.

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

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

3. Auditors' responsibility

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

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

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

4. Opinion

In our opinion, the accompanying financial statements referred to in the first paragraph of section 1 of this report present fairly, in all material respects, the financial position of Profertil S.A. as of December 31, 2017, and the results of its operations, changes in its shareholder's equity and its cash flows for the year then ended, in accordance with Argentine accounting professional standards.

5. English translation of the statutory financial statements

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

Buenos Aires City, Argentina

March 14, 2018

Deloitte & Co. S.A.

Guillermo D. Cohen
Partner

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

PROFERTIL S.A.

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

FISCAL YEARS NUMBER 21 AND 20 BEGINNING ON JANUARY 1, 2017 AND 2016

FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017 AND 2016

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, 2017 (expressed in Argentine pesos)

	Issued, registered, subscribed and paid- in (Note 5)
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
	<u>782,582,640</u>

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

PROFERTIL S.A.

BALANCE SHEETS AS OF DECEMBER 31, 2017 AND 2016 (amounts expressed in Argentine pesos - Note 2.II)

	<u>2017</u>	<u>2016</u>
Current Assets		
Cash and banks	43,807,999	40,625,251
Investments (Note 3.a)	171,800,968	301,927,288
Trade receivables (Note 3.b)	1,200,223,147	826,083,947
Other receivables (Note 3.c)	1,318,911,198	800,314,874
Inventories (Note 3.d)	791,064,949	511,856,136
Total current assets	<u>3,525,808,261</u>	<u>2,480,807,496</u>
Noncurrent Assets		
Other receivables (Note 3.c)	279,600,336	646,466,851
Fixed assets (Exhibit A)	3,453,920,729	3,230,617,038
Total noncurrent assets	<u>3,733,521,065</u>	<u>3,877,083,889</u>
Total assets	<u>7,259,329,326</u>	<u>6,357,891,385</u>
Current Liabilities		
Accounts payable (Note 3.e)	894,600,028	699,271,610
Loans (Note 3.f)	1,899,533,982	1,362,003,739
Salaries and social security	59,922,841	50,104,191
Taxes payable (Note 3.g)	9,019,549	38,250,165
Dividends payable (Note 6)	190,000,000	190,000,000
Total current liabilities	<u>3,053,076,400</u>	<u>2,339,629,705</u>
Noncurrent Liabilities		
Loans (Note 3.f)	2,368,423,000	2,966,059,308
Taxes payable (Note 3.g)	182,567,787	-
Total noncurrent liabilities	<u>2,550,990,787</u>	<u>2,966,059,308</u>
Total liabilities	<u>5,604,067,187</u>	<u>5,305,689,013</u>
Shareholders' Equity (per corresponding statements)	1,655,262,139	1,052,202,372
Total liabilities and shareholders' equity	<u>7,259,329,326</u>	<u>6,357,891,385</u>

Notes 1 to 9 and the accompanying Exhibits A, F, G, H and I are an integral part of these statements.

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

PROFERTIL S.A.

STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (amounts expressed in Argentine pesos - Note 2.II)

	<u>2017</u>	<u>2016</u>
Net sales	7,627,334,996	6,224,960,829
Cost of sales (Exhibit F)	(5,147,072,940)	(4,242,035,877)
Gross profit	2,480,262,056	1,982,924,952
Selling expenses (Exhibit H)	(663,854,011)	(526,942,416)
Administrative expenses (Exhibit H)	(277,524,763)	(211,857,742)
Other operating expenses (Exhibit H)	(205,704,101)	(350,947,185)
Recovery of tariff charges -ENARGAS Resolution N° 1991/2011 (Note 8)	-	876,215,397
Operating income	1,333,179,181	1,769,393,006
Other (expenses) income, net (Note 3.h)	(63,392,225)	39,322,674
Financial income and holding gains, net (Note 3.i)	(449,369,594)	(888,064,067)
Net income before income tax	820,417,362	920,651,613
Income tax (Note 3.j)	(217,357,595)	(321,079,790)
Net income for the year	<u>603,059,767</u>	<u>599,571,823</u>

Notes 1 to 9 and the accompanying Exhibits A, F, G, H and I
are an integral part of these statements.

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PROFERTIL S.A.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(amounts expressed in Argentine pesos - Note 2.II)

	2017				2016	
	Subscribed capital	Legal reserve	Facultative reserve	Unappropriated retained earnings	Total	Total
Balances at the beginning of year	782,582,640	156,516,528	18,967,274	94,135,930	1,052,202,372	452,630,549
As decided by the Ordinary Shareholders' meeting of March 27, 2017						
- Appropriation Facultative reserve	-	-	94,135,930	(94,135,930)	-	-
Net income for the year	-	-	-	603,059,767	603,059,767	599,571,823
Balances at the end of year	<u>782,582,640</u>	<u>156,516,528</u>	<u>113,103,204</u>	<u>603,059,767</u>	<u>1,655,262,139</u>	<u>1,052,202,372</u>

Notes 1 to 9 and the accompanying Exhibits A, F, G, H and I are an integral part of these statements.

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PROFERTIL S.A.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(amounts expressed in Argentine pesos - Note 2.II)

	2017	2016
Cash flows from operating activities		
Net income for the year	603,059,767	599,571,823
Adjustments to reconcile net income (loss) for the year to net cash flows provided by operating activities:		
Depreciation of fixed assets	131,490,744	119,992,338
Decreases of fixed assets	145,182,096	44,103,943
Income tax expense	217,357,595	321,079,790
Recovery of tariff charges - ENARGAS Resolution N° 1991/2011 (Note 8)	-	(799,012,997)
Changes in assets and liabilities:		
Trade receivables	(374,139,200)	(286,571,083)
Other receivables	(186,519,617)	(403,095,918)
Inventories	(279,208,813)	(169,121,457)
Accounts payable	195,328,418	(21,375,554)
Salaries and social security	9,818,650	14,585,401
Taxes payable	(29,230,616)	22,852,826
Other liabilities	-	(12,430,826)
Exchange differences, interests payable and others	775,012,158	706,008,926
Net cash flows provided by operating activities	<u>1,208,151,182⁽²⁾</u>	<u>136,587,212⁽²⁾</u>
Cash flows used in investing activities		
Investments non cash equivalent	22,713,417	98,151,855
Increase of fixed assets	(499,976,531)	(218,130,204)
Net cash flows used in investing activities	<u>(477,263,114)</u>	<u>(119,978,349)</u>
Cash flows used in financing activities		
Loans obtained	3,015,639,250	3,216,576,981
Payments of loans	(3,850,757,473)	(3,902,074,300)
Net cash flows used in financing activities	<u>(835,118,223)</u>	<u>(685,497,319)</u>
Decrease in cash and equivalents⁽¹⁾	(104,230,155)	(668,888,456)
Cash and equivalents at the beginning of year ⁽¹⁾	319,839,122	988,727,578
Cash and equivalents at the end of year ⁽¹⁾	<u>215,608,967</u>	<u>319,839,122</u>

(1) Cash and Investments with an original maturity of less than three months (Note 3.a).

(2) Includes 292,980,886 y 426,210,098 corresponding to interest payments for the years ended December 31, 2017 and 2016, respectively.

Notes 1 to 9 and the accompanying Exhibits A, F, G, H and I
are an integral part of these statements.

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PROFERTIL S.A.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(amounts expressed in Argentine pesos - Note 2.II, except where otherwise indicated)

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. SIGNIFICANT ACCOUNTING POLICIES

I. Applicable accounting principles

The financial statements of the Company have been prepared in conformity with generally accepted accounting principles in Argentina.

Amounts and other information for the fiscal year ended December 31, 2016, are an integral part of these financial statements as of December 31, 2017 and are intended to be read only in relation to that financial statements.

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II. Presentation of Financial Statements in constant Argentine pesos

Argentine accounting standards establish that the financial statements should be prepared recognizing the changes in the purchasing power of money in accordance with the provisions established in Technical Resolutions (RT) N° 6 and N° 17, as amended by the RT N° 39 and by Interpretation N° 8, standards issued by the Argentine Federation of Professional Councils in Economic Sciences (FACPCE) and approved by the Professional Council in Economic Sciences of the City of Buenos Aires (CPCECABA). These rules establish that the application of the inflation adjustment must be made against the existence of a context of high inflation, which is characterized, among other considerations, by the cumulative inflation over three years that reaches or exceeds 100% measured on the basis of the Wholesale Price Index (IPIM) published by the National Institute of Statistics and Census (INDEC).

These financial statements recognize the effects of changes in the purchasing power of money between January 1, 2002 and February 28, 2003, due to the existence of an inflationary economic environment in that period, in accordance with accounting professional standards, Decree N° 664/03 from National Government, and the rules and regulations from the IGJ.

As of the end of the reported fiscal year, the Company's Board of Directors has assessed that the characteristics defined by Argentine accounting professional standards are not presented to determine that there is a context of inflation that would lead to the Argentine economy being classified as highly inflationary. In addition, as of December 31, 2017, it is not possible to calculate the cumulative inflation rate for the three-year period ended on that date on the basis of official INDEC data, since in October 2015 the entity discontinued the IPIM calculation, resuming its computation from January 2016. Therefore, these financial statements have not been adjusted for inflation.

In recent years, certain macroeconomic variables affecting the Company's business, such as the wage cost, the prices of the main raw materials and inputs, loan rates and exchange rates, have experienced variations of some importance. If the restatement of the financial statements to a constant currency becomes applicable, the adjustment should be performed based on the last date on which the Company adjusted its financial statements to reflect the effects of inflation, as established in RT 6, as amended by RT N° 39. Both circumstances should be taken into consideration by the users of these financial statements.

III. Valuation criteria

The main valuation criteria used in the preparation of the financial statements are as follows:

a) Cash and banks, receivables and payables:

Amounts in Argentine pesos: have been valued at face value, including accrued interest through the end of each year according to the specific clauses of each transaction, which do not differ significantly from their discounted value, if applicable, at the end of each year.

Amounts in foreign currency: have been valued at face value at the relevant exchange rate in effect as of the end of each year for settlement of these transactions, including accrued interest through the end of each year according to the specific clauses of each transaction. The related information is disclosed in Exhibit G. Exchange differences have been recognized in the statement of income of each year.

If applicable, allowances have been made to reduce receivables to their estimated realizable value.

Additional information regarding receivables and payables maturities and the applicable interest rates is disclosed in Exhibit I.

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b) Investments:

Time deposits in Argentine pesos: have been valued at face value, including accrued interests through the end of the year according to specific clauses of each transaction.

Mutual funds in Argentine pesos: have been valued at market value at the end of each year, less the estimated selling expenses.

Mutual funds in foreign currency: have been valued at market value at the end of each year converted at the relevant exchange rate in effect as of the end of each year for settlement of these transactions, less the estimated selling expenses. The related information is disclosed in Exhibit G. Exchange differences have been recognized in the statement of income of each year.

Other short term investments in foreign currency: have been valued at market value of the investment at the relevant exchange rate in effect as of the end of each year for the settlement of these transactions, less the estimated selling expenses. The related information is disclosed in Exhibit G. Exchange differences have been recognized in the statement of income of each year.

Additional information regarding investments maturities and applicable interest rates is disclosed in Exhibit I.

c) Inventories:

- Produced products for sale: have been valued at reproduction cost at the end of each year.
- Trade products and other materials: have been valued at replacement cost at the end of each year.

The value of inventories does not exceed their realizable value.

d) Fixed assets:

Fixed assets have been valued at acquisition cost remeasured as indicated in Note 2.II, less related accumulated depreciation. The depreciation is calculated by the straight-line method, according to the estimated useful life of each group of assets. Financial costs corresponding to third parties' financing have been capitalized until the date the related assets start up operations.

Maintenance and major repairs to the fixed assets are charged to expense as incurred.

Renewals and betterments that extend the useful life of fixed assets or that increase production capacity are capitalized. As fixed assets are retired, the related cost and accumulated depreciation are eliminated from the balance sheet.

The carrying value of fixed assets, taken as a whole, does not exceed their estimated realizable value.

e) Taxes and withholdings

Income tax and tax on minimum presumed income

The Company recognizes the income tax expense applying the deferred tax method, which considers the effect of temporary differences between financial and tax basis of assets and liabilities and for the tax loss carryforwards or other tax credits, which may be used to offset future taxable income, at the statutory rate applicable in the year in which it is hope its reversion or utilization will happen.

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On December 29, 2017, Tax Reform, Law N° 27,430, was published in the Official Gazette, which came into force on the day following its publication in the Official Gazette, being one of the main changes the reduction of the tax rate for income tax on non-distributed corporate profits from 35% to: (i) 30% for the periods between January 1, 2018 and December 31, 2019 and (ii) 25% from January 1, 2020.

The main impact of this regulatory change in these financial statements has been in the estimation of deferred tax assets and liabilities (including accumulated tax losses), due to these should be recognized by applying the tax rate current in the period when the differences between the accounting and fiscal values and the losses will be reversed or used.

Therefore, the deferred liability as of December 31, 2017 was estimated considering the tax rates of 30% or 25%, according to the period in which it is expected that the component items will be reversed or used. The effect of applying the new statutory rates to deferred tax assets and liabilities recorded by the Company as of December 31, 2017 is 64,966,554 and is disclosed separately in the income tax note (note 3 j).

According to generally accepted accounting principles in Argentina, the difference between the book value of fixed assets remeasured into constant Argentine pesos and their corresponding cost used for tax purposes corresponds to a temporary difference considered in deferred income tax computations. However, generally accepted accounting principles in Argentina allow the option to disclose the mentioned effect in Notes to the financial statements. The Company has adopted this latter criterion.

The mentioned effect, calculated at the current tax rate, would amount to a deferred tax liability of 59,639,838 and 84,984,551 as of December 31, 2017 and 2016, respectively. The amount charged to income for the reversal of such deferred liability would have been 25,344,713 and 2,481,296 for the years ended December 31, 2017 and 2016. The reversal 2017 include the effect that should be recognize due to the change in the statutory rate mentioned above.

The Company estimates the reversal period of this liability as of December 31, 2017 (considering the statutory rate applied agree with the Tax Reform, mentioned above) will be the following:

Year 2018	Year 2019 and thereafter	Total
<u>2,126,825</u>	<u>57,513,013</u>	<u>59,639,838</u>

Additionally, the Company calculates tax on minimum presumed income applying the current 1% tax rate to taxable assets estimated at year-end. This tax is complementary to income tax. The Company's tax liability will coincide with the higher of such taxes. However, if the tax on minimum presumed income exceeds income tax during one tax year, such excess may be computed as prepayment of any income tax excess over the tax on minimum presumed income that may be generated in the next ten years.

On July 22, 2016 was published the Law 27,260, in which established the derogation to the Minimum Presume Income Tax to the period beginning since January 1, 2019.

For the year ended December 31, 2017, the Company has estimated the existence of taxable income, which can be offset with tax loss carryforward accumulated at the beginning of the year. Due to the

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estimate of the income tax determined, after offsetting the accumulated tax losses is less than the minimum presumed income tax to be paid, a charge for minimum presumed income tax of 19,723,584 has been estimated, which was included in the "Other non-current receivables" caption in the balance sheet.

For the year ended December 31, 2016, the Company has estimated the existence of taxable income, which can be offset with tax loss carryforward accumulated at the beginning of the year and consecutively, has estimated a charge for minimum presumed income tax of 38,886,982 which was included in the "Other non-current receivables" caption in the balance sheet.

As of December 31, 2016, the Company maintained an accumulated tax loss carryforward of approximately \$ 775 million that will be totally applied to offset taxable income from the current year.

The Company recognizes tax loss and other tax credits as deferred tax assets its deduction against future taxable income is probable. To that effect, the Company considers the projected tax results and the reversal of temporary liability differences.

Withholding system for exports

Law No. 25,561 on Public Emergency and Exchange System Reform, enacted in January 2002, established a withholding system for exports with a rate of 5% for the products that the Company exports. The aforementioned System was extended in December, 2011 for five additional years under Law No. 26,732. On October 2015, Decree N° 160/2015 from the Ministry of Production established the reduction to 0% of the rate that applies to the products that the Company exports.

f) Allowances:

Deducted from assets: have been provided to reduce the valuation of trade receivables to their estimated realizable value, based on the individual analysis of doubtful accounts.

g) Shareholders' equity accounts:

These accounts have been valued at face value.

h) Statement of income accounts:

The amounts included in the income statement have been recorded by applying the following criteria:

- Accounts which accumulate monetary transactions, at their face value.
- Cost of sales has been calculated by computing units sold in each month at the reproduction or replacement cost of that month, if applicable
- Depreciation and amortization of nonmonetary assets valued at historical cost have been recorded based on the remeasured cost of such assets, as detailed in Note 2.II.
- Holding gains on inventories valued at reproduction or replacement cost, if applicable, have been included in the account "Financial income and holding gains, net"

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IV. Use of estimates

The preparation of financial statements in conformity with Argentine generally accepted accounting principles requires Management to make estimates and assumptions that affect reported assets and liabilities, revenues and expenses and disclosure of contingencies. Future results could differ from the estimates made by Management.

3. ANALYSIS OF THE MAIN ACCOUNTS OF THE FINANCIAL STATEMENTS

Details regarding the significant accounts included in the financial statements are as follows:

Balance Sheets as of December 31, 2017 and 2016

Assets

	2017		2016	
a) Investments:	<i>Current</i>		<i>Current</i>	
Time deposits	818,718		-	
Mutual funds	170,982,250 ⁽²⁾		279,213,871	
Other short term investments	-		22,713,417 ⁽³⁾	
	171,800,968 ⁽¹⁾		301,927,288 ⁽¹⁾	
<p>(1) Includes 171,800,968 and 279,213,871 as of December 31, 2017 and 2016, respectively, corresponding to investments with an original maturity of less than three months.</p> <p>(2) Includes Mutual Funds in external currency by the amount of 20,294,996.</p> <p>(3) Corresponds to the "Appraisal" investment portfolio, which contains mainly bonds that accrue fixed annual nominal interest rates between 0.125% and 6.2%.</p>				
b) Trade receivables:	<i>Current</i>		<i>Current</i>	
Accounts receivable	778,707,713		614,394,098	
Related parties (Note 6)	427,338,223		217,728,146	
	1,206,045,936		832,122,244	
Allowance for doubtful accounts	(5,822,789)		(6,038,297)	
	1,200,223,147		826,083,947	
c) Other receivables:	2017		2016	
	<i>Current</i>	<i>Non-current</i>	<i>Current</i>	<i>Non-current</i>
V.A.T. credit	627,323,406	45,449,161	591,447,975	131,004,253
Prepaid expenses	31,658,669	-	32,040,943	-
Export rebates	51,877	-	3,306,809	-
Advances to suppliers	29,510,636	-	73,697,440	-
Turnover tax credits	52,539,851	-	20,677,683	-
Income tax and minimum presumed income tax advances and withholdings (net of minimum presumed income tax and income tax payable)	559,594,304	35,003,519	65,046,647	361,992,126
Related parties (Note 6)	33,858	-	33,858	-
Guarantee deposits	105,524	106,412,237	89,266	76,528,351
Minimum presumed income tax credit	-	92,735,419	-	76,739,093
Deferred income tax (Note 3.j)	-	-	-	203,028
Miscellaneous	18,093,073	-	13,974,253	-
	1,318,911,198	279,600,336	800,314,874	646,466,851

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	2017	2016
d) Inventories:	<u>Current</u>	<u>Current</u>
Product for sale	705,106,273	443,803,253
Materials	73,574,927	55,302,890
Advances to suppliers	3,051,470	2,618,251
Product loans	9,332,279	10,131,742
	<u>791,064,949</u>	<u>511,856,136</u>

Liabilities

e) Accounts payables:	<u>Current</u>	<u>Current</u>
Trade	573,697,691	499,069,638
Related parties (Note 6)	251,585,537	150,792,893
Advances from clients	69,316,800	49,409,079
	<u>894,600,028</u>	<u>699,271,610</u>

f) Loans:	Interest Rate ⁽¹⁾	2017		2016	
		<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
Bank indebtedness	(2)	1,899,533,982	2,368,423,000	1,362,003,739	2,966,059,308
		<u>1,899,533,982</u>	<u>2,368,423,000</u>	<u>1,362,003,739</u>	<u>2,966,059,308</u>

(1) Annual interest rates as of December 31, 2017.

(2) As of December 31, 2017 includes 2,169,719,405 bearing interest at nominal annual rates between 1.25% and 6%, 372,980,000 bearing interest at a nominal annual LIBOR rate plus 5%, 372,980,000 bearing interest at a nominal annual LIBOR rate plus 5.25%, 372,980,000 bearing interest at a nominal annual LIBOR rate plus 5.75% and 932,450,000 bearing interest at a nominal annual LIBOR rate plus 6.85%.

Loans generally contain customary covenants and events of default for contracts of this nature, including negative pledge clauses and the compliance of certain financial commitments mainly related to the leverage, liquidity and indebtedness ratios of the Company.

Additionally, the Company has given certain guarantees in relation to certain loans, such as a pledge on certain equipment of the production plant, the fiduciary assignment in guarantee of the Company's rights in respect to eventual sales to certain customers and the creation of a reserve account.

On June 6, 2014 the Company entered into a loan agreement with Banco de la Nación Argentina ("BNA"), for a total amount of 432 million, maturing within 5 years from the date of disbursement of funds of the loan, with principal repayment in 47 monthly installments beginning at 420 days of the disbursement of loan proceeds, and with a variable interest rate equivalent to the "Tasa Activa de Cartera General para Operaciones Diversas" (General Portfolio Lending Rate for Various Operations) published by BNA, with monthly payments, The loan has a mortgage in first degree on the Puerto General San Martín plant. The main purpose of the loan is to partially finance the expansion of the production capacity of the plant in Bahía Blanca mentioned in Note 1. Principal and interests were totally paid in advance on August 4, 2017.

	2017		2016	
	<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
g) Taxes payable:				
Income tax withholdings	801,194	-	25,454,894	-
V.A.T. withholdings	8,218,355	-	12,795,271	-
Deferred Tax Liability (Nota 3.j)	-	182,567,787	-	-
	<u>9,019,549</u>	<u>182,567,787</u>	<u>38,250,165</u>	-

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Statements of Income for the years ended December 31, 2017 and 2016

	Income (Loss)	
	2017	2016
h) Other (expenses) income, net:		
Insurance recovery	568,942	93,155,916
Tax on bank transactions	(87,094,594)	(78,910,647)
Miscellaneous	23,133,427	25,077,405
	<u>(63,392,225)</u>	<u>39,322,674</u>
i) Financial income and holding gains, net		
Gains on assets:		
Exchange differences	199,242,613	278,487,694
Holding gains	299,996,666	21,695,968
Interests and others	98,455,761	125,236,781
	<u>597,695,040</u>	<u>425,420,443</u>
Losses on liabilities:		
Exchange differences	(693,629,223)	(925,026,724)
Interests and others	(353,435,411)	(388,457,786)
	<u>(1,047,064,634)</u>	<u>(1,313,484,510)</u>
	<u>(449,369,594)</u>	<u>(888,064,067)</u>
j) Income tax:		

The income tax expense for the years ended December 31, 2017 and 2016 is as follows:

	2017	2016
Income tax Current	(34,586,780)	-
Income tax Deferred	(182,770,815)	(321,079,790)
	<u>(217,357,595)</u>	<u>(321,079,790)</u>

The reconciliation of net income (loss) before income tax at the statutory tax rate, to the income tax (expense) income disclosed in the statements of income for the years ended December 31, 2017 and 2016, is as follows:

	2017	2016
Net Income before income tax	820,417,362	920,651,613
Statutory tax rate	35%	35%
Statutory tax rate applied to net income before income tax	(287,146,077)	(322,228,065)
Effect of change in statutory tax rate	64,966,554 ⁽¹⁾	-
Effect of the restatement into constant Argentine pesos and others	4,621,928	1,148,275
Income tax	<u>(217,357,595)</u>	<u>(321,079,790)</u>

(1) Corresponds to the charge to the net income, due to the new statutory tax rate applied to deferred assets and liabilities maintained as of December 31, 2017 originated in the Tax Reform (Note 2.III e)

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	<u>2017</u>	<u>2016</u>
Deferred tax assets		
Tax loss carryforwards	-	271,539,040
Miscellaneous	2,380,459	369,854
Total deferred tax assets	<u>2,380,459</u>	<u>271,908,894</u>
Deferred tax liabilities		
Fixed assets and materials	(182,397,087)	(263,580,524)
Miscellaneous	(2,551,159)	(8,125,342)
Total deferred tax liabilities	<u>(184,948,246)</u>	<u>(271,705,866)</u>
Net deferred tax (liability) asset	<u>(182,567,787)</u>	<u>203,028</u>

4. GUARANTEES GIVEN AND 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 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.

b. Natural gas supply and transportation and energy contracts

The Company has entered into long-term natural gas supply and transportation agreements with certain producers and the transportation company, respectively, aiming to ensure a determined quantity of the natural gas supply and transportation capacity necessary to operate the plant until the years 2018 and 2050, which establishes certain purchase, delivery and transportation minimum volumes of natural gas. In addition, the Company has executed certain additional agreements with alternative natural gas suppliers with expiration dates during 2018.

During the second quarter of 2016, due to current limitations existing in the energy supply in Argentina, certain amounts of natural gas required by PROFERTIL and other companies were used to meet the residential segment demand, and therefore, normal production capacity of the Company affected.

Likewise, the Company has executed power purchase agreements with certain electricity generators aiming at assuring the necessary supply for the plant operation. Such agreements have expiration dates during the year 2018.

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5. CAPITAL STOCK

As of December 31, 2017, the Company's capital stock is 782,582,640, represented by 782,582,640 common, one vote per share, nominative, nonendorsable shares with a face value of 1, which was issued, registered, subscribed and paid in.

As of December, 2017, the partners' holding in capital stock is the following:

<u>Shareholder</u>	<u>Shareholding</u>
YPF S.A.	50%
Agrium Holdco Spain S.L. ⁽¹⁾	50%

(1) 3631591 Canada Limited, controlled company of Agrium Inc. is one hundred percent (100%) owner of Agrium Holdco Spain S.L. shares.

The registered address of YPF S.A. is Macacha Güemes 515, Buenos Aires City, Argentina. Its main business is the exploration, development and production of oil and natural gas and other minerals and refining, transportation, marketing and distribution of oil and petroleum products and petroleum derivatives, including petrochemicals, chemicals and non-fossil fuels, biofuels, and their components, generation of electric power from hydrocarbons, rendering telecommunications services, as well as the production, industrialization, processing, marketing, preparation services, transportation and storage of grains and its derivatives.

The registered address of Agrium Holdco Spain S.L. in Argentina is Av. Del Libertador 602, 7th floor, off, "B", Buenos Aires City, Argentina. Its main business is the management and administration of funds of companies and other entities, located in or outside Spanish territory, as well as rendering finance and investments advisory services.

6. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

As of December 31, 2017 and 2016, the outstanding balances with related parties are as follows:

	<u>2017</u>				<u>2016</u>			
	<u>Trade receivables</u>	<u>Other current receivables</u>	<u>Current accounts payable</u>	<u>Dividends payable</u>	<u>Trade receivables</u>	<u>Other current receivables</u>	<u>Current accounts payable</u>	<u>Dividends payable</u>
YPF S.A.	229,368,034	33,858	214,485,240	95,000,000	101,253,418	33,858	98,711,693	95,000,000
Agrium Holdco Spain S.L. ⁽¹⁾	-	-	-	95,000,000	-	-	-	95,000,000
Agroservicios Pampeanos S.A. ⁽¹⁾	197,970,189	-	23,677,876	-	116,474,728	-	1,973,474	-
Ysur S.A. ⁽²⁾	-	-	-	-	-	-	587,376	-
YPF Tecnología S.A. ⁽²⁾	-	-	12,894	-	-	-	-	-
MetroEnergía S.A. ⁽²⁾	-	-	13,409,527	-	-	-	49,520,350	-
	<u>427,338,223</u>	<u>33,858</u>	<u>251,585,537</u>	<u>190,000,000</u>	<u>217,728,146</u>	<u>33,858</u>	<u>150,792,893</u>	<u>190,000,000</u>

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The principal transactions with related parties for the years ended December 31, 2017 and 2016 are as follows:

	2017		2016			
	Net Sales	Purchases and services	Net Sales	Purchases and services	Payment of loans	Loan interests
YPF S.A.	882,414,465	731,155,573	602,659,413	284,895,793	-	-
3631591 Canada Limited ⁽¹⁾	-	-	-	-	1,531,857,545	42,903,268
Agroservicios Pampeanos S.A. ⁽¹⁾	1,158,104,284	-	898,981,418	-	-	-
Ysur S.A. ⁽²⁾	-	-	-	8,286,493	-	-
YPF Tecnología ⁽²⁾	-	49,035	-	-	-	-
MetroEnergía S.A. ⁽²⁾	-	188,642,287	-	662,022,212	-	-
	<u>2,040,518,749</u>	<u>919,846,895</u>	<u>1,501,640,831</u>	<u>955,204,498</u>	<u>1,531,857,545</u>	<u>42,903,268</u>

⁽¹⁾ Related party of Agrium Inc.

⁽²⁾ Related party of YPF S.A.

7. RESTRICTIONS TO UNAPPROPRIATED RETAINED EARNINGS

In accordance with the provisions of Law No. 19,550, 5% of net income for the year is to be appropriated to the legal reserve until such reserve reaches 20% of the Company's capital stock. As of December 31, 2017 legal reserve has reached the limit mentioned before.

Under Law No. 25,063, enacted in December 1998, dividends distributed, either in cash or in kind in excess of accumulated taxable income as of the end of the year immediately preceding the dividend payment or distribution date, shall be subject to a 35% income tax withholding as a sole and final payment. However, according the Tax Reform Act 27430 above mentioned, this tax is eliminated from the utilities generates since 2018.

On July 22, 2016, Law 27,260 was published in the Official Gazette "Programa Nacional de reparación histórica para jubilados y pensionados ", which includes a regime of fiscal sincerity, moratorium and tax modifications. Among other changes, the aforementioned Law 27,260 eliminates the tax of 10% withholding over dividends distributed by companies in cash or in kind except in shares to foreign beneficiaries and individuals resident in the country as a single and definitive payment.

Finally, Tax Reform Act 27,430 also established a retention applied on dividends remitted to foreign shareholders with a rate of 7% for the years 2018 and 2019, and with a rate of 13% since 2020.

8. TARIFF CHARGES TO THE NATURAL GAS TRANSPORTATION AND DISTRIBUTION SYSTEM USERS

During the year 2008 the National Executive Power enacted Decree No. 2067/2008, which created a fiduciary fund in order to finance natural gas imports made by the National Government to guarantee Argentina's natural gas demand. The contributions to the fund were implemented through tariffs, among others, to the users of natural gas transportation and distribution companies.

During the last quarter of year 2011, Resolutions No. 1982/2011 and 1991/2011 of ENARGAS, which instrumented the above mentioned Decree, were enacted and set an increase of up to ten times of the

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original tariff ("the additional tariff charges") to certain users of the natural gas transportation and distribution system, where Profertil is included, for the natural gas consumptions starting December 1, 2011.

The Company has made an administrative claim called improper claim (direct challenge before the Administration to acts of general scope) to the ENARGAS and a presentation to the National Executive Power, under the view that, given the nature of the Company's business and its long-term natural gas purchase agreements should be exempted from the above resolutions. On December 22, 2011 the Company filed an injunction before 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 is made.

Additionally, on June 15, 2012, Profertil commenced ordinary proceedings before the National Court of Justice in the Federal Administrative Sector in order to protect its constitutional rights against an eventual adverse resolution of the administrative claim mentioned above. The filed proceeding was based on the fact that both the Decree as well the above mentioned Resolutions, by which the additional tariff charges are intended to be applied, are in violation of the rights protected by the National Constitution of equality, legality, due process and defense, and of the rights to use and to dispose of their property; and are contrary to reason.

In that sense, the impact of the additional tariff charges on the average of the fiscal years ended December 31, 2015, 2014, 2013 and 2012 (previous fiscal years before being rendered without effect the application of the additional tariff charges as it is described below in this note) represents approximately 39% of natural gas purchases (main raw material for the urea production) and approximately 92% of net income of the fiscal years.

The additional tariff charges up to March 31, 2016 were disclosed in the Exhibit H and were accrued once natural gas was consumed, and the related accumulated accrued amounts were recognized in the trade payables caption of the balance sheet.

As of the date of issuance of these financial statements, the resolution of the claim at the administrative stage is still pending.

Pursuant to Law No. 26,784, the Year 2013 National Budget Law, enacted on November 2012 ("the Budget Law"), the regime created through Decree No. 2067/2008 was enforced by changes to the Law No. 26,095. Additionally, during the year ended December 31, 2013 new resolutions regarding lawsuits filed by other market players were known that yielded new evidence for assessing the accounting treatment of the additional tariff charges until the enactment of the Budget Law. Consequently, as of December 31, 2013, the Company reversed an amount of 305,876,018 in relation to the additional tariff charges accrued up to the fiscal year ended December 31, 2012, under the grounds that, until that date, the mentioned Decree was unconstitutional, and hence, the Budget Law gave a legal foundation to the additional tariff charges.

Afterwards, by the end of the fiscal year ended December 31, 2014 and after that date, two new rulings of the Supreme Court of Justice and the Federal Court of the Province of Salta regarding lawsuits filed by other market players were known that yielded new evidence for assessing the accounting treatment of the additional tariff charges until the enactment of the Budget Law. Both resolutions ruled in favor of ENARGAS, but in the opinion of the legal advisors of the Company not necessarily apply equally to the judicial claim made by the Company.

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In addition, during March 2016 the Ministry of Energy and Mining enacted Resolution 28/2016, which instructed ENARGAS to render ineffective the application of the additional tariff charges as from April 1, 2016.

Subsequently, certain filings made by third parties challenged both Resolution 28/2016 and Resolution 31/2016 (which established a comprehensive adjustment to the tariff for public services of transportation and distribution of natural gas) and federal courts had invalidated those resolutions, upon which the Supreme Court of Justice ruled that these resolutions were not applicable to residential users.

According to the Company's external legal advisors, this new Resolution 28/2016 has provided new evidence for the evaluation of the accounting treatment of the additional tariff charges for the period since the enactment of the Budget Law (January 2013 to March 2016), and a potential claim for payment of the additional tariff charges until March 2016 is no longer probable and has become possible.

As a consequence, the Management of the Company, in consultation with these such advisors, considers that this new evidence provides additional grounds to support the Company's position in the ordinary proceedings before the National Court of Justice in the Federal Administrative sector mentioned above, and therefore it is possible that the Company obtains a favorable resolution to the foregoing unconstitutionality declaration proceedings filed at the National Courts on the basis of their confiscatory nature and lack of reasonableness, vices in the motivation of the resolutions and violation of the rights of defense.

Consequently, the Company reversed on June 30, 2016 an amount of 876,215,397 (before income tax) in relation to the additional tariff charges accrued up to March 31, 2016.

9. ENGLISH TRANSLATION OF THE STATUTORY FINANCIAL STATEMENTS

The accompanying financial statements are the English translation of those originally issued in Spanish. They are presented on the basis of generally accepted accounting principles in Argentina. Certain accounting practices applied by the Company, that conform with generally accepted accounting principles in Argentina, may not conform with generally accepted accounting principles in other places. The effects of the differences, if any, between generally accepted accounting principles in Argentina, 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.

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PROFERTIL S.A.

BALANCE SHEETS AS OF DECEMBER 31, 2017 AND 2016 FIXED ASSETS EVOLUTION

(amounts expressed in Argentine pesos - Note 2.II)

Main account	2017				Amounts at end of year
	Amounts at beginning of year	Original cost			
		Increases	Decreases	Transfers	
Land	16,702,965	-	-	-	16,702,965
Furniture and fixtures	1,306,662	-	-	-	1,306,662
Computer hardware	2,418,822	3,994,917	-	-	6,413,739
Communications	2,534,553	370,920	(126,734)	2,054,095	4,832,834
Vehicles	5,338,300	3,292,783	(377,500)	-	8,253,583
Software	94,491,820	5,033,326	(747,900)	3,947,431	102,724,677
Other equipment	15,455,599	-	-	1,268,355	16,723,954
Installations	407,157,385	-	(47,608)	928,326	408,038,103
Work in progress	100,346,334	284,251,739	-	(39,842,687)	344,755,386
Materials and spare parts	218,502,010	131,399,456	(92,344,809)	-	257,556,657
Advances to suppliers	55,579,859	48,292,101	-	(69,976,798)	33,895,162
Complex of fertilizers	3,417,017,299	23,341,289	(57,793,517)	101,621,278	3,484,186,349
Total 2017	4,336,851,608	499,976,531	(151,438,068)	-	4,685,390,071
Total 2016	4,164,707,229	218,130,204	(45,985,825)	-	4,336,851,608

Main account	2017				2016		
	Depreciation					Net book value as of 12-31-17	Net book value as of 12-31-16
	Accumulated at beginning of year	Depreciation rate	Increases	Decreases	Accumulated at end of year		
Land	-	-	-	-	-	16,702,965	16,702,965
Furniture and fixtures	1,306,662	10%	-	-	1,306,662	-	-
Computer hardware	2,376,603	33%	1,220,669	-	3,597,272	2,816,467	42,219
Communications	2,525,120	33%	539,232	(123,257)	2,941,095	1,891,739	9,433
Vehicles	3,335,259	20%	1,280,846	(284,113)	4,331,992	3,921,591	2,003,041
Software	56,805,626	10% - 33%	24,223,600	-	81,029,226	21,695,451	37,686,194
Other equipment	13,997,968	20%	601,210	-	14,599,178	2,124,776	1,457,631
Installations	101,458,247	10%	21,224,322	-	122,682,569	285,355,534	305,699,138
Work in progress	-	-	-	-	-	344,755,386	100,346,334
Materials and spare parts	-	-	-	-	-	257,556,657	218,502,010
Advances to suppliers	-	-	-	-	-	33,895,162	55,579,859
Complex of fertilizers	924,429,085	2%	82,400,865	(5,848,602)	1,000,981,348	2,483,205,001	2,492,588,214
Total 2017	1,106,234,570		131,490,744	(6,255,972)	1,231,469,342	3,453,920,729	
Total 2016	988,124,114		119,992,338	(1,881,882)	1,106,234,570		3,230,617,038

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PROFERTIL S.A.

**STATEMENTS OF INCOME
COST OF SALES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**
(amounts expressed in Argentine pesos - Note 2.II)

	<u>2017</u>	<u>2016</u>
Inventories at beginning of year ⁽¹⁾	453,934,995	299,019,969
Purchases	1,403,768,075	1,549,790,587
Service costs	39,094,763	45,511,210
Holding gains on products for sale	297,477,301	30,887,721
Production costs (Exhibit H)	3,667,236,358	2,770,761,385
Inventories at end of year ⁽¹⁾	(714,438,552)	(453,934,995)
Cost of sales	<u>5,147,072,940</u>	<u>4,242,035,877</u>

(1) Net of advances to suppliers and materials.

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PROFERTIL S.A.

BALANCE SHEETS AS OF DECEMBER 31, 2017 AND 2016 FOREIGN CURRENCY ASSETS AND LIABILITIES

	Foreign currency and amount		Exchange rate as of 12-31-2017	Book value in pesos as of 12-31-2017
	2016	2017		
Current Assets				
Cash and banks	US\$ 1,093,410	US\$ 814,261	18,549	15,103,722
Investments	US\$ 1,438,468	US\$ 1,094,129	18,549	20,294,996
Trade receivables	US\$ 8,992,370	US\$ 63,002,868	18,549	1,168,640,199
Other receivables	US\$ 2,238,616	US\$ 2,637,806	18,549	48,928,659
Total current assets				<u>1,252,967,576</u>
Noncurrent Assets				
Other receivables	US\$ 4,846,634	US\$ 5,736,818	18,549	106,412,237
Total noncurrent assets				<u>106,412,237</u>
Total assets				<u>1,359,379,813</u>
Current Liabilities				
Accounts payable	US\$ 9,378,974	US\$ 23,834,783	18,649	444,494,864
	€ 55,204	-	18,649	-
Loans	US\$ 79,488,336	US\$ 102,586,088	18,649	1,913,127,956
Total current liabilities				<u>2,357,622,820</u>
Noncurrent liabilities				
Loans	US\$ 76,250,000	US\$ 127,000,000	18,649	2,368,423,000
Total noncurrent liabilities				<u>2,368,423,000</u>
Total liabilities				<u>4,726,045,820</u>

(1) Buying exchange rate.

(2) Selling exchange rate.

(3) Includes amounts related to buying and selling operations stated in U.S. dollars whose related invoice for the buying or selling operation has been issued in pesos at the corresponding exchange rate at the date of billing.

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

PROFERTIL S.A.

STATEMENTS OF INCOME INFORMATION REQUIRED UNDER ART, 64, CLAUSE I,b) OF LAW N° 19,550 FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(amounts expressed in Argentine pesos - Note 2.II)

Account	2017				2016	
	Production costs	Selling Expenses	Administrative expenses	Other operating expenses	Total	Total
Salaries and wages	138,355,898	48,726,447	107,806,695	34,391,019	329,280,059	243,930,083
Other personnel expenses	2,690,912	8,038,472	15,102,696	8,282,814	34,114,894	27,887,572
Social security taxes	32,641,481	10,639,388	18,291,507	7,455,902	69,028,278	50,785,739
Taxes, charges and contributions	4,023,742	1,603,852	733,476	1,535,637	7,896,707	8,587,330
Rentals and condominium expenses	12,509,953	7,360,418	2,924,821	(25,548)	22,769,644	20,235,985
Office expenses	11,488,499	10,447,265	6,927,212	(2,659,825)	26,203,151	20,625,764
Travel expenses	53,591	1,607,723	2,142,599	734,088	4,538,001	3,517,004
Storage and handling	1,561,608	123,481,099	-	(720,964)	124,321,743	100,733,113
Transportation and freights	-	294,837,717	-	-	294,837,717	236,946,787
Internal transportation costs	407,182,547	-	-	-	407,182,547	327,013,086
Fees and compensation for services	46,157	259,033	15,061,603	167,575	15,534,368	12,685,661
Service contracts	204,038,959	87,681,445	63,417,721	(5,188,400)	349,949,725	299,340,947
Depreciation of fixed assets	77,009,825	21,796,354	26,698,811	5,985,754	131,490,744	119,992,338
Insurance	52,473,984	8,607,822	1,137,596	(2,521,874)	59,697,528	53,814,638
Communication expenses	2,840,048	2,681,855	3,833,993	(823,646)	8,532,250	6,380,525
Publicity and advertising expenses	671,337	1,650,455	9,575,337	(476,893)	11,420,236	12,594,594
Materials and supplies	817,094	-	-	174,990	992,084	1,388,464
Gas, energy and others	2,677,666,179	-	-	161,231,607	2,838,897,786	2,172,638,869
Tariff Charges ENARGAS Resolution N° 1991/2011	-	-	-	-	-	77,202,400
Maintenance and repair expenses	39,117,936	6,929,946	2,119,135	(1,849,849)	46,317,168	42,857,114
Miscellaneous	2,046,608	27,504,720	1,751,561	11,714	31,314,603	21,350,715
Total 2017	3,667,236,358	663,854,011	277,524,763	205,704,101	4,814,319,233	
Total 2016	2,770,761,385	526,942,416	211,857,742	350,947,185		3,860,508,728

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

PROFERTIL S.A.

BALANCE SHEET AS OF DECEMBER 31, 2017 BREAKDOWN OF INVESTMENTS, RECEIVABLES AND LIABILITIES (amounts expressed in Argentine pesos)

	Assets			Liabilities	
	Investments ⁽¹⁾	Trade receivables ⁽²⁾	Other receivables ⁽³⁾	Others ⁽⁴⁾	Loans ⁽⁵⁾
Without maturity	-	-	-	-	-
Not yet due:					
Up to three months	171,800,968	1,183,525,644	320,580,389	926,019,521	474,883,496
From three to six months	-	16,697,503	184,965,783	37,522,897	99,666,906
From six to nine months	-	-	666,860,720	190,000,000	474,883,495
From nine to twelve months	-	-	146,504,306	-	850,100,085
More than one year	-	-	279,600,336	182,567,787	2,368,423,000 ⁽⁶⁾
Total not yet due	171,800,968	1,200,223,147	1,598,511,534	1,336,110,205	4,267,956,982
Total with maturity	171,800,968	1,200,223,147	1,598,511,534	1,336,110,205	4,267,956,982
Total	171,800,968	1,200,223,147	1,598,511,534	1,336,110,205	4,267,956,982

(1) Do not accrue interest.

(2) Do not accrue interests.

(3) Include 106,412,237 that accrue interest at nominal annual rate of 0.5%.

(4) Include accounts payable, salaries and social security, taxes and dividends payable.

(5) See Note 3.f).

(6) Include 1,808,953,000 that will expire between 1 and 2 years, 372,980,000 that will expire between 2 and 3 years and 186,490,000 that will expire between 3 and 4 years.

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

STATUTORY AUDIT COMMITTEE'S REPORT

To the Shareholders of
PROFERTIL S.A.:

1. In accordance with clause 5, article 294 of Law No. 19,550, we have performed the work mentioned in the following paragraph on the balance sheet of PROFERTIL S.A, (an Argentine corporation) as of December 31, 2017, and the related statements of income, changes in shareholders' equity and cash flows for the year then ended. These documents are the responsibility of the Company's Board of Directors 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 accompanying financial statements consisted of assessing the consistency of significant information contained in those statements with the corporate decisions set forth in 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 14, 2018, issued in accordance with Technical Resolution N° 37 of the Argentine Federation of Professional Councils in Economic Sciences. 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, based on our work, the financial statements mentioned in the first paragraph, present fairly, in all material respects, the financial position of PROFERTIL S.A. as of December 31, 2017, and the results of its operations, changes in its shareholders' equity and its cash flows for the year then ended, in accordance with Argentine professional accounting standards,
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 9 to the accompanying financial statements, the financial statements are the English translation of those originally prepared by the Company in Spanish and presented in accordance with generally accepted accounting principles in Argentina. The effects of the differences between generally accepted accounting principles in Argentina 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 in Argentina

Buenos Aires City, Argentina
March 14, 2018

For Statutory Audit Committee

Oscar Alberto Oroná
Statutory Auditor