SOCIEDAD ANÓNIMA, COMERCIAL, INDUSTRIAL,

FINANCIERA, INMOBILIARIA Y AGROPECUARIA

EINSTEIN 1111 - RIO GRANDE

PROVINCE OF TIERRA DEL FUEGO,

ANTARCTICA AND SOUTH ATLANTIC ISLANDS

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018,

PRESENTED JOINTLY WITH THE INDEPENDENT AUDITOR'S REPORT

AND THE STATUTORY AUDIT COMMITTEE'S REPORT

(Translation into English, originally issued in Spanish)

INDEPENDENT AUDITORS' REPORT

ON THE CONSOLIDATED FINANCIAL STATEMENTS

(Translation into English of the Financial Statements originally issued in Spanish – Note 23 to the consolidated Financial Statements)

To the directors of
MIRGOR S.A.C.I.F.I.A.
Registered office: Einstein 1111
Río Grande – Tierra del Fuego
(CUIT (Argentine tax Identification number): 30-57803607-1)

I. Report on financial statements

Introduction

1. We have audited the accompanying separate financial statements of MIRGOR S.A.C.I.F.I.A. ("the Company"), which comprise: (a) the separate statement of financial position as of December 31, 2018, (b) the separate statements of comprehensive income, changes in equity and cash flows for year then ended, and (c) a summary of significant accounting policies and other explanatory information.

Responsibility of the Company's Management for the financial statements

2. The Board of Directors is responsible for the preparation and fair presentation of the Company's separate financial statements mentioned in paragraph 1 in accordance with International Financial Reporting Standards approved by the International Accounting Standards Board (IASB), adopted by the Argentine Federation of Professional Councils in Economic Sciences (FACPCE) as professional accounting standards and incorporated by the CNV (Argentine Securities Commission) in its regulations. The Company's Management is also responsible for the internal control it deems necessary to allow the financial statements to be prepared free from material misstatements, whether due to errors or irregularities.

Auditor's responsibility

3. Our responsibility is to express an opinion on the financial statements mentioned in paragraph 1, based on our audit. We have performed our work in accordance with the International Standards on Auditing issued by the International Auditing and Assurance Standards Board (IAASB) adopted in Argentina with the effective terms established by the FACPCE. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain judgmental evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessing the risks of material misstatement of the financial statements, whether due to errors or irregularities. In making this risk assessment, the auditor considers the Company's internal control relevant to the preparation and fair presentation of the financial statements in order to design the appropriate audit procedures in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Company's Management, as well as evaluating the overall presentation of the financial statements.

We believe that the judgmental evidence we have obtained is sufficient and appropriate for our audit opinion.

Opinion

4. In our opinion, the financial statements mentioned in paragraph 1 present fairly, in all material respects, the financial position of MIRGOR S.A.C.I.F.I.A. as of December 31, 2018, its income and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Other matters

5. We issued a separate report on the consolidated financial statements of MIRGOR S.A.C.I.F.I.A. and its subsidiaries as of the same date and for the same period indicated in paragraph 1.

II. Report on other statutory and regulatory requirements

In compliance with current regulations, we further report that:

(a) In our opinion, the financial statements mentioned in paragraph 1 have been prepared, in all material respects, in conformity with the applicable Argentine General Business Associations Law provisions and CNV regulations.

(b) The financial statements mentioned in paragraph 1 arise from the Company's "Inventory and Financial Statements" book kept, in all formal respects, in accordance with current legal regulations and the conditions set forth in CNV Resolution No. 18,516 of February 16, 2017.

(c) The information contained in points 2, 3 and 5 of "Additional information to the notes to the financial statements – section No. 12, Chapter III, Title IV of CNV Regulations (as amended in 2013)", presented by the Company jointly with the financial statements to comply with relevant CNV regulations, arises from the financial statements mentioned in paragraph 1.

(d) As of December 31, 2018, liabilities accrued in employee and employer contributions to the Integrated Pension Fund System, as recorded in the Company's books, amounted to ARS 10,874,395, none of which was due and payable as of that date.

(e) We have applied the anti-monetary laundering and anti-terrorist financing procedures provided in the related effective professional standards.

(f) During the year ended December 31, 2018, we billed audit services fees to the Company, representing 100% of the total amount billed to the Company on any and all accounts, 50% of the total amount of audit services billed to the Company, its parent company, subsidiaries and associates, and 50% of the total amount billed to the Company, its parent company, subsidiaries and associates on any and all accounts.

Buenos Aires,
March 8, 2019

PISTRELLI, HENRY MARTIN Y ASOCIADOS S.R.L.

KARÉN GRIGORIAN
Partner
Certified Public Accountant (U.B.A.)

INDEPENDENT AUDITORS' REPORT
ON THE SEPARATE FINANCIAL STATEMENTS

(Translation into English of the Financial Statements originally issued in Spanish – Note 23 to the consolidated Financial Statements)

To the directors of
MIRGOR S.A.C.I.F.I.A.
Registered office: Einstein 1111
Río Grande – Tierra del Fuego
(CUIT (Argentine tax Identification number): 30-57803607-1)

I. Report on financial statements

Introduction

1. We have audited the accompanying consolidated financial statements of MIRGOR S.A.C.I.F.I.A. ("the Company") and its subsidiaries, which comprise: (a) the consolidated statement of financial position as of December 31, 2018, (b) the consolidated statements of comprehensive income, changes in equity and cash flows for year then ended, and (c) a summary of significant accounting policies and other explanatory information.

Responsibility of the Company's Management for the financial statements

2. The Board of Directors is responsible for the preparation and fair presentation of the Company's separate financial statements mentioned in paragraph 1 in accordance with the International Financial Reporting Standards adopted by the Argentine Federation of Professional Councils in Economic Sciences (FACPCE) as professional accounting standards and incorporated by the CNV (Argentine Securities Commission) in its regulations, as approved by the International Accounting Standards Board (IASB). The Company's Management is also responsible for the internal control it deems necessary to allow the consolidated financial statements to be prepared free from material misstatements, whether due to errors or irregularities.

Auditor's responsibility

3. Our responsibility is to express an opinion on the financial statements mentioned in paragraph 1, based on our audit. We have performed our work in accordance with the International Standards on Auditing issued by the International Auditing and Assurance Standards Board (IAASB) adopted in Argentina with the effective terms established by the FACPCE. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain judgmental evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessing the risks of material misstatement of the financial statements, whether due to errors or irregularities. In making this risk assessment, the auditor considers the Company's internal control relevant to the preparation and fair presentation of the financial statements in order to design the appropriate audit procedures in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Company's Management, as well as evaluating the overall presentation of the financial statements.

We believe that the judgmental evidence we have obtained is sufficient and appropriate for our audit opinion.

Opinion

4. In our opinion, the financial statements mentioned in paragraph 1 present fairly, in all material respects, the financial position of MIRGOR S.A.C.I.F.I.A. and its subsidiaries as of December 31, 2018, its income and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Other matters

5. We also issued a separate report on MIRGOR S.A.C.I.F.I.A.'s financial statements as of the same date and for the same periods indicated in paragraph 1.

II. Report on other statutory and regulatory requirements

In compliance with current regulations, we further report that:

(a) The financial statements mentioned in paragraph 1 have been transcribed into MIRGOR S.A.C.I.F.I.A.'s "Inventory and Financial Statements" book and, in our opinion, were prepared in all material respects, in conformity with the applicable Argentine General Business Associations Law provisions and CNV (Argentine Securities Commission) regulations.

(b) The separate financial statements of MIRGOR S.A.C.I.F.I.A. as of December 31, 2018, have been taken from accounting books kept, in all formal respects, in accordance with current legal regulations and the conditions set forth in CNV Resolution No. 18,516 of February 16, 2017.

(c) The information contained in points 2, 3 and 5 of the "Summary of Events for the fiscal years ended December 31, 2018, and 2017", submitted by MIRGOR S.A.C.I.F.I.A. jointly with the financial statements to comply with CNV regulations arises from MIRGOR S.A.C.I.F.I.A.'s financial statements consolidated with those of its subsidiaries as of December 31, 2018, which are included in the accompanying document, and as of December 31, 2017, which are not included in the accompanying document and on which we issued our audit report dated March 8, 2018, to which we refer and which should be read jointly with this report.

(d) As of December 31, 2018, liabilities accrued in employee and employer contributions to the Integrated Pension Fund System, as recorded in the books of MIRGOR S.A.C.I.F.I.A., amounted to ARS 10,874,395, none of which was due and payable as of that date.

(e) In our audit of MIRGOR S.A.C.I.F.I.A.'s separate financial statements we have applied the anti-monetary laundering and anti-terrorist financing procedures provided in the related effective professional standards.

(f) During the year ended December 31, 2018, we billed audit services fees to the Company, representing 100% of the total amount billed to the Company on any and all accounts, 50% of the total amount of audit services billed to the Company, its parent company, subsidiaries and associates, and 50% of the total amount billed to the Company, its parent company, subsidiaries and associates on any and all accounts.

Buenos Aires,
March 8, 2019

PISTRELLI, HENRY MARTIN Y ASOCIADOS S.R.L.

KARÉN GRIGORIAN
Partner
Certified Public Accountant (U.B.A.)

STATUTORY AUDIT COMMITTEE'S REPORT
ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
MIRGOR S.A.C.I.F.I.A.

Dear Sirs,

1. As required by the regulations of Listado de Bolsas y Mercados Argentinos S.A. (BYMA), we have examined the letter to the shareholders, inventory and consolidated statement of financial position of MIRGOR S.A.C.I.F.I.A. and its subsidiaries as of December 31, 2018, and the related consolidated statements of comprehensive income, changes in equity, and cash flows for the year ended December 31, 2018. In addition, we have reviewed the related "Supplementary information to the notes to the financial statements required under section 12, Chapter III, Title IV of CNV Standards (as amended in 2013)", the filing of which is not required by professional accounting standards effective in the Province of Tierra del Fuego, Antarctica and South Atlantic Islands, Argentina. Such documentation is the responsibility of the Company's Board of Directors in performing their exclusive functions.

2. Our work was based on the audit of the financial statements indicated above conducted by the firm Pistrelli, Henry Martin y Asociados S.R.L., in accordance with the international auditing standards issued by the International Auditing and Assurance Standards Board (IASB), and was limited to verifying the fairness of the significant information included in the documents examined, its consistency with the information on corporate decisions entered in minutes, and the compliance of such decisions with the law and by-laws regarding formal and documentary requirements. We did not perform any control over management decisions or performance and, therefore, we did not assess the business decisions or criteria regarding administrative, financial, marketing or production matters, as these are the exclusive responsibility of the Board of Directors.

3 In our opinion, based on our work and the reports dated March 8, 2019, issued by Karén Grigorian, CPA (a partner of Pistrelli, Henry Martin y Asociados S.R.L.): (a) the accompanying consolidated financial statements for the year ended December 31, 2018, present fairly, in all material respects, the financial position of MIRGOR S.A.C.I.F.I.A. and its subsidiaries, for them to be presented in conformity with the professional accounting standards effective in the Province of Tierra del Fuego, Antarctica and South Atlantic Islands, Argentina, and Argentine General Business Associations Law and the relevant CNV regulations; and (b) the "Supplementary information to the notes to the financial statements required under section 12, Chapter III, Title IV of the CNV Standards (as amended in 2013)".

4. We also report that in compliance with current legal requirements, and exercising the control of legality that is our responsibility, during the year, we applied the remaining procedures described in section No. 294, Law No. 19,550, which we considered necessary under the circumstances, with no findings to report in this regard.

5. The consolidated financial statements for the year ended December 31, 2018, result from books kept, in all formal respects, pursuant to current legal requirements, except as mentioned in the Inventory and Financial Statements Book.

6. In compliance with section 4, Part III, Chapter I, Title XII, CNV standards, we report that:

a. the auditor who issued his audit report on the consolidated financial statements represents that he applied the current auditing standards, which include independence and objectivity requirements, and

b. this auditor has not made any qualification with regard to the application of the professional accounting standards that contemplate the assessment of MIRGOR S.A.C.I.F.I.A's accounting policies.

7. We have also reviewed the information on the level of compliance with the Corporate Governance Code included in the Exhibit of the Letter to the Shareholders under "Report on the level of compliance with the Corporate Governance Code" prepared by MIRGOR S.A.C.I.F.I.A's Board of Directors. Pursuant to the tasks performed and as part of our competence, the information provided has been prepared reliably, in all material respects, pursuant to the requirements under CNV General Resolution No. 606/2012 and section 1, Part I, Chapter I, Title IV, CNV standards.

8. Additionally, we have reviewed the situation of compliance with directors' guarantees according to Province of Tierra del Fuego IGJ Regulation No. 60/07 and have no findings to mention.

9. We have applied the anti-monetary laundering and anti-terrorist financing procedures provided in the related professional standards issued by the FACPCE (Argentine Federation of Professional Councils in Economic Sciences).

Buenos Aires,
March 8, 2019

On behalf of Statutory Audit Committee

Julio Cueto Rua
Statutory auditor

STATUTORY AUDIT COMMITTEE'S REPORT
ON THE SEPARATE FINANCIAL STATEMENTS

To the Shareholders of
MIRGOR S.A.C.I.F.I.A.

Dear Sirs,

1. As required by the regulations of Listado de Bolsas y Mercados Argentinos S.A. (BYMA), we have examined the letter to the shareholders, inventory and separate statement of financial position of MIRGOR S.A.C.I.F.I.A. as of December 31, 2018, and the related separate statements of comprehensive income, changes in equity, and cash flows for the year then ended. In addition, we have reviewed the related "Supplementary information to the notes to the financial statements required under section 12, Chapter III, Title IV of CNV Standards (as amended in 2013)", the filing of which is not required by professional accounting standards effective in the Province of Tierra del Fuego, Antarctica and South Atlantic Islands, Argentina. Such documentation is the responsibility of the Company's Board of Directors in performing their exclusive functions.

2. Our work was based on the audit of the financial statements indicated above conducted by the firm Pistrelli, Henry Martin y Asociados S.R.L., in accordance with the international auditing standards issued by the International Auditing and Assurance Standards Board (IASB), and was limited to verifying the fairness of the significant information included in the documents examined, its consistency with the information on corporate decisions entered in minutes, and the compliance of such decisions with the law and by-laws regarding formal and documentary requirements. We did not perform any control over management decisions or performance and, therefore, we did not assess the business decisions or criteria regarding administrative, financial, marketing or production matters, as these are the exclusive responsibility of the Board of Directors.

3. In our opinion, based on our work and the reports dated March 8, 2019, issued by Karén Grigorian, CPA (a partner of Pistrelli, Henry Martin y Asociados S.R.L.): (a) the accompanying separate financial statements for the year ended December 31, 2018, present fairly, in all material respects, the financial position of MIRGOR S.A.C.I.F.I.A. and its subsidiaries, for them to be presented in conformity with the professional accounting standards effective in the Province of Tierra del Fuego, Antarctica and South Atlantic Islands, Argentina, and Argentine General Business Associations Law and the relevant CNV regulations; and (b) the "Supplementary information to the notes to the financial statements required under section 12, Chapter III, Title IV of the CNV Standards (as amended in 2013)".

4. We also report that in compliance with current legal requirements, and exercising the control of legality that is our responsibility, during the year, we applied the remaining procedures described in section No. 294, Law No. 19,550, which we considered necessary under the circumstances, with no findings to report in this regard.

5. The separate financial statements for the year ended December 31, 2018, result from books kept, in all formal respects, pursuant to current legal requirements, except as mentioned in the Inventory and Financial Statements Book.

6. In compliance with section 4, Part III, Chapter I, Title XII, CNV standards, we report that:

a. The auditor who issued his audit report on the separate financial statements represents that he applied the current auditing standards, which include independence and objectivity requirements, and

b. this auditor has not made any qualification with regard to the application of the professional accounting standards that contemplate the assessment of MIRGOR S.A.C.I.F.I.A's accounting policies.

7. We have also reviewed the information on the level of compliance with the Corporate Governance Code included in the Exhibit of the Letter to the Shareholders under "Report on the level of compliance with the Corporate Governance Code" prepared by MIRGOR S.A.C.I.F.I.A's Board of Directors. Pursuant to the tasks performed and as part of our competence, the information provided has been prepared reliably, in all material respects, pursuant to the requirements under CNV General Resolution No. 606/2012 and section 1, Part I, Chapter I, Title IV, CNV standards.

8. Additionally, we have reviewed the situation of compliance with directors' guarantees according to Province of Tierra del Fuego IGJ Regulation No. 60/07 and have no findings to mention.

9. We have applied the anti-monetary laundering and anti-terrorist financing procedures provided in the related professional standards issued by the FACPCE (Argentine Federation of Professional Councils in Economic Sciences).

Buenos Aires,
March 8, 2019

On behalf of Statutory Audit Committee

Julio Cueto Rua
Statutory auditor

Translation into English of the Financial Statements originally issued in Spanish - See Note 23 to the consolidated financial statements.

The Company is not enrolled in the Statutory Optional System for the mandatory Acquisition of Public Offerings.

FISCAL YEAR No. 48 BEGINNING JANUARY 1, 2018 AND ENDED DECEMBER 31, 2018

LETTER TO THE SHAREHOLDERS

(Information not audited and not covered by the auditor's report)

To the Shareholders:

In compliance with current legal requirements and Company bylaws, we are pleased to submit for your consideration the documentation related to the financial statements for fiscal year No. 48 ended December 31, 2018.

Description of the business and organizational structure

Mirgor S.A.C.I.F.I.A. ("Mirgor" or "the Company") started doing business in 1983, setting up its first industrial plant in the city of Río Grande, Province of Tierra del Fuego. The plant was used to provide air quality and temperature control systems for the auto industry; later other factories were also set up in Córdoba, Santa Fe and the Province of Buenos Aires.

In 1995, as a strategic vertical integration decision, Mirgor acquired Interclima S.A. ("Interclima"), its main supplier of heat exchangers.

In 2004 the diversification process began, with the production of home air conditioning systems (split AC units and window air conditioners).

In 2009, the Company purchased Industria Austral de Tecnología S.A. ("IATEC"), which engages in the electronic consumer goods industry. In 2010, this Company signed an agreement with NOKIA (currently MICROSOFT) to manufacture mobile telephones and, in 2011, through an agreement achieved with LG, television sets began to be manufactured. In 2012, it started the production of audio and video equipment and, in 2013, the production of notebooks for Dell. Thus, the Company includes the production of residential air conditioning units, microwaves, television sets and mobile phones within consumer electronics.

In 2014, through its subsidiary IATEC, the Company began negotiations for the production of electronic products for Pioneer-brand automobiles, which finally entered production during the second half of 2015, incorporating it to the automobile segment.

As from July 2014, the subsidiary IATEC started producing Samsung mobile phones. Moreover, during 2015, the Company began to produce Samsung television sets.

In 2016, information was released about the termination of the agreement for the production of Microsoft-branded cellphones, which did not generate a significant impact for IATEC's activities.

The group of companies consolidating with Mirgor ("Mirgor Group" or "Group"): Interclima, IATEC, Capdo and GMRA, is organized in the following business units: 1) automotriz, 2) electrónica de consumo (que incluye: telefonía celular, TV y retail) y 3) servicios. The group does business in the national market. The business units enable the resources to be optimized and make it possible to provide the customers of each market targeted by the Group with better service and the group's strategies.

The Auto business unit, which was originally dedicated to vehicle air quality and temperature control, added information and entertainment of "infotainment" systems through IATEC; and the Electronic Consumer Goods business unit is focused on manufacturing and selling television sets and mobile telephones.

In July 2012, the subsidiaries and other companies based in Tierra del Fuego and engaged in manufacturing electronic products and residential appliances signed an investment agreement, whereby they organized the holding company CIAPEX S.A. and the managing company SAPI S.A., which were provided with contributions through the CIAPEXSA guarantee trust in order to promote and fund production projects aimed at exports and/or the replacement of imports.

As part of its commitment with the region and with Argentina, Mirgor Group continues to seek the economic and social development of the communities in which it operates through its Corporate Social Responsibility program, which is expanded and fueled by the communities' expectations. This allows the Group to be more aware and consistent about its responsible actions and to drive changes, this being a major differentiating factor.

To provide continuity to the Group's IT Plan, after the renewal of its IT platform and the deployment of SAP ERP by HANA to provide support to all the processes of its business units, planned activities were carried out to improve the information glow, ensuring the timing and efficiency thereof. The initiatives that were carried out included the implementation of improvements and new features in the Industrial System used by Mirgor, the reengineering of some processes, the preparation of automatic management indicators, among others.

The shareholders define the Group strategies and objectives, which are developed by the group's executives as a whole and carried out by the organization. The Company has a Board of Directors made up of 5 full members and a statutory audit committee made up of three full members.

Context of operations during the year

The uncertainties as to the Argentine government's capacity to continue financing the gradual adjustment policies caused deep distrust on the financial markets. This process began with the announcements made by the economic team in December 2017. Interest on the currency carry trade offered by instruments such as LEBACs (BCRA bills) waned after the investors' portfolio changed. Therefore, everyone rushed out to obtain US dollars, as was the case many times in Argentine history.

Finally, the delayed adjustment came along with the requirements established by the IMF.

Considering that the first action proposed to the economic team was to discourage the outflow of funds towards the US dollar, interest rates reached historic values in Argentina.

The second half of the year was very challenging for the companies consolidating their financial statements with Mirgor and serving markets of durable consumer goods sensitive to these changes. To address the decline in sales, maintain the value of its assets and finance the inertia of a major operational and inventory structure was not easy.

Undoubtedly, inflation, accelerated by the foreign exchange uncertainty, worsened the fall in sales because the purchasing power of salaries was severely impaired, especially during the last quarter of the year. The sharp increase in interest rates aggravated the fall.

The exporter sectors were not favored either by the depreciation of the Argentine peso because the government decided to add withholdings and decrease rebates, thus offsetting or eliminating in some cases the improvements in domestic costs in foreign currency.

However, the trade balance picked up its negative balance caused by the dramatic decline in imports. This was mainly the result of the drop in production and sales across all the sectors of the economy.

The Argentine government managed to contain foreign exchange volatility, and interest rates decreased slightly and inflationary pressure decelerated by the end of the year. At the beginning of 2019, the fall is expected to stop and the economy to recover gradually thanks to a harvest that overcame the draught experienced last year and that may favor the recovery in the second half of 2019.

We need to see whether the Brazilian economy grows boosted by the new president in office and whether some activities such as tourism rebuild the economy that suffered a decline in its GDP and gross industrial production by 2.3% and 3.8%, respectively, in 2018. The comparisons to be made between the first months of 2019 and the same period the prior year will show dramatic variations because the first quarter of the prior year was not affected by the crisis caused by the depreciation of the Argentine peso.

Fourth quarter

Sales in Q4 2018 stood at ARS 7,622,000,000 (in nominal terms), 23.8% higher than sales booked in the same period the prior year, which amounted to ARS 6,158,400,000.

The increase in prices adjusted by the devaluation costs was offset by steep falls in sales volumes.

In the case of the automotive industry, the fall in automotive production for the quarter stood at 21.6%, a figure similar to that shown by the fall in the sale of Mirgor units, which amounted to 22.1%.

All economic products sold experienced the consequences of the above, which shows a considerable reduction in units sold, as compared to the same period the previous year. The outflow of products from Tierra del Fuego over Q4 2018 fell by 42.8% as compared to over 2.9 million units dispatched over the same period in 2017.

In IATEC's case, the drop stood at 35.1% as a result of the good commercial performance and the strong presence of the Samsung brand in the Argentine market.

As regards TV sets, the shipments from Tierra del Fuego decreased by 70%. This fall results from a fall in sales, but it is also being compared with a period in 2017 whereby shipments had started earlier to anticipate to the increased sales due to the World Cup.

IATEC's shipments remained at very high levels as compared to the rest of the market; the fall only stood at 22%, a figure only similar to the adjustment in a year whereby the effect caused by the World Cup is insignificant.

The gross margin for the period stood at about ARS 2,242,600,000 as compared to ARS 969,700,000 booked in Q4 2017. The improved margin is due to the effect of the devaluation of prices stated in foreign currency, part of which was subsequently offset by the financial effects. It is true that the period shows an improved finance income, but it results from the disclosure under IFRS (International Financial Reporting Standards). The sale of high-value inventories offsets a small portion of the losses booked by the Company in previous quarters.

As a result of the above, the net margin for the period stood at 20.6%, which increased from ARS 250.7 million (in nominal terms) in Q4 2017 to ARS 1,571,900,000 (in nominal terms) over the same period in 2018.

The devaluation and inflation rates exerted a significant influence over the loss for the period.

Profit (loss) for the year

Sales for 2018 exceeded by 10% those booked in the same period of 2017, from ARS 30,466,600,000 to ARS 33,713,700,000 the current year.

When analyzing the behavior of the different quarters, the important thing is to consider the units sold and produced because the impact of the devaluation on the reported values may provide the wrong idea about what happened during the year. Particularly, production figures dropped as the months went by, especially affecting those of the last quarter, forcing the Company to move forward and extend vacation time in its plants.

The gross margin went from 5,473,900,000 in 2017 to ARS 7,395,900,000 in fiscal 2018. This entailed a 35.1% increase. The gross margin stood at 21.9% influenced by the devaluation experienced during the year.

Administrative and selling expenses, as well as other expenses, experienced increases much higher than those shown by sales. This may be explained by the considerable investment made in developing its GMRA business activity. To such end, the Company hired a group of people with profiles in line with the expansion carried out, in addition to making investments in systems and opening stores.

With regard to the net increase in other operating income (expense), the difference may be explained by the devaluation of the Argentine peso and by the application of IFRS on the valuation of assets.

Due to the above, profit before taxes went from 2.6% on income in 2017 to 0.6% in fiscal 2018.

Sector behavior

Automotive industry:

The year 2018 was characterized by two contrastive periods: the euphoria lived in the first half of the year and the great depression of the second half. During the first half, optimists believed that sales would exceed the mythical barrier of one million cars sold for the first time in Argentine history.

Production projections were not so encouraging and only reflected the moderate growth provided mainly by the improvement in Brazilian's demand.

However, exports were unable to offset the decline in the domestic market demand by the end of the year. Production amounted to 466,649 units sold by year-end, down by 1.4%. As explained in the analysis of the last quarter, the recessive effect reached its peak.

Auto-makers located in Argentina displayed very different behaviors. Sedan manufacturers suffered most because they were hard-hit by the decline in sales and in demand.

This is a worldwide trend, it does not merely affect Argentina.

Exports maintained production levels similar to those reached in 2017. Up by 28.5%, exports increased from 209,857 units exported un 2017 to 269,360 in 2018. A total of 85% of this rise is explained by exports to Brazil. Accumulated demand decreased by 22.9% to 681,816 cars, far below the million cars expected at the end of the first quarter. The greater impact was experienced in the fourth quarter with a 50% decline.

Unlike in previous years, this year's sales of imported and Argentine cars were similar, since it was not possible to avoid passing on to prices the devaluation for the year.

Mirgor in the automotive industry

Mirgor's sales of auto air quality and temperature control systems fell less than automotive production. Although this may be explained by the fact that most of the Company's customers showed a better performance than the industry mean, analyzing this issue in detail is interesting to gain a better understanding.

Sales of air quality and control systems for non-air-conditioning cars reached 145,794 units in 2018, as compared to the 172,444 units sold in the same period in 2017, showing a 15.5% decrease. The decrease would have been much lower had it not been for the delay in starting to deliver equipment to Ford. This was due to the fact that these customers had stocks of imported products that had to be absorbed for longer periods than those originally expected. The infotainment market showed a slight increase, from 80,815 units sold in 2017 to 84,658 in 2018. Toyota has been the leading auto manufacturer in Argentina, and it has been able to maintain its production plans despite Argentina's economic problems. With these sales, the units produced by Mirgor accounted for 49.4% of the units produced in Argentina.

In addition, over 77% of the products delivered in this industry were earmarked to be used in pick-ups. This is a very important detail because Argentina has specialized in pick-ups; they maintain production levels because most of these volumes are exported.

Despite the fact that the Argentine government established export duties on vehicles, the industry managed to maintain better pick-up exports than vehicle exports.

Electronic consumer goods:

Despite the major effort made by the electronic industry in 2018 to control prices and prevent depreciation from increasing prices, fading demand greatly affected sales. Furthermore, the rise in interest rates over the last quarter of the year consolidated the decline in sales. Partnered with the government, the 12- and 18-installment payment plans were resumed to mitigate the adverse effects of inflation, but these subsidized rates were insufficient to tackle the caution exercised by buyers whose purchasing power has practically collapsed.

The electronic industry in Tierra del Fuego still depends on three products that account for 93% of production, and mobile phones represent 67% of the total.

Although there were fears that imported products would invade the market, this was not the case. In most cases, imported products do not exceed 10% of total demand. The impossibility of transferring the depreciation of the Argentine peso to prices and consumers' strong preference for well-known brands as Samsung are key in understanding market dynamics.

Television sets

The World Cup year started with very encouraging sales figures. It is a true fact that everybody knew that this was going to be a year significantly influenced by seasonality, but the end result for the second half of the year was worse than expected. Over the first five months of 2018, the shipments from Tierra del Fuego exceeded by 100% those registered during the same period the prior year.

One of the characteristics of this market is that it is highly-atomized and no brands holds a market share exceeding 18%. The supply is highly varied and imports only accounted for 7% of demand, mainly in small, low-price TV sets.

Another element worth mentioning was the trend in the market share of TV sets ranging from 40 inches to 55 inches.

In 2017 total production in Tierra del Fuego stood at 3,313,825 units as compared to 3,428,941 units, i.e., a 3.5% increase, whereas in a regular World Cup year, increases usually stand at 25%.

IATEC sold 330,700 units, which represent a 6.32% rise due to a moderate increase of Samsung’s share in the market. The brand is focusing on TV sets with larger screens, and it is placing much more emphasis on the characteristics of its smart and 4k TV sets featuring all the details arising from the technological revolution.

Mobile telephones

The mobile telephone demand showed a significant fall in 2018. Two factors explain these results: on the hand, the largely explained fall in the economy and, on the other, another phenomenon which does not exclusively occur in Argentina. The world is experiencing a lower product replacement rate. This is probably due to the fact that the technological revolution is not surprising consumers enough for them to feel inclined to replace their units at the rate they have been replacing them over the last few years.

The next technological leap will probably take place when operators launch their 5G network. In Argentina, this does not seem so close to happening in the near future. Although demand does not reflect it, smuggling considerably fell in 2018.

As already explained, there was a fall in production in Tierra del Fuego, decreasing by 25.9% in terms of the number of units, from 10,812,000 to 8,007,232.

As a result, IATEC experienced a fall in the production and sale of mobile telephones. The number of units sold in 2018 stood at 2,898,646 units, as compared to 4,221,771 units sold the previous year.

The reduction in units sold was similar to that shown by the market, whereby Samsung maintained a strong leadership holding a 52% share. It was followed by Motorola, which reached 25% after implementing an aggressive commercial policy.

It should be highlighted that the Argentine market is extremely concentrated on these two brands.

GMRA

After beginning operating in 2017, this activity continued growing at a sustained pace. A total of 41 new stores were added in 2018, reaching 54 stores in 10 provinces across Argentina. Therefore, 165 people are directly employed supported by a highly active marketing and sales structure that centralizes operations from Buenos Aires offices.

Some of these stores, so-called “Samsung Experience Centers”, offer quick customer service and the store located in Av. Santa Fe and Callao has a unit repair service.

Also, the Diggit brand was launched this year to broaden the Company's line of online sales and add some new products to its retail business.

In 2018, Minera Don Nicolás operations were monitored. The company faced different problems that created extreme stress over its cash because its sales and production volumes did not meet expectations.

It particularly invested considerable efforts to make the most efficient decisions given the context and regulations applicable. Results from exploration did not manage to increase Company reserves and extend its useful life.

By restraining expenses and changes in management, some of these issues were contained and there was a balanced cash flow by year-end. However, this situation calls for considerable work to increase the Company's income, which worries shareholders.

Other matters of interest for the Company

The Company’s personnel compensation policy is based on an assessment of the salaries considered in line with the market in terms of fixed and variable aspects, always taking into consideration education, capacity and experience, as well as the performance assessment and the fulfillment of set goals, without option plans or other variables. This same policy is applied to the Board of Directors, with higher compensation assigned to those members who also perform technical or administration functions at the Company, and fees approved by the Shareholders' Meeting.

The Company’s financial handling is strongly related to the Argentine economy and its needs. During this fiscal year, the changes in economic and financial conditions in Argentina allowed a gradual liberalization of the market involving payments abroad. This allowed the Company to make orderly payments to settle its payables to foreign suppliers. The possibility of optimizing the use of cash flows, without obstacles to payments, generated a more fluid relationship with suppliers, based on trust, with the resulting improvement in business.

The Company’s internal control has procedures and control systems enabling it to analyze and assess, on a regular basis, the operation thereof within the basic internal control guidelines. The Company constantly analyzes control regulations, which are also constantly updated to achieve greater trust in all systems and processes. It also allows us to achieve the international quality certifications required by both suppliers and customers.

Consolidated financial statements analysis as of December 31, 2018

Financial position and ratios

	12.31.2018	12.31.2017
Noncurrent assets	2,728,923	2,820,262
Current assets	14,339,105	14,011,970
Total assets	**17,068,028**	**16,832,232**
Shareholders' equity	4,426,492	4,776,004
Noncurrent liabilities	12,377	11,509
Current liabilities	12,629,159	12,044,719
Total liabilities	**12,641,536**	**12,056,228**
Total liabilities and shareholders' equity	**17,068,028**	**16,832,232**

	2018	2017
a) Liquidity	1.14	1.16
b) Solvency	0.35	0.4
c) Tied - up capital	0.16	0.17
d) Return on equity	(0.02)	0.15

a) Current assets/Current liabilities
b) Shareholders' equity/Total liabilities
c) Non current assets/Total assets
d) Income of the year / Shareholders' equity

Total consolidated assets for the fiscal year ended December 31, 2018, amounted to ARS 17,068,028,000 which represents a 1.4% year-to-year increase as compared to fiscal 2017.

Current and noncurrent assets maintained their levels as compared to the 2017 year-end.

Inventories increased from around ARS 4,975,618,000 to around ARS 8,743,994,000, which entails a 56% increase. Noncurrent assets decreased by 3.24%. The item with the highest variation was “Investments in associates and other financial assets”, both related to the holding in CIAPEX S.A. and its subsidiaries, the most significant investment of which is Minera Don Nicolás S.A., a company that is still operating below optimum levels. It is followed in importance by “PP&E”.

The changes in “PP&E” and “Intangible assets net of amortization” show the importance given by the group of companies to innovation and the new technologies promoting efficiency and the environment.

Both current assets and current liabilities maintain the levels shown in 2017. Although the main variation was related to current assets, the variation in deferred tax liabilities arises from the adjustment for inflation, which is applied to financial statements as of this year-end.

Interest-bearing debts and borrowings showed a decrease, as they were repaid in full over this fiscal year.

Equity attributable to the owners of the parent for fiscal 2018 stands at about ARS 4,424,634,000. The variations in equity are related to the allocation of unappropriated retained earnings in 2017, the distribution of dividends in cash for ARS 200,000,000 the restated amounts of which stood at 269,475,000, and the loss for the period, which amounted to 79,957,000. Noncontrolling interests decreased by 80, from 1,938 to 1,858 (amounts restated in constant currency).

Profit (loss) for the year

	12.31.2018	12.31.2017
Operating profit from continuing operations	(1,082,232)	1,651,270
Finance expenses	(92,510)	(414,117)
Gain on exposure to the change in currency purchasing power	1,608,711	(480,629)
Other income and expenses	3,654	110,689
Profit from continuing operations, net	**437,623**	**867,213**
Share of loss of associates, net	(278,157)	(71,100)
Subtotal	159,466	796,113
Income tax	(239,503)	(82,885)
Net income	**(80,037)**	**713,228**

	12.31.2018	12.31.2017
Attributable to:		
Subsidiaries owners	(79,957)	712,654
Non-controlling interests	(80)	574
Total comprehensive income for period, net	**(80,037)**	**713,228**

Sales for the year (including the industrial promotion benefit item) amounted to about ARS 33,713,711,000, representing an 11% year-to-year increase (about ARS 30,466,604,000). The increase is due to the incorporation and strengthening of the products manufactured and sold by the set of companies that make up Mirgor Group. These sales were evenly distributed over the four quarters of the year, something that is important to enable a better industrial organization.

Total comprehensive loss for 2018, net, stood at 80,037,000, whereas profit for 2017 amounted to 713,228,000. In addition, net financial income (expense) during the fiscal year resulted in losses for ARS 92,510,000, which represents 0.3% of sales, whereas in 2017 this resulted in an ARS 414,177,000 gain, equivalent to 1.4% of sales. The gain on exposure to the change in currency purchasing power stood at ARS 1,608,711,000, representing a 48% on sales, whereas in 2017, the loss amounted to ARS 480,629;000; that is, 2% of sales.

Administrative and selling expenses stood at ARS 2,642,291,000, which represent 8% of sales, whereas in 2017, they amounted to ARS 1,760,650,000, equivalent to 6% of sales. Operating income and expenses resulted in an ARS 5,835,844,000 loss, representing 17% of sales, whereas in 2017, it stood at ARS 2,061,930,000 or 7% of sales, which is in line with the exchange rate increase.

Cash flow

	12.31.2018	12.31.2017
Cash flows arising from (used) in operating activities, net	(103,744)	2,279,827
Net cash flows (used in) arising from investing activities	(265,814)	(330,800)
Cash flows arising from (used in) financing activities	(804,821)	(911,986)
Finance income arising from cash	135,104	293,021
Increase (decrease) in cash and cash equivalents, net	**(1,039,275)**	**1,330,062**

Cash flows provided by operating activities in fiscal 2018 stood at ARS 166,578,000, whereas in 2017, they amounted to ARS 2,284,960,000. The deeper impact results from the variation in trade and other payables, as well as trade and other receivables.

The use of the funds is mainly related to the repayment of the payable which took place in 2018.

In addition, dividends were paid in cash to shareholders during the year in the amount of ARS 269,475,000, an amount that arises from the restatement of ARS 200,000,000.

Prospects

The recession affecting the Argentine economy does not seem to be reversing its trend, at least over the first half of the year.

The inventories in stock comprising cars, mobile phones and television sets forced the Company to make adjustments to production to absorb inventories while this situation is still taking place.

As always, this process is accompanied by a cautious financial policy, and market changes are constantly monitored so as to react quickly to the changes that may arise, especially to match costs and prices.

As regards the auto industry, the infotainment activity will maintain the levels shown at the end of the year, since Toyota Argentina’s production levels continued at a good pace.

As to air quality and control systems, all Mirgor’s customer car manufacturers decreased their production over the first weeks of the year, although for now, the activity is expected to recover during the second two months and to maintain the sales volumes estimated for the year.

Regarding the electronic industry, the second half of the year is expected to show a moderate increase as compared to the current situation.

An event subsequent to year-end was the agreement executed with the UOM (Argentine metalworkers union) of Tierra del Fuego. Two very important issues were under negotiation. On the one hand, the need to review salary conditions because the increases had been frozen as from July 1, 2018. Although the agreement dated November 13, 2017, provided that the freezing would continue until June 30, 2020, the high inflation experienced last year required that the agreement be changed.

In addition to a staggered 24% salary increase, the agreement also included a system involving suspensions and a reduced work schedule for those companies which do not increase their sales volumes.

The Company also opened a new logistics center in Pacheco, province of Buenos Aires. This allowed carrying out outsourced activities internally, seeking an improved operational efficiency. During the first stage, the center will be focusing on activities related to assembly and the different delivery methods for car manufacturers.

Some other electronic-related activities are expected to be incorporated in the future.

Proposal submitted by the Board of Directors

Earnings distribution

Unappropriated retained earnings at end of year include the following information:

	In thousands
Unapropiated retained earnings at beginning of year	712,654
Distribution of cash dividends	(269,475)
To the reserve for dividends	(269,475)
To legal reserve	(173,704)
Profit (loss) for the year	(79,957)
Total as of December 31, 2018	**(79,957)**
Unappropriated retained earnings at beginning of year	**(79,957)**

The Regular and Special Shareholders' Meeting held on April 27, 2018, decided as follows: (i) to distribute ARS 200,000 as dividends in cash, the restated amount of which stood at ARS 269,475, to be paid in two equal installments on May 15 and October 25, 2018, (ii) to set up an optional reserve for future dividends in the amount of ARS 200,000, the restated amount of which stood at ARS 269,475, and authorizing the Board of Directors to reverse this reserve and decide on the payment of dividends in cash insofar that the economic and financial situation so allows, as advised by the Board of Directors, and (iii) to earmark the ARS 487,282 balance, the restated amount of which stood at 173,704, to increase the optional reserve for investments and existing working capital.

As to profit (loss) for 2018, the Board of Directors proposes –considering the business variations during the year ended December 31, 2018, and the economic and financial estimates for the following year– to distribute a cash dividend for ARS 180,000,000, payable as from May in six monthly and consecutive installments of ARS 30,000.

Acknowledgement

The Board of Directors wishes, once again, to express its deep gratitude to the management and employees for their collaboration during the current year as well as the suppliers and customers for the trust in the Group and the support granted, all of which made it possible to achieve these results.

Buenos Aires,
March 8, 2019

Mr. José Luis Alonso
Vice-Chairman
acting as Chairman

MIRGOR S.A.C.I.F.I.A.

CHAIRMAN

Roberto G. Vázquez (*)

VICE-CHAIRMAN

José Luis Alonso

DIRECTORS

Martín Basaldúa (*)
Alejandro Carrera (*)
Iñaki Arreseygor

ALTERNATE DIRECTORS

Mauricio Blacher
Eduardo Koroch
Sergio Javier Soriano
Fabio Rozenblum
Leandro Toriano

STATUTORY AUDIT COMMITTEE

Statutory Auditors

Julio Cueto Rua
Mario Volman
Alejandro Mario Roisentul Wuillams

Alternate statutory auditors

Santiago López Aufranc
Hugo Kaplan
Guillermo Cadirola

(*) Audit Committee members.

Registered office: Einstein 1111 – Río Grande – Province of Tierra del Fuego, Antarctica and South Atlantic Islands.

Main Business: Manufacturing air conditioning equipment for vehicles and investing in companies.

Date of registration with the Public Registry of Commerce:
- Of the articles of incorporation: June 1, 1971.
- Of the last amendment to by-laws: February 29, 2012.

Expiration date of the articles of incorporation: May 31, 2070.

FISCAL YEAR No. 48 BEGINNING JANUARY 1, 2018

SUMMARY OF EVENTS (*)

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

(Figures stated in thousands of Argentine pesos.
See note 2.2 to the consolidated financial statements)

1. BRIEF COMMENT ON THE COMPANY'S ACTIVITIES FOR THE YEAR

Sales for the year (including the industrial promotion benefit item) amounted to about ARS 33,713,711,000, representing an 11% year-to-year increase (about ARS 30,466,604,000).

The increase is due to the incorporation and strengthening of the products manufactured and sold by the set of companies that make up Mirgor Group. These sales were evenly distributed over the four quarters of the year, something that is important to enable a better industrial organization.

Total comprehensive loss for 2018, net, stood at 80,037,000, whereas profit for 2017 amounted to 713,228,000. In addition, net financial income (expense) during the fiscal year resulted in losses for ARS 92,510,000, which represents 0.3% of sales, whereas in 2017 this resulted in an ARS 414,177,000 gain, equivalent to 1.4% of sales.

The gain on exposure to the change in currency purchasing power stood at ARS 1,608,711,000, representing a 48% on sales, whereas in 2017, the loss amounted to ARS 480,629;000; that is, 2% of sales.

Administrative and selling expenses stood at ARS 2,642,291,000, which represent 8% of sales, whereas in 2017, they amounted to ARS 1,760,650,000, equivalent to 6% of sales. Operating income and expenses resulted in an ARS 5,835,844,000 loss, representing 17% of sales, whereas in 2017, it stood at ARS 2,061,930,000 or 7% of sales, which is in line with the exchange rate increase.

2. CONSOLIDATED EQUITY STRUCTURE

	12/31/2018	12/31/2017
Noncurrent assets	2,730,188	2,820,262
Current assets	14,337,840	14,011,970
Total assets	17,068,028	16,832,232
Shareholders' equity	4,426,492	4,776,004
Noncurrent liabilities	12,377	7,835
Current liabilities	12,629,159	12,048,393
Total liabilities	12,641,536	12,056,228
Total liabilities and shareholders' equity	17,068,028	16,832,232

3. CONSOLIDATED STATEMENT OF INCOME STRUCTURE

	12/31/2018	12/31/2017
Operating profit from continuing operations	(1,082,232)	1,651,270
Finance income (expenses)	1,516,201	(894,746)
Share of net profit (loss) of associates	(278,157)	(71,100)
Other income, net	3,654	110,689
Profit for the year before income tax, net	**159,466**	**796,113**
Income tax	(239,503)	(82,885)
Total comprehensive income (loss) for the year, net	**(80,037)**	**713,228**
Noncontrolling interests	(80)	574
Other comprehensive income (loss) for the year	(80)	574
Comprehensive income (loss) for the year, net	**(80,037)**	**713,228**

4. STATISTICAL DATA

	12/31/2018		12/31/2017	
	Quart.	Accum.	Quart.	Accum.
Production	803	3,692	1,201	4,907
Sales (1)	811	3,552	1,163	4,787
Local	811	3,552	1,163	4,787
Equipment with air conditioning	38	147	49	172
Equipment without air conditioning	-	-	-	-
AA Res.	-	-	-	-
Microwaves	-	-	-	-
Mobile phones	690	2,986	1,018	4,222
Media- TV	60	334	73	312
Notebook	-	-	-	-
Car radio	23	85	24	81

(1) The units sold among companies are not included.

5. RATIOS

	12/31/2018	12/31/2017
Liquidity	1.14	1.16
Solvency	0.35	0.4
Tied-up capital	0.16	0.17
Return on equity	-0.02	0.15

6. PROSPECTS

The recession affecting the Argentine economy does not seem to be reversing its trend, at least over the first half of the year.

The inventories in stock comprising cars, mobile phones and television sets forced the Company to make adjustments to production to absorb inventories while this situation is still taking place.

As always, this process is accompanied by a cautious financial policy, and market changes are constantly monitored so as to react quickly to the changes that may arise, especially to match costs and prices.

As regards the auto industry, the infotainment activity will maintain the levels shown at the end of the year, since Toyota Argentina's production levels continued at a good pace.

As to air quality and control systems, all Mirgor's customer car manufacturers decreased their production over the first weeks of the year, although for now, the activity is expected to recover during the second two months and to maintain the sales volumes estimated for the year.

Regarding the electronic industry, the second half of the year is expected to show a moderate increase as compared to the current situation.

An event subsequent to year-end was the agreement executed with the UOM (Argentine metalworkers union) of Tierra del Fuego. Two very important issues were under negotiation. On the one hand, the need to review salary conditions because the increases had been frozen as from July 1, 2018. Although the agreement dated November 13, 2017, provided that the freezing would continue until June 30, 2020, the high inflation experienced last year required that the agreement be changed.

In addition to a staggered 24% salary increase, the agreement also included a system involving suspensions and a reduced work schedule for those companies which do not increase their sales volumes.

The Company also opened a new logistics center in Pacheco, province of Buenos Aires. This allowed carrying out outsourced activities internally, seeking an improved operational efficiency. During the first stage, the center will be focusing on activities related to assembly and the different delivery methods for car manufacturers.

Some other electronic-related activities are expected to be incorporated in the future.

Buenos Aires,
March 8, 2019

Mr. José Luis Alonso
Vice-Chairman
acting as Chairman

(*) Information not covered by the independent auditor's report, except for 2, 3 and 5.

MIRGOR S.A.C.I.F.I.A.

SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS

FOR FISCAL YEAR NO. 48,

BEGINNING JANUARY 1 AND ENDED DECEMBER 31, 2018

Registered office: Einstein 1111 – Río Grande – Province of Tierra del Fuego, Antarctica and South Atlantic Islands.

Main business: Manufacturing air conditioning equipment for vehicles and investing in companies.

Date of registration with the Public Registry of Commerce:

– Of the articles of incorporation: June 1, 1971.
– Of the first amendment to by-laws: July 1, 1994.
– Of the last amendment to by-laws: February 29, 2012.

Registration number with the IGJ (Argentine regulatory agency of business associations): 40.071.

Expiration date of articles of incorporation: May 31, 2070.

CUIT: 30-57803607-1.

Parent company's information:

– Corporate name: IL TEVERE S.A.
– Registered office: Beauvoir 17 – Río Grande – Province of Tierra del Fuego, Antarctica and South Atlantic Islands.
– Main business: Holding company.
– Equity interest: 48,27%.
– Voting rights: 61,5862%.

The Company is not enrolled in the Statutory Optional System for the Mandatory Acquisition of Public Offerings.

CAPITAL STRUCTURE

(Note 17)

	Issued, subscribed, registered and paid-in
18,000,000 shares of common stock, face value ARS 0.10 each	
Class A and B entitled to three votes per share	3,120,000
Class C entitled to one vote per share	14,880,000
	18,000,000

MIRGOR S.A.C.I.F.I.A.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

	Notes	12.31.2018 ARS 000	12.31.2017 ARS 000
Income from continuing operations		27,529,339	24,957,535
Industrial promotion benefit	5	6,184,372	5,509,069
Cost of goods sold and services rendered	22	(26,317,808)	(24,992,754)
Gross profit	6	**7,395,903**	**5,473,850**
Other operating income	8	1,382,869	509,955
Administrative expenses	7	(1,138,548)	(664,997)
Selling expenses	7	(1,503,743)	(1,095,653)
Other operating expenses	8	(7,218,713)	(2,571,885)
Operating loss from recurring operations		(1,082,232)	1,651,270
Finance costs	8	(471,520)	(554,738)
Finance income	8	379,010	140,621
Gain on exposure to the change in currency purchasing power		1,608,711	(480,629)
Other income, net	8	3,654	110,689
Share of net loss of associates	20	(278,157)	(71,100)
Net profit for the year		**159,466**	**796,113**
Income tax and minimum presumed income tax	9	(239,503)	(82,885)
Total comprehensive income (loss) for the year, net		**(80,037)**	**713,228**
Attributable to:			
Subsidiary owners		(79,957)	712,654
Noncontrolling interests		(80)	574
		(80,037)	**713,228**
Earnings per share:			
– basic and diluted, net income (loss) for the year attributable to ordinary equity holders of the parent’s equity		(0,44)	3,96

MIRGOR S.A.C.I.F.I.A.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2018

	Notes	12.31.2018 ARS 000	12.31.2017 ARS 000
Assets			
Noncurrent assets			
Property and equipment	11	1,233,961	1,121,923
Investment property	12	51,256	52,475
Intangible assets	13	60,633	74,560
Investment in associates	20	477,309	951,838
Other nonfinancial receivables	16	6,280	2,325
Deferred tax assets	9	810	2,594
Other financial assets	15	898,674	614,547
		2,728,923	2,820,262
Current assets			
Other nonfinancial receivables	16	288,590	589,630
Inventories	14	8,743,994	4,975,618
Trade and other receivables	15	4,869,759	6,818,169
Other financial assets	15	-	40,111
Cash and short-term deposits	15	436,762	1,588,442
		14,339,105	14,011,970
Total assets		**17,068,028**	**16,832,232**
Equity and liabilities			
Shareholders' equity			
Issued capital		18,000	18,000
Capital adjustment		75,866	75,866
Additional paid-in capital		58,648	58,648
Income set apart for reserves		4,352,077	3,908,898
Unappropriated retained earnings (accumulated losses)		(79,957)	712,654
Equity attributable to owners of the parent		**4,424,634**	**4,774,066**
Noncontrolling interests		1,858	1,938
Total equity		**4,426,492**	**4,776,004**
Noncurrent liabilities			
Trade and other payables	15	99	123
Deferred tax liability	9	12,278	11,386
		12,377	11,509
Current liabilities			
Interest-bearing debts and borrowings	15	2,089	757,214
Trade and other payables	15	12,608,633	11,287,505
Other financial liabilities	15	18,437	-
		12,629,159	12,044,719
Total liabilities		**12,641,536**	**12,056,228**
Total equity and liabilities		**17,068,028**	**16,832,232**

MIRGOR S.A.C.I.F.I.A.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

	Attributable to owners of the parent									
		Other capital accounts convertible into shares		Other shareholders' equity components						
	Capital	Capital adjustment	Additional paid-in capital	Legal reserve	Other reserves	Optional reserve (Note 2.6)	Unappropriated retained earnings	Total	Non controlling interest	Total equity
	ARS 000	ARS 000	ARS 000	ARS 000	ARS 000	ARS 000	ARS 000	ARS 000	ARS 000	ARS 000
As of January 1, 2018	**18,000**	**75,866**	**58,648**	**8,261**	**135**	**3,900,502**	**712,654**	**4,774,066**	**1,938**	**4,776,004**
Cash dividends distribution provided for by the Board of Directors Meeting held Friday, April 27, 2018	-	-	-	-	-	-	(269,475)	(269,475)	-	(269,475)
Increase in the optional reserve, as resolved at the Regular Shareholders' Meeting of April 27, 2018	-	-	-	-	269,475	173,704	(443,179)	-	-	-
Total comprehensive income (loss) for the year, net	-	-	-	-	-	-	(79,957)	(79,957)	(80)	(80,037)
As of December 31, 2018	**18,000**	**75,866**	**58,648**	**8,261**	**269,610**	**4,074,206**	**(79,957)**	**4,424,634**	**1,858**	**4,426,492**

	Attributable to owners of the parent									
		Other capital accounts convertible into shares		Other shareholders' equity components						
	Capital	Capital adjustment	Additional paid-in capital	Legal reserve	Other reserves	Optional reserve (Note 2.6)	Unappropriated retained earnings (accumulated losses)	Total	Non controlling interest	Total equity
	ARS 000	ARS 000	ARS 000	ARS 000	ARS 000	ARS 000	ARS 000	ARS 000	ARS 000	ARS 000
As of January 1, 2017	**18,000**	**75,866**	**58,648**	**4,203**	**135**	**2,246,209**	**1,707,388**	**4,110,449**	**1,364**	**4,111,813**
Increase in the legal reserve, as resolved at the Regular Shareholders' Meeting of April 28, 2017	-	-	-	4,058	-	-	(4,058)	-	-	-
Cash dividends distribution provided for by the Board of Directors Meeting held Friday, April 28, 2017	-	-	-	-	-	-	(49,037)	(49,037)	-	(49,037)
Increase in the optional reserve, as resolved at the Regular Shareholders' Meeting of April 28, 2017	-	-	-	-	-	1,654,293	(1,654,293)	-	-	-
Total comprehensive income (loss) for the year, net	-	-	-	-	-	-	712,654	712,654	574	713,228
As of December 31, 2017	**18,000**	**75,866**	**58,648**	**8,261**	**135**	**3,900,502**	**712,654**	**4,774,066**	**1,938**	**4,776,004**

MIRGOR S.A.C.I.F.I.A.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

	12.31.2018	12.31.2017
	ARS 000	ARS 000
Operating activities		
Comprehensive income for the year before income tax and minimum presumed income tax	159,466	796,113
Interest accrued on payables and loans	46,084	89,978
Adjustments to reconcile the comprehensive net income (loss) for the year with net cash flows		
PP&E depreciations	304,367	205,376
Depreciation of investment properties	1,219	248
Amortization of intangible assets	36,961	14,034
Income on sale of PP&E	-	(99,991)
Increase in the allowance for inventories obsolescence	33,535	202,245
Increase in the allowance for impairment in value of expected credit losses	-	1,460
Profit (loss) share of net profit (loss) of associates	278,157	(71,100)
Foreign exchange difference	302,626	171,124
Foreign exchange difference and long-term loan interest	(11,001)	(30,047)
Gain on exposure to the change in currency purchasing power	(134,257)	(6,277)
Adjustment of operating assets and liabilities		
Decrease (increase) in trade and other receivables, net of intercompany receivables	1,889,175	(1,641,822)
Increase in inventories, net of the allowance for obsolescence	(3,801,911)	(1,153,415)
Decrease (Increase) in other nonfinancial receivables	303,429	(466,407)
Increase in trade and other payables, net of income tax and minimum presumed income tax	758,728	4,273,441
Net cash flows used in operating activities	**166,578**	**2,284,960**
Investing activities		
PP&E additions	(422,939)	(155,224)
Collection on sale of PP&E, net	190	110,468
Acquisitions of intangible assets	(23,034)	(1,553)
Acquisition of short-term deposits	112,405	(329,836)
Variation of hedging instruments, net	58,548	(40,951)
Decrease in intercompany receivables/payables	9,016	1,956
Dividends collected	-	12,884
	(265,814)	**(402,256)**
Net cash flows used in investing activities		
Financing activities (Note 15(9))		
Net decrease in loans	(792,622)	(810,605)
Interest expense	(12,199)	(58,564)
Dividends paid	(269,475)	(49,037)
Net cash flows used in financing activities	(1,074,296)	(918,206)
Gain on exposure to the change in currency purchasing power	134,257	6,277
Net (decrease) increase in cash and cash equivalents	(1,039,275)	970,775
Cash and cash equivalents as of January 1	1,330,062	359,287
Cash and cash equivalents as of December 31	**290,787**	**1,330,062**

MIRGOR S.A.C.I.F.I.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

1. CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES OF MIRGOR GROUP

The consolidated financial statements of MIRGOR S.A.C.I.F.I.A. ("the Company") for the fiscal year ended December 31, 2018, were authorized for issue in accordance with a resolution of the Company's Board of Directors on March 8, 2019.

MIRGOR S.A.C.I.F.I.A. is a "sociedad anónima" (corporation) organized under Argentine laws, with registered domicile at Einstein 1111, Río Grande, Province of Tierra del Fuego, Antarctica and South Atlantic Islands (hereinafter, "Tierra del Fuego"), whose Class C shares are listed in the BCBA (Buenos Aires stock exchange).

The Company is mainly engaged in the manufacture of air quality and temperature control equipment for the automobile sector and, through its subsidiaries (jointly with the Company, "Mirgor Group"), is also engaged in the manufacture and marketing of air-conditioning equipment for residential use, tire removal, TV sets, audio and video equipment, mobile telephone equipment, car radios and real estate lease, among other activities. Note 4 to these consolidated financial statements discloses operating segment information. Parent company information is included in note 18 to these consolidated financial statements.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1. Professional accounting standards applied

The Company prepares its consolidated financial statements in accordance with the Argentine professional accounting standards effective in the Province of Tierra del Fuego and current CNV regulations, as approved by General Resolution No. 622 (as amended in 2013), whereby stock and/or corporate bond issuers, subject to certain exceptions, are required to prepare their financial statements under FACPCE Technical Resolution No. 43 (as amended), which set forth the adoption of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), while other entities may opt to use IFRS or the IFRS for SMEs replacing current Argentine professional accounting standards.

2.2. Basis of preparation

These consolidated financial statements for the year ended December 31, 2018, were prepared in accordance with the IASB and the professional accounting standards effective in the Province of Tierra del Fuego.

In preparing these consolidated financial statements, Mirgor Group applied the basis of consolidation, significant accounting policies, judgments, estimates and assumptions described in notes 2.3, 2.4 and 2.5, respectively, to the consolidated financial statements. These consolidated financial statements have been prepared on a cost basis.

These consolidated financial statements are presented in Argentine pesos and all values have been rounded to the nearest thousand (ARS 000), except when otherwise indicated.

2.3. Basis of consolidation

These consolidated financial statements comprise the Company's financial statements as of December 31, 2018. Consolidated subsidiaries and their equity interests as of the relevant dates are:

Subsidiary	(Direct and indirect) equity interest percentage in common stock as of: 12.31.2018	12.31.2017	Year-end of last financial statements issued
Interclima S.A.	99.9667	99.9667	12.31.2018
Capdo S.A.	100	100	12.31.2018
IATEC S.A.	100	100	12.31.2018
GMRA S.A.	100	100	12.31.2018

Control is achieved when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the investor controls an investee if and only if it has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns significantly.

In general, it is assumed that a majority of the voting rights gives control. To back this presumption and when the investor has less than a majority of the voting or similar rights of an investee, the investor considers all relevant facts and circumstances in assessing whether it has control over an investee, including:

- The existence of a contractual arrangement between the investor and the other vote holders of the investee.
- The rights arising from other contractual arrangements.
- The investor's voting rights, potential voting rights or a combination of both.

The investor re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control previously mentioned. Consolidation of a subsidiary begins when the parent obtains control over the subsidiary and ceases when the parent loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the parent gains control of the subsidiary until the date the parent ceases to control the subsidiary.

Profit or loss for the year and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests, even if non-controlling interests generate losses. When necessary, appropriate adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the carrying amount of the related assets (including goodwill) and liabilities, noncontrolling interest and other equity components, and recognizes in income the profit or loss derived from the transaction. Any residual investment is recognized by its fair value.

2.4. Summary of significant accounting policies

The following are the significant accounting policies applied by Mirgor Group in preparing these consolidated financial statements.

Unit of measurement

The financial statements as of December 31, 2018, including prior-year amounts, were restated to consider the changes in the general purchasing power of the Company's functional currency (Argentine peso) pursuant to the provisions in IAS 29 and CNV (Argentine Securities and Exchange Commission) General Resolution No. 777/2018. Thus, the financial statements are stated in the current measuring unit as of the end of the reporting period.

According to IAS 29, financial statements should be restated when an entity's functional currency is that of a hyperinflationary economy. To define an hyperinflationary economy, IAS 29 offers a series of nonexclusive guidelines, which consist in (i) analyzing the behavior of the population, prices, interest rates and salaries considering the changes in the price indexes and the loss in the currency purchasing power, and (ii) a quantitative indicator –the most considered condition in actual facts– that involves checking whether the three-year cumulative inflation rate is around 100% or more.

Even though the general level of prices increased over the last few years in Argentina, the inflation rate accumulated over a three-year period remained below such percentage. However, due to different macroeconomic factors, the three-year inflation rate stood above 100% in 2018. Moreover, the Argentine government targets and other available projections show that this trend will not be reversed in the short term.

To assess this quantitative condition, and to restate the financial statements, the CNV set forth that the series of indexes to be used for adopting IAS 29 is that specified by the FACPCE (Argentine Federation of Professional Councils in Economic Sciences). This series combines the consumer price index published by the INDEC (Argentine Institute of Statistics and Censuses) as from January 2017 (base month: December 2016) with the wholesale domestic price index published by the INDEC up to that date, computed for November and December 2015 since the abovementioned institute published no information concerning the changes in the consumer price index for the City of Buenos Aires during those months.

Considering this index, inflation stood at 47.64% and 24.79% for the years ended December 31, 2018, and 2017, respectively.

Below we summarize the effects of applying IAS 29:

Restatement of the statement of financial position

(i) Monetary items (those with a fixed nominal value in local currency) will not be restated, as they are no longer stated in the constant currency as of the end of the reporting period. In an inflationary period, maintaining monetary assets will lose purchasing power and maintaining monetary liabilities will gain purchasing power, provided that these items are not subject to an adjustment mechanism that somehow offsets these effects. Monetary gains or losses are included in profit (loss) for the reporting period.

(ii) Assets and liabilities subject to changes based on specific agreements will be adjusted in accordance with such agreements.

(iii) Nonmonetary items measured at their current values as of the end of the reporting period are not restated to be filed in the statement of financial position, but the adjustment process should be completed to determine the profit (loss) generated by holding these nonmonetary items in constant pesos.

As of December 31, 2018, and 2017, the Company did not carry any nonmonetary items measured under the current value method:

(iv) The nonmonetary items measured at a historical cost or current cost of a date prior to the end of the reporting period will be restated by coefficients that reflect the changes in the general level of prices from the date of acquisition or revaluation until the closing date, and the restated amounts of these assets will then be compared to the recoverable values. The amount charged to profit (loss) for the period for the depreciation of property, plant and equipment and the amortization of intangible assets, or any other consumption of nonmonetary assets, will be determined based on the new restated amounts.

As of December 31, 2018, and 2017, the restated items were as follows: Property and equipment, investment property, intangible assets, investment in associates, inventories, deferred tax assets and liabilities and the items making up shareholders' equity were measured using the historical cost basis.

(v) Upon the capitalization of borrowing costs in nonmonetary assets in conformity with IAS 23, the portion of these costs that are used to compensate the creditor for the effects of inflation will not be capitalized.

This process does not affect the Company, as the application of IAS 23 was not required.

Restatement of the statement of profit or loss

(i) Expenses and revenues are restated as from their booking date, except for (1) the profit (loss) items that reflect or include in their assessment the consumption of assets measured in pesos reflecting the purchasing power from a date prior to the date when the consumption was booked, which will be restated considering the original date of the asset with which the item is related (depreciation, impairment and other consumption of assets valued at historical cost), and (2) the profit (loss) that arises from comparing two measurements stated in pesos reflecting the purchasing power of different dates, in which case the compared amounts should be identified, restated separately and compared again.

(ii) The net (loss) profit arising from holding monetary assets and liabilities is disclosed under a separate item under profit (loss) for the period.

Reconciliation of the statement of changes in equity

(iii) As of the transition date (beginning of the comparative period), the Company applied the following specific regulations:

(a) Equity items, except for appropriated retained earnings and unappropriated retained earnings (accumulated losses), were restated as from the dates on which they were contributed or as from the moment they arose by any other means.

(b) Appropriated retained earnings were held at nominal value (unrestated statutory amount) as of the date of transition.

(c) Retained earnings (accumulated losses) were determined calculating the difference between the net asset restated as of the date of transition and the remaining components of the initial owners' equity stated as mentioned in the previous sections.

(iv) Upon the restatement as of the date of transition stated in (i) above, all equity items are restated using the general price index as from the beginning of the period, and each variation in those components is restated as from the contribution date or as from the moment it arose by any other means.

Restatement of the statement of cash flows

IAS 29 requires that all the items within this statement are restated at the unit of measurement current as of the date of the end of the reporting period. Monetary gains (losses) arising from cash and cash equivalents is disclosed in the statement of cash flows separately from the cash flows provided by operating, investment and financing activities, as a specific item of the reconciliation between cash and cash equivalents at the beginning and end of period.

2.4.1. Current versus non-current assets and liabilities classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when the entity:

- expects to realize the asset or intends to sell or consume it in its normal operating cycle;
- holds the asset primarily for the purpose of trading;
- expects to realize the asset within twelve months after the reporting period; or
- the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when the entity:

- expects to settle the liability in its normal operating cycle;
- holds the liability primarily for the purpose of trading;
- the liability is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities in all cases.

2.4.2. Foreign currency translation

Functional currency and presentation currency

Mirgor Group's consolidated financial statements are presented in Argentine pesos, which is also the Company's functional currency. Each Mirgor Group entity assesses its own functional currency and the amounts included in the financial statements of each entity are measured using that functional currency. Subsidiaries also defined the Argentine peso as the functional currency.

Transactions and balances in foreign currency

Transactions in foreign currencies are initially recorded by Mirgor Group's companies at the functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting year-end date.

All foreign exchange differences are taken to statement of comprehensive income under other operating income or expenses, or under finance income or loss, depending on the nature of assets or liabilities generating those differences.

Non-monetary items and the result of operations measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions.

2.4.3. Recognition of revenue from ordinary activities

Revenue from ordinary activities is recognized to the extent that it is probable that the economic benefits will flow to Mirgor Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account terms of payment contractually defined with the customer and excluding taxes or duties.

Mirgor Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. Mirgor Group concluded that it acts as principal in all its revenue arrangements since it is the main obligor in these arrangements, has the freedom to set prices and is also exposed to inventory and credit risks. The following specific recognition criteria must also be met before revenue is recognized.

Sale of goods

Ordinary activity revenues from the sale of goods are recognized when the significant risks and benefits inherent to the ownership of the goods have passed to the buyer, usually on delivery of the goods.

In the regular course of business, Mirgor Group renegotiates prices for the manufactured products with the respective customers/providers to maintain certain ratios related to revenues and costs. This renegotiation may give rise to price adjustments to be recognized as additional revenues. These charges are recognized by Mirgor Group once the negotiation is concluded and confirmation is obtained from customers/providers, i.e., once it is likely that the economic benefits will flow towards Mirgor Group and can be measured in a reliable manner.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms, and it is classified as revenue from ordinary activities in the income statement due to its operating nature.

2.4.4. Industrial promotion benefit

In this item of the consolidated statement of comprehensive income, Mirgor Group recognizes value-added tax benefits from the industrial promotion mentioned in note 22 to these consolidated financial statements.

2.4.5. Taxes

Current income tax and minimum presumed income tax

Current income tax assets and liabilities for the year are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute those amounts are those that are enacted or substantively enacted, at the end of the reporting year. Mirgor Group’s current tax rate in Argentina is 30%.

Management periodically evaluates positions taken by the Group in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Minimum presumed income tax is supplementary to current income tax since while the latter is levied on taxable income for the reporting year, minimum presumed income tax is a minimum levy determined by applying the current 1% rate to the potential income of certain productive assets. Therefore, Mirgor Group's tax obligation shall be the higher of these two taxes. However, should minimum presumed income tax exceed current income tax in a given tax year, such excess may be computed as payment on account of any current income tax excess over minimum presumed income tax that could occur in any of the ten subsequent tax years.

Minimum presumed income tax credit is measured at its undiscounted nominal value, as it is similar to deferred income tax assets.

The book amount of minimum presumed income tax credit is reviewed as of each reporting year-end and it is reduced with contra to profit or loss for the year under income tax expenses to the extent that it is not likely to be used as payment on account of income tax payable in future years. Minimum presumed income tax credit not recognized as credit or previously derecognized is reviewed as of each reporting year-end and it is recognized as an asset with contra to profit or loss for the year under income tax expenses to the extent that it is likely to be used as payment on account of income tax payable in future years.

With the approval of Law No. 27,260, published in the Official Bulletin on July 22, 2016, minimum presumed income is repealed for the years beginning on or after January 1, 2019.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

– Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

– In respect of taxable temporary differences associated with investments in associates, subsidiaries and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and/or the carry forward of unused tax credits and unused tax losses can be utilized, except:

– Where the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit;

– In respect of deductible temporary differences associated with investments in associates, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized (recovered). Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized as charged to comprehensive income to the extent that it has become probable that future taxable profits will allow those deferred tax assets not previously recognized to be utilized (recovered).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current income tax assets and liabilities, and the deferred taxes relate to the same taxable entity and the same taxation authority.

Other taxes related to sales and bank account transactions

Revenues, expenses and assets are recognized net of the amount of any sales tax, such as the value-added tax and turnover tax, or the tax on bank account transactions, except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.

- Receivables and payables are stated with the amount of sales tax included, which is charged to customers or paid to vendors.

The net amount of sales tax and the tax on bank account transactions recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position, as the case may be.

Turnover over tax is charged under selling expenses in the comprehensive income statement. The tax on bank account transactions is charged under administrative expenses in the comprehensive income statement.

2.4.6. Property, plant and equipment

Property, plant and equipment, except for land, are measured at cost restated at the currency rate in effect as of the closing date, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the property, plant and equipment and borrowing costs for long-term construction projects if the criteria to be recognized as assets are met.

When significant parts of property, plant and equipment are required to be replaced at intervals, Mirgor Group derecognizes the replaced part, and recognizes the new part as an individual asset with its own specific useful life and depreciates it accordingly. Likewise, when a major repair is performed, its cost is recognized in the carrying amount of the asset as a replacement if the criteria to be recognized as an asset are satisfied. All other routine repair and maintenance costs are recognized in the statements of comprehensive income as incurred.

The present value of the expected cost for the decommissioning of an asset after its use period expires is included in the cost of the respective asset if the recognition criteria for the appropriate provision are met.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets.

Depreciation rates are stated in Note 11.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is derecognized.
The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time for it to be available for its expected use or sale (so-called “qualifying asset”) are capitalized as part of the related cost of the asset.

The remaining borrowing costs are booked as expenses in the year in which they are incurred. Borrowing costs include the interest and other costs incurred by the Group regarding loan agreements.

There are no borrowing costs capitalized in the cost of the assets as of the related dates.

2.4.7. Operating and finance leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

The Company as a lessee

Operating lease payments are recognized as other operating expense in the statement of comprehensive income on a straight-line basis over the lease term.

Mirgor Group’s main leases are related to deposits and administrative offices. Normal average lease terms are one to three years. Total leases expense charged to income for the fiscal years ended December 31, 2018 and 2017, is disclosed under “Leases and logistics services”, as detailed in note 7 to the consolidated financial statements.

The Company as a lessor

Leases in which Mirgor Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income.

Mirgor Group’s main leases are related to the revenues of subsidiary Capdo S.A. Normal average lease terms are one year. Total lease income charged to income for the fiscal years ended December 31, 2018 and 2017, is disclosed under “Rental income” of the “Revenues from ordinary activities” item detailed in note 5 to the consolidated financial statements.

2.4.8. Investment property

Investment properties are measured initially at acquisition cost restated at the currency rate in effect as of year-end, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of investment properties and borrowing costs for long-term construction projects if the recognition criteria are met.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the statement of comprehensive income in the fiscal year of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to property, plant and equipment component, the deemed cost for subsequent accounting is the value of the asset at the date of change in use. If property, plant and equipment becomes an investment property, Mirgor Group accounts for such asset in accordance with the policy stated under property, plant and equipment up to the date of change.

2.4.9. Intangible assets

Intangible assets acquired separately are measured on initial recognition at acquisition cost restated at the currency rate in effect as of year-end. Following initial recognition, intangible assets are carried at cost less accumulated amortization (should finite useful lives be assigned) and accumulated impairment losses, if any.

Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting fiscal year.

Changes in the expected useful life or the expected pattern of consumption of the asset is accounted for by changing the amortization period or method, as appropriate, and are treated prospectively as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of comprehensive income in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite useful life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of comprehensive income when the asset is derecognized.

2.4.10. Financial instruments: Presentation, recognition and measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

2.4.10.1. Financial assets

Initial recognition and subsequent measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as hedging instruments in an effective hedge, as appropriate.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that Mirgor Group commits to purchase or sell the asset.

For purposes of subsequent measurement financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- Available-for-sale financial assets
- Available-for-sale financial assets

The Group's financial assets include cash and deposits.

Mirgor Group's financial assets include only cash, short-term deposits, debt securities, trade receivables, forward foreign currency contracts, trade payables, loans and other receivables.

Loans and receivables

Trade receivables are initially recognized at fair value and, after that, at their amortized cost using the effective interest rate method (EIR), less impairment.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

Effective interest rate accrual is recognized in the statement of comprehensive income as finance income/expense or as other operating income/expense, depending on the nature of the asset that gave rise to it. The losses arising from impairment are recognized in the statement of comprehensive income as finance costs or operating expenses, depending on the nature of the asset that gave rise to it.

This category generally applies to trade and other receivables.

They are included in current assets, except for those with maturity exceeding 12 months from the closing date in which they are classified as non-current assets. Loans and receivables are included in "Trade and other receivables" in the consolidated statement of financial position.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The contractual rights to receive cash flows from the asset have expired;
- The contractual rights to receive cash flows from the asset have been transferred or an obligation has been assumed to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) all the risks and rewards of the asset have been transferred substantially, or (b) all the risks and rewards of the asset have neither been transferred nor retained substantially, but control of the asset has been transferred.

When the contractual rights to receive cash flows from an asset have been transferred or a pass-through arrangement has been entered into, but all of the risks and rewards of the asset have neither transferred nor retained substantially and no control of it has been transferred, such asset shall continue to be recognized to the extent of Mirgor Group's continuing involvement in it.

In this last case, Mirgor Group shall also recognize the associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that Mirgor Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that Mirgor Group could be required to repay.

2.4.10.2. Financial liabilities

Initial recognition and subsequent measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings carried at amortized cost, net of directly attributable transaction costs.

Mirgor Group's financial liabilities only comprise trade and other payables, as well as interest-bearing loans and borrowings.

The subsequent measurement of financial liabilities depends on their classification, as described below.

Interest-bearing debts and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized as finance costs in the statement of comprehensive income when the liabilities are derecognized as well as through the accrual process, applying the effective interest rate method (EIR).

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR accrual is recognized as finance costs in the statement of comprehensive income.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized as finance income or costs in the statement of comprehensive income, as the case may be.

Balances and transactions with related parties

The criteria adopted for the treatment of balances and transactions with related parties are described in Note 18.

2.4.10.3. Fair value assessment

The fair value of financial instruments that are traded in active markets at the end of each reporting fiscal year (if any) is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques according to the circumstances. Such techniques may include using recent arm's length market transactions between duly informed stakeholders; reference to the fair values of other financial instruments that are substantially the same; a discounted cash flow analysis and other appropriate valuation models.

Mirgor Group signed certain agreements through financial hedging instruments measured at fair value and described in Note 15.8.

2.4.10.4. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position if, and only if, Mirgor Group (i) has a currently enforceable legal right to offset the recognized amounts; and (ii) has an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

2.4.10.5. Financial assets and liabilities to related parties

Receivables from and payables to related parties are recognized initially at fair value, plus directly attributable transaction costs. To the extent that they arise from transactions not performed at arm's length, any difference arising upon initial recognition between such fair value and the consideration delivered or received is treated as an equity transaction (capital contribution or dividend distribution, depending on whether it is positive or negative.)

2.4.11. Inventories

Inventories are valued at cost restated at the currency rate in effect as of year-end, at the lower of cash prices for habitual purchase volumes or and net realizable value.

The costs incurred to take each product to its current location and give it its current status are booked as follows:

Raw materials

At purchase cost on a weighted-average-price restated at the currency rate in effect as of year-end.

Finished goods and work in progress

At cost of acquisition of materials and labor restated at the currency rate in effect as of year-end plus a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value of an inventory component is the estimated selling price for that component in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale, estimated as of the reporting year-end. In estimating recoverable values, slow or low-turnover component movements are taken into account as well.

2.4.12. Impairment of financial and non-financial assets

Impairment of financial assets

The Group assesses, at each year-end, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') has a negative impact on the estimated future cash flows of the financial asset or the group of financial assets, and that negative impact can be reliably estimated.

Evidence of impairment may include, among others, indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as adverse changes in arrears or economic conditions that correlate with defaults.

Charges arising from the impairment of financial assets, net of related recoveries, are booked in the comprehensive statement of income under finance costs and other operating expenses, depending on the nature of the asset from which they arise.

Financial assets at amortized cost

For financial assets carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The asset carrying value is reduced through an impairment allowance account and the loss is recognized in the comprehensive statement of income under finance costs or other operating expenses, depending on the nature of the asset that gave rise to it. Interest income (recorded as finance income or other operating income in the comprehensive statement of income), depending on the nature of the asset that gave rise to it, continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Assets and the related allowance for impairment are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the impairment allowance account. If a future write-off is later recovered, the recovery is credited to finance costs or other operating expenses in the comprehensive statement of income, based on the nature of the asset that gave rise to it.

Impairment of nonfinancial assets

Inventories

When the net realizable value of an inventory item was lower than its carrying value, it is reduced through an allowance for impairment and the loss amount is recognized as cost of sales in the comprehensive statement of income. If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the impairment allowance account. If a future write-off is later recovered, the recovery is credited to cost of sales in the comprehensive statement of income.

The amount for inventories does not exceed their recoverable amount as of the respective dates.

Property, plant and equipment and intangible assets with finite useful lives

The Group assesses at each reporting year-end whether there is an indication that an individual item or a group of property, plant and equipment and/or intangible assets with finite useful lives may be impaired. If any indication exists and the annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of the fair value less costs to sell that asset, and its value in use. That amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets; in that case, the cash flows of the group of assets that form part of the cash-generating unit to which they belong are taken.

Where the carrying amount of an individual asset or CGU exceeds its recoverable amount, the individual asset or CGU, as the case may be, is considered impaired and is written down to its recoverable amount.

In assessing value in use of an individual asset or CGU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the individual asset.

In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used depending on the circumstances. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognized in the comprehensive statement of income in expense categories consistent with the function of the impaired asset (generally in the cost of sales or other operating expenses), except for a property previously revalued where the revaluation was taken to other comprehensive statement of income. In these cases, the impairment is also recognized in other comprehensive income up to the amount of any previously recognized revaluation.

In addition, for this type of assets as of each reporting year-end, an assessment is made whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes a new estimate of the individual asset's or cash-generating unit's recoverable amount, as the case may be. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the individual asset's or cash-generating unit's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the individual asset or cash-generating unit does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of the related depreciation or amortization, had no impairment loss been recognized for the individual asset or cash-generating unit in prior years. Such reversal is recognized in the comprehensive statement of income in the same line in which the related impairment charge was previously recognized (generally under the cost of sales or other operating expenses), unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

The following criteria are also applied in assessing impairment of certain specific categories of intangible assets:

Intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives are tested for impairment annually (as at 31 December) either individually or at the cash-generating unit level, as appropriate and when circumstances indicate that the carrying value may be impaired.

Goodwill

Goodwill is tested for impairment (as of December 31) and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized in the income statement (generally under the cost of sales or other operating expenses). Impairment losses relating to goodwill cannot be reversed in future periods.

The carrying amounts of property, plant and equipment and intangible assets (including goodwill) do not exceed their recoverable values as of relevant dates.

2.4.13. Cash and cash equivalents

Cash is deemed to include both cash fund and freely-available bank deposits on demand. Cash equivalents are deemed to include short-term investments with significant liquidity and free availability that, subject to no previous notice or material cost, may be easily converted into a specific cash amount that is known with a high degree of certainty upon the acquisition, are subject to a low significant risk of changes in value, maturing up to three months after the date of the related acquisitions, and whose main purpose is not investment or any other similar purpose, but settling short-term commitments. Bank overdrafts are interest-bearing loans, due on demand, which form part of Mirgor Group's treasury management; therefore, they are also similar to cash equivalents.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash at banks and on hand meeting the abovementioned conditions. Bank overdrafts are booked as interest-bearing loans and borrowings.

For purposes of presentation of the consolidated statement of cash flows, cash and cash equivalents include cash at banks and on hand and short-term deposits meeting the abovementioned conditions, net of bank overdrafts, if any.

2.4.14. Provisions, contingent liabilities and contingent assets

2.4.14.1. Provisions

Recognition and measurement

Provisions are recognized when (i) there is a present obligation (legal or constructive) as a result of a past event; (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (iii) a reliable estimate can be made of the amount of the obligation.

Where some or all of a provision is expected to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. In these cases, the expense related to any provision is disclosed in the statement of comprehensive income under the line that best reflects the nature of the provision, net of any related reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax market rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost in the statement of comprehensive income.

Lawsuits and claims

As part of its usual course of business, the Group is exposed to different types of claims, including commercial, labor, tax, social security, foreign exchange and customs claims, as well as other contingent situations arising from legislative interpretations, which could generate a loss and materialize depending on the potential occurrence of one or more events. Upon evaluating these situations, Management bases on its own judgment and that of its internal and external legal counsel, as well as further evidence available as of the related dates. If, upon evaluating the contingency, there is a potential loss and the amount can be estimated reliably, a litigation and claim accrual will be booked as of the reporting year-end.

2.4.14.2. Contingent liabilities

A contingent liability is: (i) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Mirgor Group; or (ii) a present obligation that arises from past events but is not recognized because: (a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or (b) the amount of the obligation cannot be measured with sufficient reliability.

A contingent liability is not recognized in these consolidated financial statements; it is reported in notes, unless the possibility of an outflow of resources to settle such liability is remote. For each type of contingent liability as of the relevant reporting year-end dates, Mirgor Group shall disclose (i) a brief description of the nature of the obligation and, if possible, (ii) an estimate of its financial impact; (iii) an indication of the uncertainties about the amount or timing of those outflows; and (iv) the possibility of obtaining potential reimbursements.

2.4.14.3. Contingent assets

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Mirgor Group.

A contingent asset is not recognized in the consolidated financial statements; it is reported in notes only where an inflow of economic benefits is probable. However, whenever the revenue realization was practically certain, the related asset is not contingent and, therefore, it is appropriate to recognize it. For each type of contingent asset as of the relevant reporting year-end dates, Mirgor Group shall disclose (i) a brief description of the nature thereof and, if possible, (ii) an estimate of its financial impact.

As stated in IAS 37.92, Mirgor Group's policy consists in not providing detailed information on disputes with other parties on the subject matter of the provision, contingent liability or contingent asset, to the extent that such information prejudices seriously the position of Mirgor Group. In those cases, if they exist, Mirgor Group provides generic information and explains the reasons leading to such decision.

2.5. Significant accounting judgments, estimates and assumptions

Preparing the consolidated financial statements in accordance with IFRS requires that Management make and consider the significant accounting opinions, estimates and assumptions that affect the reported figures for assets and liabilities, revenues and expenses, as well as the assessment and presentation of contingent assets and liabilities as of the reporting year-end. In this sense, the uncertainties related to the estimates and assumptions adopted could give rise in the future to final results that could differ from those estimates and require significant adjustments to the reported figures of the assets and liabilities affected.

2.5.1. Judgments

In the process of applying the Mirgor Group's accounting policies, Management has made the following judgments, which have a significant effect on the amounts recognized in these consolidated financial statements.

Operating leases

Mirgor Group has entered into commercial property leases on its investment property portfolio. Mirgor Group has determined, based on an evaluation of the terms and conditions of the arrangements, e.g. when the lease term is not a significant portion of the economic life of the business property, that it has retained all the significant risks and rewards that are inherent to the property of these assets and, therefore, it has accounted for these contracts as operating leases.

2.5.2. Significant accounting estimates and assumptions

The key assumptions concerning the future and other key sources of estimation of uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Mirgor Group based its significant accounting assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or new circumstances arising beyond the control of Mirgor Group. Such changes are reflected in the assumptions when they occur.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities that may be recorded in the consolidated statement of financial position cannot be measured according to active market quoted values, their fair value is determined using valuation techniques including the discounted cash flow model.

The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include the consideration of inputs such as liquidity risk, credit risk and volatility.

Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Other significant estimates

The other significant estimates used by Management are mentioned below:

– The collection terms of certain accumulated amounts related to tax credits and their related valuation.

– The useful life, residual values and recoverability of property, plant and equipment, investment properties and intangible assets.

– The likelihood of occurrence and amount of allowances for assets impairment.

– Assumptions used to calculate the fair value of financial assets and liabilities, including credit risk.

– The likelihood of occurrence and amount of contingencies.

– The assumptions used to determine the potential warranty commitments for the products manufactured by Mirgor Group.

2.6. Unappropriated retained earnings and other reserves

Pursuant to CNV Resolution No. 622/2013, the Company's Board has disclosed the earnings earmarked for the optional reserve separately according to the decisions reached in the respective Shareholders' Meetings. Earnings not specifically appropriated are included in the "Unappropriated retained earnings" account in the statement of changes in equity.

2.7. Changes in significant accounting policies

New and amended standards and interpretations

As from the year beginning January 1, 2018, the Group applied, for the first time, certain new and/or amended standards and interpretations as issued by the IASB.

In addition, other standards and amendments to the standards, which are effective for the year beginning on or after January 1, 2018, were adopted, but they do not have a significant impact on the financial statements of the Group.

The Group has not applied on an early basis any standard, interpretation or amendment issued but not yet effective as of the date of issuance of these financial statements.

Below is a description of the nature and impact of the abovementioned amendments:

IFRS 9 Financial Instruments

In July 2014, the IASB published the final version of IFRS 9 Financial Instruments, replacing IAS 39 Financial Instruments: assessment and classification and all prior IFRS 9 versions. This standard compiles the three phases of the financial instruments project: classification and valuation, impairment in value and hedge accounting.

IFRS 9 applies to the years beginning on or after January 1, 2018, thus allowing its early application. Except for hedge accounting, its retrospective application is required, but it is not necessary to modify the comparative information. For hedge accounting, requirements are generally applied prospectively, save for certain exceptions.

The Group will not restate the comparative information. In general, the Group considers that the application of the standard did not have a significant impact on its statement of financial position and on equity.

(a) Classification and valuation

The Group considers that the application of the standard did not have a significant impact on its statement of financial position and on equity as a result of the adoption of the valuation and classification requirements established by IFRS 9, as it continues to disclose at fair value all the assets which used to be booked using such criterion. The listed shares classified as available-for-sale financial assets, if held by the Group, shall be valued against income (loss) instead of other comprehensive income (loss), which will increase the income (loss) volatility. Debt instruments are expected to be stated at fair value, reflecting the variations in other comprehensive income (loss) pursuant to IFRS 9.

The unlisted shares of entities are expected to be kept in the near future.

No losses have been recognized due to the impairment in the value of the prior-year statement of income due to these investments.

(b) *Impairment in value*

IFRS 9 requires the Group to book the expected credit losses from all its debt securities, loans and trade receivables, either based on a 12-month period or indefinitely. El Grupo considera que esta modificación no tuvo impacto sobre los estados financieros actuales.

IFRS 15 Revenue from Contracts with Customers

IASB issued these amendments to IFRS on April 12, 2016. This standard replaces IAS 18 Revenues from ordinary activities, and IAS 11 Construction contracts, IFRIC 13 Customer loyalty programs, IFRIC 15 Agreements for the construction of real estate, and IFRIC 18 Transfers of assets from customers, and SIC 31 Revenue - Barter transactions involving advertising services, and applies to all contracts with customers generating revenues from ordinary activities. It also provides a single model for the recognition and measurement of sales of certain nonfinancial assets (e.g., property, plant and equipment, intangible assets, and others). Find below the main items of the new standard that entail a change as regard the earlier standards.

The basic principle of the new standard is that an entity recognizes revenues from ordinary activities so that they represent the transfer of goods and services under a contract with customers, in exchange for an amount reflecting the consideration to which an entity expects to be entitled in exchange for such goods or services. When applying this basic principle, the entities should perform further estimates and apply a higher degree of judgment than under previous standards.

For revenue recognition, the new standard provides a 5-stage model: (1) identification of the contract(s) with the customer; (2) identification and segregation of the affirmative covenants assumed in the contract (e.g., sale of goods, provision of services, etc.); (3) transaction pricing; (4) allocation of the transaction price between the different affirmative covenants that were identified; and (5) recognition of the revenue when (or provided that) the entity fulfills each obligation assumed in the contract.

Moreover, the new standard provides further quantitative and qualitative information to be disclosed about the recognition of revenues, as compared to the disclosures required by previous standards.

This standard is effective for annual periods beginning on or after January 1, 2018. It allows an entity to opt for (i) a full retrospective application, i.e., retrospectively changing the presented comparative periods; or (ii) a modified retrospective application, i.e., applying the standard to those revenue-generating contracts that are effective at the beginning of the first period when the standard becomes effective, without retrospectively changing the presented comparative periods (i.e., recognizing the cumulative effect of the change as of the beginning of the current period), but including the appropriate disclosures that allow the identification of differences in revenues for the current period recognized under the previous standards and the new effective standard. Earlier application is permitted. The Group believes that this amendment did not have an impact on current financial statements.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

This interpretation clarifies that, upon determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from the settlement of a nonmonetary asset or a nonmonetary liability booked due to an advance consideration, the date of the transaction that must be used is that on which such nonmonetary asset or a nonmonetary liability arising from the advance consideration was initially recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. This interpretation may be applied retrospectively in full.

Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income within the scope initially recognized upon or after:

i. The commencement of the year in which the entity applies this interpretation for the first time; or

ii. The commencement of a previous year presented as comparative information in the financial statements for the year in which the entity applies this interpretation for the first time.

The Group considers that the amendment did not have a material impact as a result of the application of this standard.

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify the moment in which an entity should transfer real property, including those under construction or development, or investment property. According to the amendments, the change in use occurs if property meets, or ceases to meet, the definition of investment property and there is evidence of such change in use. A mere change in management's intentions does not constitute evidence of a change in use.

Entities must apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of the property held on that date and, as applicable, reclassify the property in order to show the existing conditions as of that date. The retrospective application pursuant to IAS 8 is only allowed if it is possible to do it without using information obtained subsequently.

The Group believes that the application of the amendments did not have a material impact on its financial statements because the former criteria adopted by the Group is in line with the amendments currently in effect.

Amendments to IFRS 4 - IFRS 9 Financial Instruments with IFRS 4 Insurance Contract.

The amendments deal with the issues arising from the implementation of the new standard on financial instruments, IFRS 9, before the implementation of IFRS 17 Insurance Contracts, which replaced IFRS 4. The amendments introduce two options for the entities issuing insurance contracts: a temporary exemption of the IFRS 9 application and an overlay application. The temporary exemption is applied for the first time in the years beginning on or after January 1, 2018. An entity may elect the application of the overlay approach when it applies IFRS 9 for the first time and it applies such approach retrospectively to the financial assets selected in the transition to IFRS 9. The entity restates the comparative information that reflects the overlay approach if and only if the entity reformulates the comparative information upon applying IFRS 9. These amendments are not applicable to the Group.

Amendments to IAS 28 Investments in Associates and Joint Ventures

The amendments clarify the following aspects:

- An entity that is a venture capital organization, mutual fund, unit trust or similar entity, including investment-linked insurance funds, then the entity may opt, upon the initial recognition of the investment, to value its investments in associates or joint ventures at fair value through profit or loss. This election may be done separately for each investment.

- When an entity that is not an investment entity has an investment in an associate/joint venture that is an investment entity, the entity may, upon applying the equity method, elect to maintain the valuation at fair value applied by that associate/joint venture that is an investment entity to its interests in subsidiaries. This election is done separately for each associate/joint venture that is an investment entity from the last date on which: (a) the associate or joint venture that is an investment entity is recognized initially; (b) the associate or joint venture become an investment entity; and (c) the associate/joint venture that is an investment entity becomes a head office.

The amendments should be applied retrospectively. The Group considers that the amendment did not have any impact on its financial statements as a result of the application of this standard.

3. INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) ISSUED BUT NOT YET EFFECTIVE

Below is a breakdown of the standards and interpretations published through the date of issuance of the Group's financial statements, but the application of which is not yet mandatory. The Group intends to adopt these standards, as applicable, when they become effective.

IFRS 16 - Leases

IFRS 16 was issued in January 2016 and replaced IAS 17 Leases, IFRIC 4 Determining whether an Arrangement Contains a Lease, IAS-15 Operating Leases - Incentives and IAS-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets forth the principles for the recognition, valuation, presentation and disclosure of leases and requires lessees to book all leases under a single accounting model that is similar to the current accounting of financial leases pursuant to IAS 17. The standard includes two exemptions to the recognition of leases by lessees: the leases of low-value assets (such as personal computers) and short-term leases (i.e. leases of 12 months or less). On the commencement date of the lease, the lessee shall recognize a liability for the lease payments to be made (i.e. a liability for the lease) and an asset representing the right to use the underlying asset during the term of the lease (i.e. the asset for the right of use). Lessees shall recognize separately the interest expense related to the lease liability and the expense for the right of use amortization.

Lessees shall also be required to revalue the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments arising from a change in a ratio or rate used to determine those payments). The lessee shall generally recognize the revaluation amount of the lease liability as an adjustment to the right of use asset.

According to IFRS 16, the lessee's accounting is not significantly modified as compared to the current IAS 17 accounting. Lessees shall continue to classify leases according to the same classification principles as in IAS 17 and shall book two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to disclose more information than that established in IAS 17.

IFRS 16 is effective for the years beginning on or after January 1, 2019, allowing its early application, but not before an entity applies IFRS 15. A lessee may opt to apply the standard retrospectively in full or through an amended retrospective transition. The transitional provisions of the standard allow certain exemptions.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a new comprehensive accounting standard for insurance contracts covering the recognition, valuation, presentation and breakdowns. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts, which was issued in 2005. IFRS 17 is applied to all types of insurance contracts (such as life and nonlife insurance, direct insurance and reinsurance), notwithstanding the types of entities issuing them, as well as certain guarantees and financial instruments with certain discretionary participation features. Exceptions are only considered within the scope. The general goal of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. Unlike IFRS 4 requirements, which are based to a large extent on the expansion of local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts that covers all significant accounting aspects. The focus of IFRS 17 is the general model, which is supplemented by:

- A specific adaptation for contracts with direct participation features (the Variable Fee Approach).

- A simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 is effective for the years beginning on or after January 1, 2021, and comparative figures must be included. Early application is allowed, provided that the entity also applies IFRS 9 and IFRS 15 on the date on which IFRS is applied for the first time.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments refer to the conflict between IFRS 10 and IAS 28 in relation to the loss of control of a subsidiary sold or contributed to an associate or joint business. The amendments clarify that income or loss arising from the sale or contribution of assets forming part of a business, as defined in IFRS 3, between an investor and its associate or joint venture, must be recognized in full. However, any income or loss resulting from the sale or contribution of assets not forming part of a business shall be recognized only to the extent of the interests of the investors not related to the associate or joint venture.

The IASB has postponed the date of application of these amendments indefinitely, but an entity adopting the amendments on an early basis should apply them prospectively. The Group expects the amendment to have no material impact as a result of the application of this standard.

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation deals with the income tax booked whenever tax treatments imply an uncertainty that affects the application of IAS 12 and is not applied to taxes or liens outside the scope of IAS 12; nor does it include specifically the requirements related to any resulting interest and penalties.

The interpretation deals specifically with the following aspects:

- If an entity should consider the tax uncertainties separately.
- An entity's assumptions as to whether the tax treatment will be reviewed by tax authorities.
- The manner in which an entity determines taxable income, tax bases, the losses pending offset, tax deductions and tax rates.
- The manner in which the entity considers the changes in facts and circumstances.

An entity should determine whether it considers each tax uncertainty separately or together with one or more tax uncertainties. The approach that best estimates the uncertainty resolution should be followed. The interpretation is effective for the years beginning on or after January 1, 2019, but certain transition exemptions are allowed. The Group expects the amendment to have no material impact as a result of the application of this standard.

Long-term Interests in Associates and Joint Ventures. Amendments to IAS 28

The IASB has modified IAS 28 "Investments in Associates and Joint Ventures" to clarify that an entity shall apply IFRS 9 "Financial Instruments" to the long-term interests in an associate or joint venture that, in essence, form part of the investment in the associate or joint venture, but to which the equity method is not applied (e.g. long-term loans; noncumulative preferred shares). This implies that the expected credit loss model under IFRS 9 is applied to such long-term interests. The IASB also clarifies that an entity shall apply IFRS 9 to those long-term interests before taking into account any loss of the associate or joint venture, or any loss due to the impairment in the value of the net investment in the associate or joint venture, recognized using ISD 28. The amendment shall become effective for the annual periods beginning on or after January 1, 2019, but early application is allowed. The entities shall apply these amendments retrospectively, with certain exceptions. The Group expects the amendment to have no material impact as a result of the application of this standard.

Prepayment features with negative compensation. Amendments to IFRS 9

The IASB has modified IFRS 9 "Financial Instruments" to allow measuring the debt instruments having prepayment features with negative compensation at amortized cost or at fair value through other comprehensive income. The amendment shall become effective for the annual periods beginning on or after January 1, 2019, but early application is allowed.

The IASB also clarify in the Basis for Conclusions that, under IFRS 9, income and losses arising from the modifications of financial liabilities not giving rise to a writeoff should be recognized in profit or loss. The Group expects the amendment to have no material impact as a result of the application of this standard.

Amendments to IAS 19: Plan amendment, curtailment or settlement

The amendments specify that if a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.

- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss.

An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in net interest, is recognized in other comprehensive income.

The amendments to IAS 19 must be applied to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019. Earlier application is permitted. These amendments will only be applied to any future plan amendment, curtailment and settlement in the Group.

Amendments to IAS 1: "Presentation of financial statements" and IAS 8 "Accounting policies, changes in accounting estimates and errors

In October 2018, the IASB issued these amendments to align the definition of "material" in all standards and to clarify certain aspects of the definition: It establishes that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific report.. The amendments clarify that materiality will depend on the nature or magnitude of the information, or both.

An entity is required to assess whether the information, either individually or combined with other information, is material within the context of the financial statements. The amendments explain that the information is obscured if it is communicated in a way that has an effect similar to omitting or erroneously disclosing the information. For example, material information may be obscured if the information relating to a material element, transaction or other event is scattered in different places in the financial statements, or if it is disclosed in a vague or unclear language. Material information may also be obscured if the elements, transactions or other different events are inappropriately aggregated, or if similar elements are inappropriately disaggregated. The amendments are effective for annual periods beginning on or after January 1, 2020, and they should be applied prospectively. Earlier application is permitted and should be disclosed.

Although the amendments to the definition of "material" are not expected to have a significant impact on an entity's financial statements, the introduction of the term "obscured information" may affect the manner in which materiality judgments are made in practice, since they increase the importance of the manner in which the information is communicated and organized in the financial statements.

Conceptual framework for financial reporting

The IASB issued the Conceptual Framework in March 2018. It establishes a comprehensive set of concepts for financial reporting, standards, guidelines for preparers to develop consistent accounting policies, and provides assistance to other individuals in their efforts to understand and interpret the standards. The Conceptual Framework includes some new concepts, provides updated definitions and criteria for recognizing assets and liabilities, and clarifies certain important concepts. The conceptual framework is accompanied by a basis for conclusions. The amendments are effective immediately for the IASB and the IFRS Interpretations Committee. For preparers developing accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after January 1, 2020.

Amendments to IFRS 3 – Definition of a business

The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.puts; They also clarify that a business may exist even if it does not have all the inputs and processes necessary to create products. That is to say, the inputs and processes applied to such inputs must have the capacity to contribute to the creation of outputs rather than the capacity of creating outputs. The amendments shall be applied to transactions related to business combinations or asset purchases the acquisition date of which is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. Therefore, entities are not required to review such transactions. Earlier application is permitted and should be disclosed. The Group expects the amendment to have no material impact as a result of the application of this standard.

Annual IFRS improvements. Period 2015-2017 (issued through December 2017)

The amendments include:

IFRS 3 “Business Combinations” and IFRS 11 “Joint Arrangements”. Previous held interests in a joint operation

The amendments clarify that:

(a) when an entity gets control of a business that is a joint operation, as defined in IFRS 3, the entity must apply the requirements for a business combination achieved in stages, including remeasuring at fair value all the interests previously held in the joint operation as of the date of acquisition;

(b) when a party is involved in a joint operation, whose activity is a business, without having the joint control and then obtains it, it shall not remeasure its interest previously held in the joint operation.

These amendments apply to operations in which the control or joint control are obtained in annual periods beginning on or after January 1, 2019. In both cases, early application is allowed. The Group expects the amendment to have no material impact as a result of the application of this standard.

IAS 12 “Income Tax”. Income tax consequences of the payment of dividends

These amendments clarify that an entity should recognize the income tax consequences of the allocation of dividends in net income or loss for the period/year, other comprehensive income (loss), or equity depending on the place in which the entity recognized originally the transaction or event giving rise to the allocable income generating the dividends.

An entity must apply these amendments to the annual periods beginning on or after January 1, 2019, but early application is allowed. When an entity applies these amendments for the first time, it shall extend its application to the income tax consequences of the dividends recognized from the beginning of the first comparative period disclosed. The Group expects the amendment to have no material impact as a result of the application of this standard.

IAS 23 “Borrowing Costs”. Capitalization of borrowing costs

These amendments clarify that an entity should treat as part of generic borrowing all loans originally borrowed to develop a qualifying asset, provided that it is pending settlement after the asset is ready for its expected use or sale.

An entity shall apply these amendments to the annual periods beginning on or after January 1, 2019, but early application is allowed. The borrowing costs subject to the amendment to paragraph 14 are those incurred as from the first application of the amendments. The Group expects the amendment to have no material impact as a result of the application of this standard.

4. OPERATING SEGMENT INFORMATION

For management purposes, Mirgor Group is organized into business units based on their products and services. Mirgor Group has defined the following three segments on which information is provided:

- The auto segment, which produces air conditioning systems and car radios and provides tire removal services.
- The electronic consumer goods segment, which produces and markets television sets, residential air conditioning systems, audio and video equipment, mobile telephones, among other electronic products.
- The Other services segment comprises real estate lease activities.

No operating segments have been aggregated to form the above operating segments Mirgor Group operates in the territory of Argentina.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

Mirgor Group's financing (including finance costs and finance income) and income tax are managed on a group basis; therefore, they are not allocated to operating segments.

Adjustments and eliminations

Finance income and costs, and fair value gains and losses on financial assets are not charged to individual segments as the underlying instruments are managed on a centralized basis.

Current and deferred income tax charges and certain financial assets and liabilities are not allocated to those segments as they are also managed on a group basis.
Intersegment revenues, if any, are eliminated upon consolidation.

The results of each segment and their reconciliation to Mirgor Group's comprehensive income for year ended December 31, 2018, and 2017, are presented below:

Fiscal year ended, December 31, 2018	**Automotive**	**Electronics**	**Other services**	**Segments consolidated total**
	ARS 000	**ARS 000**	**ARS 000**	**ARS 000**
Income from continuing operations	4,982,361	22,526,822	20,156	27,529,339
Industrial promotion benefit	1,007,959	5,176,413	-	6,184,372
Total income	5,990,320	27,703,235	20,156	33,713,711
Income (loss)				
Depreciation and amortization	(79,718)	(261,551)	(1,278)	(342,547)
Operating income (loss) for the segment	(106,115)	(978,572)	2,455	(1,082,232)

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Fiscal year ended December 31, 2017	Automotive	Electronics	Other services	Segments consolidated total
	ARS 000	ARS 000	ARS 000	ARS 000
Income from continuing operations	4,372,301	20,570,670	14,564	24,957,535
Industrial promotion benefit	879,971	4,629,098	-	5,509,069
Total income	**5,252,272**	**25,199,768**	**14,564**	**30,466,604**
Profit (loss)				
Depreciation and amortization	(44,725)	(174,685)	(248)	(219,658)
Operating income (loss) for the segment	**(200,145)**	**1,842,255**	**9,160**	**1,651,270**

Assets and liabilites per segment	Automotive	Electronics	Other services	Not attributable to a specific business segment	Segments consolidated total
	ARS 000	ARS 000	ARS 000	ARS 000	ARS 000
As of December 31, 2018					
Non-operating assets					
– Invesments in associates	-	-	-	477,309	477,309
– Other financial assets	-	-	-	898,674	898,674
– Other nonfinancial receivables	18,214	2,468	-	274,188	294,870
– Deferred tax assets	-	-	-	810	810
Total non-operating assets	18,214	2,468	0	1,650,981	1,671,663
Operating assets	(767,294)	16,046,256	117,403	-	15,396,365
Total assets	**(749,080)**	**16,048,724**	**117,403**	**1,650,981**	**17,068,028**
Non-operating liabilities					
– Interest-bearing debts and borrowings	-	-	-	2,089	2,089
– Deferred tax liability	-	-	-	12,278	12,278
Total non-operating liabilities	-	-	-	14,367	14,367
Operating liabilities	647,601	11,974,202	5,366	-	12,627,169
Total liabilities	**647,601**	**11,974,202**	**5,366**	**14,367**	**12,641,536**

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Assets and liabilites per segment	Automotive	Electronics	Other services	Not attributable to a specific business segment	Segments consolidated total
	ARS 000	ARS 000	ARS 000	ARS 000	ARS 000
As of December 31, 2017					
As of December 31, 2017					
Nonoperating assets					
Investment in associates	-	-	-	951,838	951,838
Other financial assets	-	-	-	614,547	614,547
Other nonfinancial receivables	-	463,334	-	128,621	591,955
Deferred tax assets	-	-	-	2,594	2,594
Total nonoperating assets	-	463,334	-	1,697,600	2,160,934
Operating assets	1,528,703	13,126,448	16,147	-	14,671,298
Total assets	**1,528,703**	**13,589,782**	**16,147**	**1,697,600**	**16,832,232**
Nonoperating liabilities					
Interest-bearing debts and borrowings	-	-	-	757,214	757,214
Deferred tax liability	-	-	-	11,386	11,386
Total nonoperating liabilities	-	-	-	768,600	768,600
Operating liabilities	958,673	10,326,015	2,940	-	11,287,628
Total liabilities	**958,673**	**10,326,015**	**2,940**	**768,600**	**12,056,228**

5. REVENUES FROM ORDINARY ACTIVITIES

	12.31.2018	12.31.2017
	ARS 000	ARS 000
Sale of goods	27,512,582	24,942,971
Rental income	16,757	14,564
Total revenues from ordinary activities	**27,529,339**	**24,957,535**

6. COST OF GOODS SOLD AND SERVICES RENDERED

	12.31.2018	12.31.2017
	ARS 000	ARS 000
Stock at beginning of year (*)	4,112,657	2,784,460
Purchase for the year	26,530,920	22,850,568
Operating expenses and services - Note 7	3,657,192	3,542,062
Creation of the allowance for inventories obsolescence and impairment in value - Note 14	33,535	202,245
Use of the allowance for inventories obsolescence and impairment in value - Note 14	(186,445)	(273,924)
Inventories at end of period (*)	(7,830,051)	(4,112,657)
Cost of goods sold and services rendered	**26,317,808**	**24,992,754**

(*) Not including raw material in transit or the allowance for impairment in value and obsolescence of inventories (Note 14).

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7. OPERATING, ADMINISTRATIVE AND SELLING EXPENSES

	12.31.2018			
	Operating expenses and services	Administrative expenses	Selling expenses	Total
	ARS 000	ARS 000	ARS 000	ARS 000
Salaries & wages	1,129,084	344,544	200,361	1,673,989
Contributions and employee benefits	493,264	95,037	83,930	672,231
Insurance	63,208	8,774	111,258	183,240
Fees	12,603	71,857	1,307	85,767
Taxes, rates and assessments	276,162	51,058	736,525	1,063,745
Advertising expenses	-	43	43,353	43,396
Bank expenses and tax on bank account transactions	-	397,175	-	397,175
Intangible assets amortization	327	32,344	4,290	36,961
PP&E and investment property depreciations	273,453	26,602	5,531	305,586
Leases and logistics services	54,533	29,851	82,383	166,767
Customs clearing and dispatch expenses	528,891	1,814	171	530,876
Maintenance	77,532	8,882	11,918	98,332
Traveling and living expenses	4,081	15,745	3,672	23,498
Transportation, shipping and handling	539,609	12,120	205,513	757,242
Cleaning and surveillance expenses	93,785	5,371	-	99,156
Royalties	-	-	30	30
Expected credit losses	-	-	-	-
Miscellaneous	110,660	37,331	13,501	161,492
Total 12 months 31.12.2018	**3,657,192**	**1,138,548**	**1,503,743**	**6,299,483**

	12.31.2017			
	Operating expenses and services	Administrative expenses	Selling expenses	Total
	ARS 000	ARS 000	ARS 000	ARS 000
Salaries & wages	1,642,913	235,095	107,774	1,985,782
Contributions and employee benefits	433,710	63,075	21,905	518,690
Insurance	81,660	2,557	8,920	93,137
Fees	13,727	43,908	10,506	68,141
Taxes, rates and assessments	224,823	44,584	679,538	948,945
Advertising expenses	-	-	90,547	90,547
Bank expenses and tax on bank account transactions	-	160,360	-	160,360
Intangible assets amortization	-	14,034	-	14,034
PP&E and investment property depreciations	165,003	38,494	2,127	205,624
Leases and logistics services	55,469	17,254	63,135	135,858
Customs clearing and dispatch expenses	274,085	-	236	274,321
Maintenance	58,216	10,244	275	68,735
Traveling and living expenses	5,501	8,007	3,426	16,934
Transportation, shipping and handling	497,082	-	101,521	598,603
Cleaning and surveillance expenses	66,243	3,947	64	70,254
Royalties	-	-	2,554	2,554
Expected credit losses	-	-	1,460	1,460
Miscellaneous	23,630	23,438	1,665	48,733
Total 12 months 31.12.2017	**3,542,062**	**664,997**	**1,095,653**	**5,302,712**

8. OTHER INCOME AND EXPENSES

8.1. Other operating income

	12.31.2018 ARS 000	12.31.2017 ARS 000
Foreign exchange difference	1,382,868	509,955
Total other operating income	**1,382,869**	**509,955**

8.2. Other operating expenses

	12.31.2018 ARS 000	12.31.2017 ARS 000
Compensations	(146,852)	(152,685)
Foreign exchange difference	(7,071,861)	(2,419,200)
Total other operating expenses	**(7,218,713)**	**(2,571,885)**

8.3. Finance costs

	12.31.2018 ARS 000	12.31.2017 ARS 000
Interest accrued on payables and loans	(59,615)	(89,978)
Foreign exchange difference and net present value	(359,418)	(464,760)
Miscellaneous	(52,487)	-
Total finance costs	**(471,520)**	**(554,738)**

8.4. Finance income

	12.31.2018 ARS 000	12.31.2017 ARS 000
Income on short-term deposits	76,610	40,089
Interest	94,742	472
Foreign exchange difference and net present value	197,571	100,060
Other finance income	10,087	-
Total finance income	**379,010**	**140,621**

8.5. Other income, net

	12.31.2018 ARS 000	12.31.2017 ARS 000
Income on sale of PP&E	-	99,991
Miscellaneous	3,654	10,698
Total other income, net	**3,654**	**110,689**

9. INCOME TAX

The major components of income tax expense for the years ended December 31, 2018, and 2017, are:

	12.31.2018 ARS 000	12.31.2017 ARS 000
Current income tax		
Income tax and current minimum presumed income tax charge	(236,827)	(84,989)
Deferred income tax		
Related to the origin and reversal of temporary differences	1,867	(44,667)
Variation in the allowance for impairment in value of deferred income tax and minimum presumed income tax credit	(4,543)	46,771
Income tax for the year (*)	**(239,503)**	**(82,885)**

(*) Including the income tax effect on income for the year related to CIAPEXSA guarantee trust, long-term loans and temporary investments.

A reconciliation between income tax expense and the product of accounting profit multiplied by the tax rate for years ended December 31, 2018, and 2017, is as follows:

Deferred income tax

Deferred tax relates to the following:

	12.31.2018 ARS 000	12.31.2017 ARS 000
Income before income tax	159,466	796,113
At the 30% and 35% statutory tax rate, respectively	(47,840)	(278,640)
Exempt profit (loss) due to activities performed in Tierra del Fuego	(178,317)	157,503
Subtotal	(226,157)	(121,137)
Decrease in deferred income tax credit due to tax reform	(8,803)	(8,519)
Charge for the allowance for impairment in value of deferred income tax and minimum presumed income tax assets	(4,543)	46,771
Income tax for the year	**(239,503)**	**(82,885)**

	Consolidated statement of financial position		Consolidated statement of comprehensive income	
	12.31.2018 ARS 000	12.31.2017 ARS 000	12.31.2018 ARS 000	12.31.2017 ARS 000
Allowance for impairment in value of inventories	(2,553)	12	(2,565)	(1)
NOLs to be offset against future taxable income	35,154	34,010	1,144	(43,365)
Allowance for impairment in value of deferred tax asset	(35,160)	(30,617)	(4,543)	46,771
Current value effect	3,977	(675)	4,652	(675)
Inventories valuation	(608)	(136)	(472)	(136)
Deferred income tax asset	**810**	**2,594**	**(1,784)**	**2,594**
Investment property	(12,278)	(11,386)	(892)	(490)
Deferred income tax liabilities	**(12,278)**	**(11,386)**	**(892)**	**(490)**

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

As of December 31, 2018, 2017, Mirgor Group has tax losses which amounted to 140,616 and 136,040 (which are usable until December 31, 2022). Based on the available evidence, the Company understands that no deferred income tax asset should be recognized at present for an amount equivalent to the income tax percentage, which is expected to be effective as of the expected offset date (note 22(2)) and applied to accumulated NOLs, except for the NOL related to GMRA S.A., an indirectly owned subsidiary.

As of December 31, 2018, and 2017, deferred tax liabilities amounted to 12,278 and 11,386, respectively.

There are no income tax effects related to the payment of dividends by Mirgor Group to its shareholders in 2018 and 2017.

10. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the fiscal year attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding.

Diluted earnings per share amounts are calculated by dividing the net profit for the period attributable to ordinary equity holders (after adjusting for interest on the convertible preference shares and other convertible financial instruments that may exist) by the weighted average number of ordinary shares outstanding plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. As there are no dilutive potential financial instruments, basic and diluted earnings per share coincide.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	12.31.2018 **In thousands of ARS**	**12.31.2017** **In thousands of ARS**
Total net comprehensive income for the year attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share computations	(80,037)	713,228
Weighted average number of ordinary shares attributable to basic and diluted earnings per share (in thousands of shares)	**180,000**	**180,000**

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting year-end and the date of issuance of these consolidated financial statements.

11. PROPERTY, PLANT AND EQUIPMENT

Changes in cost of acquisition and accumulated depreciation as of December 31, 2018.

	12.31.2018				
	Acquisition cost				
Main account	**At beginning of year**	**Additions (1)**	**Dispositions**	**Transfers**	**At end**
	ARS 000	**ARS 000**	**ARS 000**	**ARS 000**	**ARS 000**
Plots of land	19,967	-	-	-	19,967
Buildings and construction	536,462	27,221	(3,724)	16,090	576,049
Machinery, equipment and tools	1,945,198	176,261	-	12,157	2,133,616
Vehicles	20,680	461	-	-	21,141
Furniture and office supplies	52,049	26,396	(2,611)	14,797	90,631
Fixtures	388,982	10,522	-	-	399,504
Die-stamping	234,193	88	-	-	234,281
Computer hardware	208,898	9,585	(503)	3,722	221,702
Works in process	72,273	172,405	-	(46,766)	197,912
	3,478,702	**422,939**	**(6,838)**	**-**	**3,894,803**

	12.31.2018						
	Depreciation						
Main account	**At beginning of year**	**Annual average rate**	**Disposals**	**Transfers**	**Charges for the year**	**At end of year**	**Residual value**
	ARS 000		**ARS 000**	**ARS 000**	**ARS 000**	**ARS 000**	**ARS 000**
Plots of land	-	-	-	-	-	-	19,967
Buildings and construction	242,197	2%	-	-	30,282	272,479	303,570
Machinery, equipment and tools	1,392,661	20%	(303)	-	199,230	1,591,588	542,028
Vehicles	14,971	20%	-	-	2,472	17,443	3,698
Furniture and office supplies	38,356	20%	(1)	-	15,241	53,596	37,035
Fixtures	268,989	25%	-	-	32,976	301,965	97,539
Die-stamping	230,658	20%	-	-	2,199	232,857	1,424
Computer hardware	168,947	20%	-	-	21,967	190,914	30,788
Works in process	-	-	-	-	-	-	197,912
	2,356,779		**(304)**	**-**	**304,367**	**2,660,842**	**1,233,961**

(1) Mirgor Group did not capitalize finance costs related to works in progress, as they are considered to be insignificant.

Changes in cost of acquisition and accumulated depreciation as of December 31, 2017.

Main account	12.31.2017 Acquisition cost				
	At beginning of year	Additions (1)	Disposals	Transfers	At end of a year
	ARS 000	ARS 000	ARS 000	ARS 000	ARS 000
Plots of land	21,848	65	(1,946)	-	19,967
Buildings and construction	537,996	9,473	(11,010)	3	536,462
Machinery, equipment and tools	1,888,613	56,545	(4,014)	4,054	1,945,198
Vehicles	18,765	2,653	(738)	-	20,680
Furniture and office supplies	46,014	6,612	(577)	-	52,049
Fixtures	375,024	5,482	(1,608)	10,084	388,982
Die-stamping	234,416	1	(224)	-	234,193
Computer hardware	203,739	5,283	(275)	151	208,898
Works in process	18,986	69,110	(1,531)	(14,292)	72,273
	3,345,401	**155,224**	**(21,923)**	**-**	**3,478,702**

Main account	12.31.2017 Depreciation					
	At beginning of year	Average rate	Disposals	Charge for the year	At end of year	Residual value
	ARS 000		ARS 000	ARS 000	ARS 000	ARS 000
Plots of land	-	-	-	-	-	19,967
Buildings and construction	231,004	2%	(6,018)	17,211	242,197	294,265
Machinery, equipment and tools	1,237,717	20%	(2,647)	157,591	1,392,661	552,537
Vehicles	14,285	20%	(661)	1,347	14,971	5,709
Furniture and office supplies	32,425	20%	(344)	6,275	38,356	13,693
Fixtures	251,932	25%	(591)	17,648	268,989	119,993
Die-stamping	227,276	20%	(164)	3,546	230,658	3,535
Computer hardware	156,516	20%	(1,251)	13,682	168,947	39,951
Works in process	-	-	-	-	-	72,273
	2,151,155		**(11,676)**	**217,300**	**2,356,779**	**1,121,923**

(1) Mirgor Group did not capitalize finance costs related to works in progress, as they are considered to be insignificant.

12. INVESTMENT PROPERTIES

Changes in cost of acquisition and accumulated depreciation as of December 31, 2018

Main account	12.31.2018 Acquisition cost	Depreciation				
	At beginning /end of year	At beginning of year	Average rate	Charges for the year	At end of year	Residual value
	ARS 000	ARS 000		ARS 000	ARS 000	ARS 000
Plots of land	12,358	-	-	-	-	12,358
Buildings and construction	72,998	32,881	2%	1,219	34,100	38,898
	85,356	32,881		1,219	34,100	51,256

Changes in cost of acquisition and accumulated depreciation as of December 31, 2017

	12.31.2017					
	Acquisition cost	Depreciation				
Main account	At beginning /end of year	At beginning of year	Average rate	Charges for the year	At end of year	Residual value
	ARS 000	ARS 000		ARS 000	ARS 000	ARS 000
Plots of land	12,358	-	-	-	-	12,358
Buildings and construction	72,998	31,662	2%	1,219	32,881	40,117
	85,356	31,662		1,219	32,881	52,475

Net income from on investment properties delivered under operating leases for the fiscal years ended December 31, 2018, and 2017, were as follows:

	12.31.2018	12.31.2017
	ARS 000	ARS 000
Income from leases on investment properties	20,156	14,564
Operating expenses (including repair and maintenance) related to leased investment properties	(5,046)	(2,074)
Subtotal	**15,110**	**12,490**
Income tax	(7,356)	(5,367)
Net profit arising from investment properties	**7,754**	**7,123**

Mirgor Group has no restrictions on the realizability of its investment property and no contractual obligations to either purchase, construct or develop investment property or for repairs, maintenance and enhancements.

Investment properties are measured as described in note 2(4)8 to these consolidated financial statements.

13. INTANGIBLES ASSETS

Changes in cost of acquisition and accumulated amortization

	Software, agreements, patents and licenses	Goodwill	Total
	ARS 000	ARS 000	ARS 000
Acquisition cost			
As of December 31, 2017	**143,823**	**508**	**144,331**
Additions for the year	23,034	-	23,034
As of December 31, 2018	**166,857**	**508**	**167,365**
Amortization and impairment in value			
As of December 31, 2017	**69,771**	**-**	**69,771**
Amortization charge for the year	36,961	-	36,961
As of December 31, 2018	**106,732**	**-**	**106,732**
Residual value			
As of December 31, 2017	**74,052**	**508**	**74,560**
As of December 31, 2018	**60,125**	**508**	**60,633**

14. INVENTORIES

	12.31.2018 ARS 000	12.31.2017 ARS 000
Raw materials	4,340,927	2,374,535
Finished goods	3,489,124	1,738,122
Subtotal	7,830,051	4,112,657
Raw material in transit	1,058,317	1,160,245
Allowance for obsolescence and impairment in value of inventories	(144,374)	(297,284)
	8,743,994	**4,975,618**

The changes in the allowance for inventories impairment and obsolescence as of December 31, 2018, and 2017, as detailed below, have been included in cost of goods sold and services provided in the statement of comprehensive income:

	12.31.2018 ARS 000	12.31.2017 ARS 000
At beginning of year	**(297,284)**	**(368,963)**
Increase (1)	(33,535)	(202,245)
Use (1) (2)	186,445	273,924
At end of year	**(144,374)**	**(297,284)**

(1) Charged to the “Cost of sale of goods and services rendered” account within the comprehensive statement of income.
(2) Use for its specific purpose.

15. FINANCIAL ASSETS AND LIABILITIES

15.1. Trade and other receivables

	12.31.2018 ARS 000	12.31.2017 ARS 000
Current		
Trade receivables	4,866,232	6,804,912
Trade receivables of associates – Nota 18	6,430	15,444
Allowance for impairment in value of expected credit losses (1)	(2,903)	(2,187)
	4,869,759	**6,818,169**

(1) Changes are detailed in note 15.7.

Trade payables are non-interest bearing and their average collection term is generally from 30 to 90 days. The information on the objectives and policies related to Mirgor Group’s credit risk management is included in Note 19(2).

Below is a breakdown of trade receivables by due date:

				Past due			
	Total ARS 000	Without due date ARS 000	To fall due ARS 000	<30 days ARS 000	30 - 60 days ARS 000	61 - 90 days ARS 000	90 - 120 days ARS 000
12.31.2018	4,869,759	6,430	4,687,519	54,060	60,412	1,617	59,721
12.31.2017	6,818,169	15,444	6,700,974	48,621	30,589	10,354	12,187

15.2. Trade and other payables

	12.31.2018 ARS 000	12.31.2017 ARS 000
Noncurrent		
Security deposits	99	123
	99	**123**

	12.31.2018 ARS 000	12.31.2017 ARS 000
Current		
Trade payables	11,240,498	9,945,134
Salaries & wages and payroll taxes payable	622,858	422,863
Annual statutory bonus and vacation accrual	30,351	78,134
Income tax accrual	130,057	41,398
Health and safety assessment	5,125	2,810
Turnover tax payable and withholdings/additional withholdings to be deposited	58,176	72,884
Value-added tax payables and withholdings/additional withholdings to be deposited	10,368	27,633
Other taxes payable	10,101	9,895
Customer prepayments	7,513	626,851
Other accounts payable	455,946	27,855
Royalties payable	35,761	27,536
Directors' fees payable	1,879	4,512
	12,608,633	**11,287,505**

Terms and conditions of the above liabilities: (i) trade payables are non-interest bearing and are normally settled on 150-day terms; (ii) the other trade payables are non-interest bearing and are normally settled on 30-day terms.

The information on the objectives and policies related to Mirgor Group's liquidity risk management is included in Note 19(3).

15.3. Interest-bearing debts and borrowings

	Annual average interest rate (*)	Maturity	12.31.2018 ARS 000
Interest-bearing current debts and borrowings			
Overdrafts from bank checking accounts	-	-	2,089
Total interest-bearing current debts and borrowings			2,089

(*) Effective as of December 31, 2018.

The information on the objectives and policies related to Mirgor Group's market risk management and capital management is included in note 19(1).

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15.4. Other financial assets

	12.31.2018 ARS 000	12.31.2017 ARS 000
Noncurrent		
Long-term loans – Note 18	898,674	614,547
	898,674	**614,547**

	12.31.2018 ARS 000	12.31.2017 ARS 000
Current		
Credit for forward exchange transactions	-	40,111
	-	**40,111**

15.5. Other financial liabilities

	12.31.2018 ARS 000	12.31.2017 ARS 000
Liabilities for forward exchange transactions	18,437	-
	18,437	**-**

15.6. Cash and short-term deposits

	12.31.2018 ARS 000	12.31.2017 ARS 000
Cash on hand and in banks	290,787	1,330,062
Short-term investments	145,975	258,380
To the consolidated statement of financial position	**436,762**	**1,588,442**

For the purpose of the consolidated statement of cash flow, cash and cash equivalents comprise the following as of December 31, 2018, and 2017:

	12.31.2018 ARS 000	12.31.2017 ARS 000
Cash on hand and in banks	290,787	1,330,062
To the consolidated statements of cash flows	**290,787**	**1,330,062**

15.7. Impairment of financial assets

Trade and other receivables

As of December 31, 2018, the value of trade receivables for an original carrying amount of 2,903 were impaired and fully booked as allowance. The amounts and changes of the allowance for doubtful accounts are detailed below.

	Impaired in value separately ARS 000	Total ARS 000
As of December 31, 2017	**2,187**	**2,187**
Charge for the year (Note 7)	716	716
As of December 31, 2018	**2,903**	**2,903**

15.8. Information on fair values

As of December 31, 2017, and 2016, Management estimates that the carrying amounts of financial assets do not differ significantly from their fair values.

Fair value hierarchy

Mirgor Group uses the following hierarchy for determining and disclosing the fair value of financial assets by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data

As of December 31, 2018, Mirgor Group's financial assets measured at fair value were categorized within Level 1, according the previous description.

Hedging operations

It is Mirgor Group's policy to recognize financial instruments as they are considered to be insignificant. During the years ended December 31, 2018, and 2017, agreements were signed to cover the potential devaluations of the Argentine peso in the amount of about USD 198,520,000 and USD 248,838,000, respectively, since Mirgor Group carries significant payables in foreign currency to industrial suppliers abroad.

As of December 31, 2018, the amount payable is disclosed under "Other financial liabilities" and amounts to 18,437, while as of December 31, 2017, the amount receivable is disclosed under "Other financial assets" and amounts to 27,167. They are related to Mirgor Group's industrial activity and were booked at market value and as described in note 2.4 to these consolidated financial statements.

In the fiscal years ended December 31, 2018, and 2017, profit (loss) for these transactions amounted to 465,295 (profit) and 34,356 (loss), respectively, and was disclosed in “Foreign exchange differences” under “Other operating expenses”.

15.9. Changes in liabilities from financing activities

			Changes other than cash		
	12.31.2017	Variation (1)	Foreign exchange difference	Accrued interest	12.31.2018
	ARS 000	**ARS 000**	**ARS 000**	**ARS 000**	**ARS 000**
Bank loans	757,214	(1,047,497)	246,288	46,084	2,089

			Changes other tan cash		
	12.31.2016	Cash flows	Foreign exchange	Accrued interest	12.31.2017
	ARS 000	**ARS 000**	**ARS 000**	**ARS 000**	**ARS 000**
Bank loans	1,704,224	(1,208,112)	171,124	89,978	757,214

(1) Net of gain (loss) on exposure to the change in currency purchasing power.

15.10. Consolidated financial assets and liabilities in foreign currency

Mirgor Group's consolidated assets and liabilities in foreign currency as of December 31, 2018, and 2017, break down as follows (the respective amounts in foreign currency and the equivalent amounts translated into the presentation currency are presented):

Item	Amounts in thousands and currency		Effective exchange rate	12.31.2018	12.31.2017
				ARS 000	ARS 000
ASSETS					
Noncurrent assets					
Other financial assets	USD	23,965	37.500	898,674	614,547
				898,674	614,547
Total noncurrent assets				898,674	614,547
Current assets					
Cash on hand and in banks					
Cash on hand	USD	58	37.500	2,169	1,623
Cash in banks	USD	7,217	37.500	270,628	1,270,363
				272,797	1,271,986
Trade and other receivables					
Trade receivables	EUR	2,787	42.840	119,389	40,456
	USD	73,904	37.500	2,771,398	3,853,854
				2,890,787	3,894,310
Other nonfinancial receivables					
Prepayments to suppliers for the purchase of goods	EUR	143	43.163	6,185	3,682
	USD	37	37.700	1,412	437,726
	JPY	113	0.342	39	37
Miscellaneous	USD	35	37.700	1,301	-
				8,937	441,445
Total current assets				**3,172,521**	**5,607,741**
Total assets				**4,071,195**	**6,222,288**
Liabilities					
Current liabilities					
Interest-bearing debts and borrowings	USD	-	37.700	-	757,214
				-	757,214
Trade and other payables					
Trade payables	USD	260,864	37.700	9,834,562	9,002,250
	EUR	3,112	43.163	134,310	141,512
	BRL	7,240	10.430	75,515	12,668
	JPY	41,124	0.3417	14,054	11,953
				10,058,441	9,168,383
Royalties payable	EUR	813	43.163	35,099	26,558
	BRL	28	10.430	291	430
	USD	10	37.700	371	548
				35,761	27,536
Total current liabilities				**10,094,202**	**9,953,133**
Total liabilities				**10,094,202**	**9,953,133**

References:

EUR : Euro — USD: US dollar
JPY : JPY — BRL: Brazilian real

The breakdown above includes the amounts arising from transactions in foreign currency as well as amounts arising from transactions conducted in Argentine pesos which will be collected/settled by applying the original nominal value in foreign currency (assessed at the effective exchange rate as of the date when the instrument was issued in pesos) to the value of the respective currency as of the collection/settlement date.

Receivables and payables in foreign currency, including the abovementioned amounts, were calculated in accordance with the parameters stated in the paragraph above, calculating the current values, provided their effects were significant. These amounts were converted into Argentine pesos at the exchange rate effective as of the year-end for the settlement of the related transactions. Foreign exchange differences were charged to income for each year.

16. OTHER NON-FINANCIAL RECEIVABLES

	12.31.2018 ARS 000	12.31.2017 ARS 000
Noncurrent		
Payroll taxes to be recovered	533	1,005
VAT balance in favor	2,531	-
Miscellaneous	3,216	1,320
	6,280	**2,325**
Current		
Prepayments to suppliers for the purchase of goods	20,682	463,334
Turnover tax withholdings and additional withholdings	54,431	42,537
Loans and advances to personnel	57,199	11,119
Insurance to be accrued	114,061	45,779
VAT balance in favor	24,719	5,497
Excise tax prepayment	-	12,253
Miscellaneous	17,498	9,111
	288,590	**589,630**

17. CAPITAL STOCK

17.1. Authorized, issued, subscribed, paid-in and registered capital

	12.31.2018 In thousands	12.31.2017 In thousands
Authorized ordinary shares		
Ordinary shares at ARS 0.10 per share	180,000	180,000
	180,000	**180,000**
	In thousands	**ARS 000**
Issued, subscribed, paid-in and registered ordinary shares		
As of December 31, 2018	**180,000**	**18,000**
As of December 31, 2017	**180,000**	**180,000**

The issued, subscribed, registered and paid-in capital of 18,000 is registered with the Public Registry of Commerce.

For information on the restriction to the distribution of earnings, see note 21.

18. RELATED PARTY DISCLOSURES

The following table provides the total amount of transactions that have been entered into with related parties for the relevant fiscal year:

		Trade and other receivables	Noncurrent financial assets
		ARS 000	ARS 000
Parent company:			
Il Tevere S.A.	12.31.2018	6,430	-
	12.31.2017	87	-
Associate:			
SAPI S.A.	12.31.2018	-	-
	12.31.2017	2,109	-
CIAPEX S.A.	12.31.2018	-	192,098
	12.31.2017	13,248	132,692
Minera Don Nicolás S.A.	12.31.2018	-	706,576
	12.31.2018	-	481,855

Main parent company

Parent company: Il Tevere S.A.

Registered office: Beauvoir 17, piso 1 – Río Grande – Province of Tierra del Fuego, Antarctica and South Atlantic Islands.

Main activity: Holding company.

Percentage of voting rights: 61.5862%

Percentage of shares: 48.27%.

Terms and conditions of transactions with related parties

Balances at year-end with related parties are unsecured and interest free. There have been no guarantees provided or received for any related party receivables or payables.

Balances were booked at nominal value because they have no agreed-upon settlement term.

For the year ended December 31, 2018, Mirgor Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken at the end of each reporting year by examining the financial position of the related party and the market in which the related party operates.

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Mirgor Group's principal financial liabilities comprise interest-bearing loans and borrowings, and trade and other payables. The main purpose of these financial liabilities is to finance Mirgor Group's operations and to provide guarantees to support its operations. Mirgor Group has trade and other receivables, and cash that arrive directly from its operations. Mirgor Group entered into hedging transactions during this year to reduce the potential risk of a devaluation of the Argentine peso. However, the Group does not apply hedge accounting.

Due to the nature of its operations, Mirgor Group is exposed to market risk, credit risk and liquidity risk.

Mirgor Group's senior management oversees the management of these risks. For this purpose, senior management is supported by Management, which advises on those risks and the most appropriate financial risk governance framework. Management provides assurance to Mirgor Group's senior management that the financial risk-taking activities are governed by appropriate corporate policies and procedures and that those financial risks are identified, measured and managed in accordance with corporate policies and its risk appetite.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below.

19.1. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks applicable to Mirgor Group comprise interest rate risk and currency risk. Financial instruments affected by market risk include interest-bearing loans and borrowings, cash deposits, and trade and other receivables.

Interest rate risk

100% of financial loans are negotiated at fixed interest rates.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Mirgor Group's exposure to the risk of changes in foreign exchange rates relates to its operating activities (when revenue or expense is denominated in a different currency from the functional currency of Mirgor Group and its subsidiaries.)

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of Mirgor Group's profit before tax.

	Changes in foreign exchange rate	Effect on comprehensive income before tax
12.31.2018	102%	(5,996,152)
	(102%)	(5,996,152)

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Mirgor Group's Management estimates that the market value of inventories, particularly those of the electronic consumer goods segment, is directly affected by the fluctuations in foreign exchange rates; therefore, they help mitigate the exposure to the risk of fluctuations in foreign exchange rates.

19.2. Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or contract, leading to a financial loss. Mirgor Group is exposed to credit risk from its operating activities, primarily for trade receivables. However, Mirgor Group's Management understands that, as of the date of these consolidated financial statements, the customer portfolio of Mirgor Group of made up of companies with strong financial performance.

Trade and other receivables

Automotive segment: in its usual course of business Mirgor S.A.C.I.F.I.A. grants credit to customers, including car manufacturers that concentrate about 99% of the Company's total sales revenues for fiscal year ended December 31, 2018.

Electronic consumer goods segments: Interclima S.A.'s and IATEC S.A.'s air-conditioning equipment, TV sets, audio and video equipment and mobile telephone equipment are mainly sold through retailer chains and the main telecommunication companies in Argentina and are related to the international brand Samsung.

The maximum credit risk does not differ significantly from the receivable amounts included in the consolidated statement of financial position. The need of booking an impairment was assessed as of each reporting year-end, on an individual basis, for the major customers. Management estimates that the related allowance booked as of December 31, 2018, is sufficient to cover the credit risks that will probably be materialized.

Cash

Credit risk from balances with banks and financial institutions is managed by Mirgor Group's Finance Department in accordance with corporate policy. Investments of surplus funds are made only with approved counterparties; in this case, the risk is limited because high-credit-rating banks are involved.

19.3. Liquidity risk

Mirgor Group manages is liquidity to guarantee the funds required to support its business strategy. Short-term financing needs related to seasonal working capital increases are covered through short and medium-term bank credit lines.

The table below summarizes the maturity profile of financial liabilities related to Mirgor Group based on the undiscounted amounts arising from the respective agreements:

As of December 31, 2018	On demand	Less than 3 months	From 3 to 12 months	Total
	ARS 000	ARS 000	ARS 000	ARS 000
Interest-bearing debts and borrowings	-	2,089	-	2,089
Trade and other payables	615,035	8,865,489	3,128,208	12,608,732
	615,035	**8,867,578**	**3,128,208**	**12,610,821**

As of December 31, 2017	On demand	Less than 3 months	From 3 to 12 months	Total
	ARS 000	ARS 000	ARS 000	ARS 000
Interest-bearing debts and borrowings	-	-	757,214	757,214
Trade and other payables	427,607	8,506,555	2,353,466	11,287,628
	427,607	**8,506,555**	**3,110,680**	**12,044,842**

19.4. Capital management

The objective of the Mirgor Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

Mirgor Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. During the year ended December 31, 2018, no changes were made in the objectives, policies or processes for managing capital.

Mirgor Group manages capital using a gearing ratio, which is net debt divided by total capital plus net debt. Mirgor Group includes in the net debt interest-bearing loans and trade payables, less cash and cash equivalents.

	12.31.2018 ARS 000	12.31.2017 ARS 000
Interest-bearing debts and borrowings	2,089	757,214
Trade payables	11,240,498	9,945,134
Less: Cash on hand and in banks	(436,762)	(1,588,442)
Net debt	10,805,825	9,113,906
Shareholders' equity	4,426,492	4,776,004
Total capital	4,426,492	4,776,004
Total capital and net debt	15,232,317	13,889,910
Indebtedness ratio	**71%**	**66%**

Guarantees granted

On March 11, 2014, the indirectly-owned subsidiary IATEC S.A. received an offer from the firm Samsung Electronics Co. Ltd. to manufacture mobile cellular radio communication devices under the "Samsung" brand at the plant in Río Grande, Tierra del Fuego. Under such agreement, the Company will jointly and severally secure IATEC S.A.'s obligations with Samsung Electronics Co. Ltd.

On June 2, 2014, the indirectly-owned subsidiary IATEC S.A. made an offer to Pioneer do Brasil Ltd. to manufacture electronic products for automobiles under the "Pioneer" brand at its plant in Río Grande, Tierra del Fuego. The Company jointly and severally secured IATEC S.A.'s obligations with Pioneer do Brasil Ltd.

On May 23, 2017, the subsidiary IATEC S.A. granted a joint and several bond for a real estate lease in favor of its subsidiary GMRA S.A.

20. INTERESTS IN ASSOCIATES

As of December 31, 2018, the investments are related to interests in the associates CIAPEX S.A. and SAPI S.A., and the guarantee trust CIAPEXSA.

CIAPEX S.A. was organized in Buenos Aires City on July 27, 2012, through an agreement signed with other companies based in Tierra del Fuego engaged in manufacturing electronic products and domestic appliances whereby they undertook to create CIAPEXSA guarantee trust to channel monthly contributions assessed on the basis of the imports made. The contributions were earmarked for CIAPEX S.A., a company which purpose will be to foster and finance production projects for exports and/or import substitution.

On March 21, 2013, by virtue of the investment agreement previously mentioned, Sociedad Administradora de Proyectos de Inversión S.A. (SAPI S.A.) was organized, which intends to perform the following activities on its own account and/or on behalf of third parties and/or associated with third parties: create, administer, propose and manage investment projects, with the possibility of providing advice on investment transactions, planning, executing and controlling the development of investment projects, including the negotiation of investment project terms and conditions, to be carried out by CIAPEX S.A.

Moreover, the company CIAPEX S.A., through its parent company CIMINAS S.A., has made contributions to the company Minera Don Nicolás S.A., which is mainly engaged in exploiting mining fields. The latter has capitalized all exploration and development costs related to the areas over which it has mining rights, which will be charged to income as oilfield operation is conducted. Production started during the first half of 2017.

The Company signed loan-for-consumption agreements with Minera Don Nicolás S.A and CIAPEX S.A for USD 17,370,000 and USD 4,783,000 respectively, with an average expiration of 4.5 years at an annual interest rate of 7% payable jointly with the principal.

The information on the abovementioned entities as of December 31, 2018, and 2017, is as follows:

Company	Business activity	Shareholders' equity	Profit (loss) for the year	Percentage in the capital stock	Carrying amount as of 12.31.2018	Carrying amount as of 12.31.2017
CIAPEX S.A. (1)	Investment and financing	1,451,935	(2,749,690)	14.21%	217,400	732,846
SAPI S.A.	Administrative, advisory and management	705	97	3.00%	21	2,232
CIAPEXSA guarantee trust	Guarantee trust	1,094,104	473,932	23.75%	259,888	216,760
Total					**477,309**	**951,838**

(1) Related to 21,791,764 Class “A” shares, granting one vote each, and 10,791,146 Class “B” shares, granting five votes each.

The funds contributed by subsidiaries Interclima S.A. and Industria Austral de Tecnología S.A. to the guarantee trust mentioned above, pending contribution to CIAPEX S.A., as of December 31, 2018, and 2017, amount to 259,888 and 216,760, respectively, net of returns. In addition, the contributions made to CIAPEX S.A. and SAPI S.A. as of December 31, 2018, and 2017, stood at 217,421 and 735,078, respectively, net of distributions and retained earnings (accumulated losses).

21. EARNINGS DISTRIBUTION

The Regular and Special Shareholders’ Meeting held on April 27, 2018, decided as follows: to distribute ARS 200,000 as dividends in cash, the restated amount of which stood at ARS 269,475, to be paid in two equal installments to be paid on May 15 and October 25, 2018, set up an optional reserve for future dividends in the amount of ARS 200,000, the restated amount of which stood at ARS 269,475, and authorizing the Board of Directors to reverse this reserve and decide on the payment of dividends in cash if the economic and financial situation so allows, as advised by the Board of Directors, and to earmark the balance to increase the optional reserve for investments and existing working capital.

Restriction to the distribution of earnings

According to Law No. 19,550, CNV regulations and the Company’s by-laws, 5% of net income for the year shall be used to increase the statutory reserve until this reserve amounts to 20% of the capital stock. The Company reached the aforementioned limit.

According to Law No. 25,063, dividends to be distributed in cash or in kind in excess of taxable income accumulated as of the end of the fiscal year immediately preceding the payment or distribution date shall be subject to a 35% income tax withholding as single and definitive payment. Earnings which are not subject to income tax as a result of the benefits provided by Law No. 19,640 are not subject to equalization tax.

22. MIGOR GROUP´S TAX SITUATION

22.1. Industrial promotion

MIRGOR SACIFIA

The Company enjoys the benefits of the Industrial Promotion System provided by Law No. 19,640 as regards the assets and for the activities performed in Tierra del Fuego. Accordingly, the Company is entitled to certain tax and customs duties benefits, which through Presidential Decree No. 1,234/2007, were extended through 2023, and include:

a) Income tax: The earnings attributable to Tierra del Fuego are subject to a 100% income-tax payment exemption under sections 1 and 4(a) of Law No. 19,640.

b) Minimum presumed income tax: The assets used for the Company's activity in Tierra del Fuego, Antarctica and South Atlantic Islands are not subject to minimum presumed income tax.

c) Value-added tax: Company sales in Tierra del Fuego are exempt from this tax, while sales made on the Argentine mainland are subject to VAT at the rate for such tax. Customers are charged for this tax. The computable presumed tax credit is equivalent to the one resulting from applying the rate on 100% of the net sale price to the customer on the mainland, while the actual tax credit originated in the Argentine mainland is not computable.

d) Tax credit certificates: Under Law No. 23,697, the Federal Government suspended the tax benefits during 1989 and 1990. Thus, the Company made payments on account of capital tax and VAT which, under such law, would be reimbursed to the Company through Debt Consolidation Bonds.

   DGI (Argentine tax bureau) General Resolution No. 3,838/94 regulated the manner in which the abovementioned bonds would be obtained. On September 17, 1996, the DGI advised the Company of the recognition of an amount in favor of the Company. In addition, the Company recorded a 149 (un-restated historical value) credit related to the reimbursement of VAT to be requested by other procedures.

   The Ministry of Economy and Public Services and Works established through Resolution No. 580/96 that the credits against the Federal Government emerging from the suspension of the industrial promotion established in Law No. 23,697 and prior to April 1, 1991, will be settled through the delivery of Debt Consolidation Bonds. On May 19, 1997, the Company was advised that the DGI provisionally recognized the amount indicated above. As a result of the above, the Company booked a 1,230 credit, for which an allowance was set.

e) Customs duties and statistical rate: Not paid by the Company for all the inputs imported and used in its operations in Tierra del Fuego under Law No. 19,640.

f) Export rebates in Argentine pesos: Under Law No. 19,640, exports from the mainland to Tierra del Fuego enjoy the benefit of exports rebates. Due to the delay in payment by the Federal Government, the Company filed collection requests with Customs Authorities. Although such requests had unfavorable resolutions at the administrative stages (the proceedings are currently in the Customs Legal and Technical Department awaiting the issuance of the respective formal opinions), the Company's legal counsel and Management understand that the transactions were carried out within the regulatory framework of Law No. 19,640 and, consequently, it would be entitled to collect the rebates that the regulation then-effective established.

INTERCLIMA SA

The subsidiary Interclima S.A. is benefitted by a promotional industrial system that is similar to that of MIRGOR S.A.C.I.F.I.A., with the purpose of manufacturing electronic items.

IATEC SA

The subsidiary IATEC S.A. is included in the system set forth by Presidential Decree No. 490/2003, issued within the framework of Laws No. 19,640 and 25,561, to manufacture TV sets, video recorders and/or players, audio systems, residential and commercial air conditioning systems, microwave ovens, computer screens, radio-communication equipment, mobile and wireless telephones at the industrial plant located in the City of Río Grande, Tierra del Fuego.

Such laws, as amended, provides for promotional benefits for industrial activities involving transformation and assembly processes applied to inputs imported by IATEC S.A. and developed in Tierra del Fuego for sales on the Argentine mainland through December 31, 2023.

The Department of Industry, Commerce and Small and Medium-Sized Enterprises, of the Ministry of Economy and Production of Argentina, issued Resolution No. 307/2008 and then Resolutions No. 239/2010, 72/2011 and 09/2012, resolving the extension of the project set forth originally by Resolution No. 468/2006 increasing the mobile telephone production cap to 4,000,000 units and maintaining the microwave and television production cap at 300,000 and 180,000 units, respectively, also extending the maximum term within which to start up the project and expanding the plant's investment, minimum production and minimum employee headcount requirements. Resolution No. 579/2014 increased the mobile telephone annual production cap to 5,000,000 units. Through files SO1:0037863/2015 and SO1:0158883, an increase to 7,000,000 and 400,000 mobile telephones and TV sets was requested, respectively, after meeting the commitments related to investment, working capital and minimum headcount contracted as of the date of these financial statements. Moreover, Resolution No. 579/2014 increased the mobile telephone annual production cap to 5,000,000 units.

During the fiscal year ended December 31, 2012, the Department of Industry within the Argentine Ministry of Industry issued Resolution No. 216/2012 allowing IATEC S.A. to manufacture portable computers (notebooks and netbooks), establishing a minimum production of 30,000 units, a production cap of 180,000 units and additional investment and minimum headcount requirements at its industrial plant.

During the fiscal year ended December 31, 2013, the Department of Industry within the Argentine Ministry of Industry issued Resolution No. 307/2013 increasing the quota for video recorder, player and audio system manufacturing, establishing a minimum production of 15,000 units and a production cap of 195,000 units for video recorders and players and 214,000 units for audio systems.

The abovementioned resolutions establish that the promoted project must be carried out through to a total investment of 195,297, out of which 61,097 relate to investments in fixed assets and the rest relates to investments in working capital. IATEC S.A. is partially or totally exempt, as the case may be, from income tax, minimum presumed income tax, VAT and customs duties arising from the import of raw materials and the export of finished products from Tierra del Fuego.

Failure to comply with the minimum investment, production and headcount requirements will give rise to the penalties set forth in the abovementioned legislation. The Company's Management understands that there are no breaches of the industrial promotion system.

22.2. Law No. 27,430. Tax reform

On December 29, 2017, by virtue of Administrative Order No. 1112/2017, Law No. 27,430 was enacted, which had been passed by the Argentine Congress on December 27, 2017. The law was published in the Official Bulletin on the same date it was passed.
The main items of such reform include:

a) Reduction of the income tax corporate rate and additional tax on the distribution of dividends

The 35% corporate income tax rate shall continue to be effective until the year ended 31.12.18. Such rate shall be reduced to 30% during the two years following that beginning on January 1, 2018, and to 25% for the years beginning as from January 1, 2020.

The reduction of the tax rate is supplemented by the application of a tax on the dividends allocated in cash or in kind to individuals residing in Argentina and to foreign beneficiaries, which shall be withheld by the Company and paid to tax authorities as a single and final payment once dividends are paid. This additional tax shall account for 7% or 13%, depending on whether the dividends distributed refer to income earned during a tax year in which the Company was subject to a 30% or 25% rate, respectively. For this purpose, it is irrefutably considered that the dividends made available refer, first of all, to the retained earnings with more aging.

b) Equalization tax

The withholding established by Law No. 25,063 shall not apply to dividends related to income accrued for the tax years beginning as from January 1, 2018.

c) Adjustment for inflation

In order to assess net taxable income for the years beginning as from January 1, 2018, the adjustment for inflation obtained from the application of specific regulations contained in sections 95 to 98, Income Tax Law, may be deducted from or added to taxable income for the year assessed. This adjustment shall apply only if the variation percentage of the domestic wholesale price index provided by the INDEC, pursuant to the tables created for that purpose by the AFIP (Federal Public Revenue Agency), accumulates (a) during the 36 months prior to the end of the year calculated, a percentage exceeding 100%, or (b) in the first and second years beginning as from January 1, 2018, a variation calculated from the first of those years through the closing of each year exceeding the abovementioned 100% by on third or two thirds, respectively.

If this condition for the tax adjustment for inflation is not met, a specific adjustment shall apply to certain assets, as mentioned in the following section.

d) Adjustment of acquisitions and investments made in the tax years beginning as from January 1, 2018

The following adjustments shall apply to the acquisitions or investments made in the tax years beginning as from January 1, 2018, which are based on percentage variations in the domestic wholesale price index provided by the INDEC in accordance with the tables furnished by the AFIP for that purpose:

1. In the sale of depreciable personal property, real property not qualifying as inventories, intangible assets, shares, membership interests or equity interests (including mutual fund shares), the cost considered in assessing gross income shall be adjusted by the abovementioned index from the date of the acquisition or investment to the date of sale, and shall be reduced, as applicable, by any appropriate depreciation/amortization calculated over the adjusted value.

2. Deductible depreciation related to buildings and other construction works over real property used for activities or investments, other than inventories, and to other assets used to produce taxable income shall be calculated by applying the abovementioned adjustment index to the ordinary depreciation fees as of the date of acquisition or construction indicated in the table prepared by the AFIP.

e) Tax revaluation

Law No. 27,430 allows for a one-time revaluation for tax purposes of certain assets owned by the taxpayer and existing at the end of the first tax year closed after December 29, 2017, the effective date of the law, and then adjusting the revalued assets to the percentage variations in the domestic wholesale price index provided by the INDEC in accordance with the tables furnished by the AFIP for that purpose. Exercising this option results in the payment of a special tax on all revalued assets, pursuant to the rates set for each type of asset, and grants the right of deducting from the income tax assessments a depreciation amount including the fee related to the revaluation amount.

Those opting to revalue their assets in accordance with Law No. 27,430 shall (i) waive the filing of any court or administrative proceeding to claim, for tax purposes, the application of adjustment procedures of any kind until the end of the first year elapsed after the effective date of such law, and (ii) abandon all the actions and rights invoked in proceedings filed in relation to tax years closed previously. In addition, calculating the amortization of the revaluation amount or its inclusion as a disposal cost in assessing income tax shall imply, for the tax year in which such calculation is made, a waiver of all adjustment claims.

f) Employer contributions

A progressive increase of the 17% rate is set for employer contributions accruing as from February 1, 2018. According to the increase schedule, the rate shall be 17.50% in 2018, 18.00% in 2019, 18.50% in 2020, and 19.00% in 2021, and will be stabilized at 19.50% for the employer contributions accruing as from January 1, 2022.

In addition, a progressive threshold will be deducted from the tax base to which the abovementioned rates were to be applied. Such threshold shall be adjusted from as from January 2019, based on the consumer price index provided by the INDEC.

g) Excise taxes

Presidential Decree No. 979/2017 reduced the excise tax rate to zero per cent (0%) for taxable electronic products manufactured by companies subject to the benefits of Law No. 19,640, including the Company, provided that they are able to prove that the origin is the special customs area governed thereby. In addition, a gradual decrease is set forth for the companies not subject to the benefit mentioned in the previous paragraph, subject to the following schedule: 10.5% from March 1, 2018, through December 31, 2018; 9% during 2019; 7% during 2020; 5.5% during 2021; 3.5% during 2022; 2% during 2023; and 0% as from January 1, 2024.

23. EXPLANATION ADDED FOR TRANSLATION INTO ENGLISH

These financial statements are the English translation of those issued in Spanish. They are presented in accordance with IFRS.

The Effects of the differences between IFRS and GAAP of countries in wich the accompanying financial statements may be used not have been assessed.

MIRGOR S.A.C.I.F.I.A.

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

	Notes	12.31.2018 ARS 000	12.31.2017 ARS 000
Income from continuing operations	6	3,411,962	3,091,310
Industrial promotion benefit	21	676,950	629,012
Cost of sale of goods	7	(3,656,569)	(3,531,970)
Gross income		**432,343**	**188,352**
Other operating income	9	50,219	8,107
Administrative expenses	8	(307,481)	(386,997)
Selling expenses	8	(514,558)	(340,583)
Other operating expenses	9	(285,731)	(211,111)
		(625,208)	**(742,232)**
Operating loss from continuing operations			
Finance costs	9	(60,856)	(1,846)
Finance income	9	61,779	44,638
Gain on exposure to the change in currency purchasing power		975,229	531,508
Other (expense) income, net	9	3,669	58,283
Interest in the subsidiaries' net income	4	(433,664)	825,333
Net profit (loss) for the year before income tax and minimum presumed income tax		**(79,051)**	**715,684**
Income tax and minimum presumed income tax	10	(906)	(3,030)
Total comprehensive income (loss) for the year, net		**(79,957)**	**712,654**

Earnings per share (Note 11):

– basic and diluted, net income (loss) for the year attributable to ordinary equity holders of the parent's equity		(0,44)	3,96

MIRGOR S.A.C.I.F.I.A.

SEPARATE STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2018

	Notes	12.31.2018 ARS 000	12.31.2017 ARS 000
Assets			
Noncurrent assets			
Property, plant and equipment	12	256,038	245,114
Intangible assets	13	15,474	24,562
Interest in subsidiaries	4	5,888,925	6,326,087
Other nonfinancial receivables	16	1,405	310
		6,161,842	6,596,073
Current assets			
Other nonfinancial receivables	16	74,047	14,209
Inventories	14	775,417	512,206
Trade and other receivables	15	311,989	404,342
Cash and short-term deposits	15	60,960	165,285
		1,222,413	1,096,042
Total assets		**7,384,255**	**7,692,115**
Equity and liabilities			
Shareholders' equity			
Issued capital		18,000	18,000
Capital adjustment		75,866	75,866
Additional paid-in capital		58,648	58,648
Income set apart for reserves		4,352,077	3,908,898
Unappropriated retained earnings (accumulated losses)		(79,957)	712,654
Total equity		**4,424,634**	**4,774,066**
Noncurrent liabilities			
Trade and other payables	15	9,960	10,524
		9,960	10,524
Current liabilities			
Interest-bearing debts and borrowings	15	2,089	-
Trade and other payables	15	2,947,572	2,907,525
		2,949,661	2,907,525
Total liabilities		**2,959,621**	**2,918,049**
Total equity and liabilities		**7,384,255**	**7,692,115**

MIRGOR S.A.C.I.F.I.A.

SEPARATE STATEMENT OF CHANGES IN EQUITY

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

	Attributable to owners							
		Other capital accounts convertible into shares		Other shareholders' equity components				
	Capital stock	Capital adjustment	Additional paid-in capital	Legal reserve	Other reserves	Optional reserve	Unappropriated retained earnings (accumulated losses)	Total equity
	ARS 000	ARS 000	ARS 000	ARS 000	ARS 000	ARS 000	ARS 000	ARS 000
As of January 1, 2018	**18,000**	**75,866**	**58,648**	**8,261**	**135**	**3,900,502**	**712,654**	**4,774,066**
Cash dividends distribution provided for by the Board of Directors Meeting held Friday, April 27, 2018	-	-	-	-	-	-	(269,475)	(269,475)
Increase in the optional reserve, as resolved at the Regular Shareholders' Meeting of Friday, April 27, 2018	-	-	-	-	269,475	173,704	(443,179)	-
Comprehensive net income for the year	-	-	-	-	-	-	(79,957)	(79,957)
As of December 31, 2018	**18,000**	**75,866**	**58,648**	**8,261**	**269,610**	**4,074,206**	**(79,957)**	**4,424,634**

	Attributable to owners							
		Other capital accounts convertible into shares		Other shareholders' equity components				
	Capital stock	Capital adjustment	Additional paid-in capital	Legal reserve	Other reserves	Optional reserve	Unappropriated retained earnings (accumulated losses)	Total equity
	ARS 000	ARS 000	ARS 000	ARS 000	ARS 000	ARS 000	ARS 000	ARS 000
As of January 1, 2017	**18,000**	**75,866**	**58,648**	**4,203**	**135**	**2,246,209**	**1,707,388**	**4,110,449**
Increase in the statutory reserve, as resolved at the Regular Shareholders' Meeting of April 28, 2017	-	-	-	4,058	-	-	(4,058)	-
Cash dividends distribution provided for by the Board of Directors Meeting held Friday, April 28, 2017	-	-	-	-	-	-	(49,037)	(49,037)
Increase in the optional reserve, as resolved at the Regular Shareholders' Meeting of April 28, 2017	-	-	-	-	-	1,654,293	(1,654,293)	-
Comprehensive net income for the year	-	-	-	-	-	-	712,654	712,654
As of December 31, 2017	**18,000**	**75,866**	**58,648**	**8,261**	**135**	**3,900,502**	**712,654**	**4,774,066**

MIRGOR S.A.C.I.F.I.A.

SEPARATE STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

	12.31.2018	12.31.2017
	ARS 000	**ARS 000**
Operating activities		
Comprehensive income for the year before income tax and minimum presumed income tax	(79,051)	715,684
Accrued interest	12,199	1,418
Adjustments to reconcile the comprehensive net income (loss) for the year with net cash flows		
PP&E depreciations	45,529	22,069
Amortization of intangible assets	11,206	9,105
Income on sale of PP&E	-	(47,890)
Increase in the allowance for inventories obsolescence	36,949	35,850
Increase in the allowance for impairment of expected credit losses	-	1,781
Income (loss) on interest in associates' net income	433,664	(825,333)
Gain on exposure to the change in currency purchasing power	(21,311)	(889)
Adjustment of operating assets and liabilities		
Decrease in trade and other receivables, net of intercompany receivables	106,098	243,915
Increase in inventories, net of the allowance for obsolescence	(300,160)	(250,323)
(Increase) Decrease in other nonfinancial receivables	(61,839)	5,681
Increase (decrease) in trade and other payables, net of intercompany payables	39,618	(132,919)
Cash flows arising from (used) in operating activities, net	**222,902**	**(221,851)**
Investing activities		
PP&E additions	(61,233)	(18,204)
Collection on sale of property, plant and equipment, net	190	160,764
Acquisitions of intangible assets	(2,118)	(459)
Acquisitions of short-term deposits	97,902	(140,263)
Net cash flows provided by operating activities	**34,741**	**13,546**
Financing activities (Note 15.6)		
Increase (decrease) net of borrowings	2,089	(20,887)
Interest expense	(12,199)	(1,416)
(Decrease) Increase in intercompany receivables and payables	(10,382)	235,342
Dividends paid	(269,475)	(49,037)
Cash flows arising from (used in) financing activities	**(289,967)**	**164,002**
Gain on exposure to the change in currency purchasing power	**21,311**	**889**
Net decrease in cash and cash equivalents	(11,013)	(43,414)
Cash and cash equivalents as of January 1	25,022	68,436
Cash and cash equivalents as of December 31	**14,009**	**25,022**

(*) As of December 31, 2018, net of dividends distributed by Capdo S.A. for an amount of 4,849 12,844, net of dividends distributed by IATEC S.A. for an amount of 5,906,IATEC S.A., both offset with the Company's payable.

MIRGOR S.A.C.I.F.I.A.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

1. CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES OF THE COMPANY

The separate financial statements of Mirgor S.A.C.I.F.I.A. (hereinafter, “the Company”) for the year ended 31.12.18, were authorized for issue in accordance with a resolution of the Company’s Board of Directors on March 8, 2019.

MIRGOR S.A.C.I.F.I.A. is a "sociedad anónima" (corporation) organized under Argentine laws, with registered domicile at Einstein 1111, Río Grande, Province of Tierra del Fuego, whose Class C shares are listed in the BCBA (Buenos Aires stock exchange).

The Company is mainly engaged in the manufacture of air-conditioning equipment for the automobile sector and, through its subsidiaries, is also engaged in the manufacture and marketing of air-conditioning equipment for residential use, tire removal, TV sets, audio and video equipment, mobile telephone equipment, car radios and real estate lease, among other activities. See note 4 for more information. Parent company information is included in Note 18.

2. BASIS OF PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS

2.1. Professional accounting standards applied

The Company prepares its consolidated financial statements in accordance with the Argentine professional accounting standards effective in the Province of Tierra del Fuego and current CNV regulations, as approved by General Resolution No. 622 (as amended in 2013), whereby stock and/or corporate bond issuers, subject to certain exceptions, are required to prepare their financial statements under FACPCE Technical Resolution No. 43 (as amended), which set forth the adoption of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), while other entities may opt to use IFRS or the IFRS for SMEs replacing current Argentine professional accounting standards.

2.2. Basis of preparation

These separate financial statements for the year ended December 31, 2018, were prepared in agreement with the same basis of preparation described in note 2.2. to the condensed consolidated financial statements as of that date.

2.3. Summary of significant accounting policies

The significant accounting policies applied by the Company in preparing its separate financial statements are consistent with the significant accounting policies applied in preparing the Company’s related annual consolidated financial statements as of December 31, 2018, which are described in note 2(4) to such statements.

2.4. Significant accounting judgments, estimates and assumptions

The significant judgments, estimates and assumptions used for the preparation of these separate financial statements are consistent with those described in note 2.5 to the consolidated financial statements as of December 31, 2018.

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The IFRS applicable as from January 1, 2018, and those not effective as of the date of issuance of the Company's separate financial statements were described in note 3 to the consolidated financial statements as of December 31, 2018.

4. INVESTMENT IN SUBSIDIARIES AND ASSOCIATES

The Company holds direct and indirect interests in the following subsidiaries:

	(Direct and indirect) equity interest percentage in common stock as of:		
Subsidiary	**12.31.2018**	**12.31.2017**	**Main business activity**
Interclima S.A. (ICSA)	99.9667	99.9667	Manufacturing of auto parts and exchangers for air conditioning and heating systems.
Capdo S.A. (CAPDO)	100	100	
IATEC S.A.	100	100	Real estate agency
GMRA S.A.	100	100	Electronic products

	ICSA	**CAPDO**	**IATEC**	**GMRA**
	12.31.2018	**12.31.2018**	**12.31.2018**	**12.31.2018**
	ARS 000	**ARS 000**	**ARS 000**	**ARS 000**
Equity under professional accounting standars	5,579,351	53,753	5,840,009	17,362
IFRS adjustments	414	(1,815)	(288,234)	(2,149)
Equity under IFRS	**5,579,765**	**51,937**	**5,551,775**	**15,213**

5. OPERATING SEGMENT INFORMATION

Operating segment information was presented in note 4 to the consolidated financial statements as of 31.12.18.

6. REVENUES FROM ORDINARY ACTIVITIES

	12.31.2018	**12.31.2017**
	ARS 000	**ARS 000**
Sale of goods	3,411,962	3,091,310
Total revenues from ordinary activities	**3,411,962**	**3,091,310**

7. COST OF GOODS SOLD AND SERVICES RENDERED

	12.31.2018 ARS 000	12.31.2017 ARS 000
Stock at beginning of year (*)	362,243	504,835
Purchases for the year	2,981,370	2,310,870
Operating expenses - Note 8	1,029,476	1,172,569
Use of the allowance for inventories obsolescence and impairment in value	36,949	35,850
Use of the allowance for inventories obsolescence and impairment in value	(26,406)	(129,911)
Stock at end of year (*)	(727,063)	(362,243)
Cost of goods sold and services rendered	**3,656,569**	**3,531,970**

(*) Not including raw material in transit or the allowance for impairment in value and obsolescence of inventories.

8. OPERATING, ADMINISTRATIVE AND SELLING EXPENSES

	12.31.2018				12.31.2017			
Account	Operating expenses ARS 000	Administrative expenses ARS 000	Selling expenses ARS 000	Total ARS 000	Operating expenses ARS 000	Administrative expenses ARS 000	Selling expenses ARS 000	Total ARS 000
Salaries & wages	378,013	82,210	141,877	602,100	551,043	184,849	93,409	829,301
Contributions and employee benefits	102,550	33,251	68,761	204,562	112,076	48,378	17,633	178,087
Insurance	6,739	6,925	8,563	22,227	16,682	2,277	1,081	20,040
Fees	3,684	35,389	282	39,355	3,784	31,415	942	36,141
Taxes, rates and assessments	26,179	29,793	111,518	167,490	25,738	30,973	114,938	171,649
Advertising expenses	-	-	10,468	10,468	-	-	10,456	10,456
Bank expenses and tax on bank account transactions	-	64,073	-	64,073	-	33,275	-	33,275
Intangible assets amortization	327	10,879	-	11,206	-	6,284	-	6,284
Property, plant and equipment depreciations	35,598	8,138	1,489	45,225	17,149	4,435	485	22,069
Leases and logistics services	18,774	499	38,637	57,910	17,645	-	22,869	40,514
Customs clearing and dispatch expenses	179,769	1,814	3	181,586	96,832	-	-	96,832
Maintenance	24,445	3,943	368	28,756	21,996	8,457	103	30,556
Traveling and living expenses	1,872	7,958	2,032	11,862	3,312	7,384	1,584	12,280
Transportation, shipping and handling	224,520	597	127,921	353,038	287,541	-	71,316	358,857
Cleaning and surveillance expenses	16,988	2,994	-	19,982	14,074	4,719	71	18,864
Royalties	-	-	30	30	-	-	3,115	3,115
Expected credit losses	-	-	-	-	-	-	1,781	1,781
Miscellaneous	10,018	19,018	2,609	31,645	4,697	24,551	800	30,048
Total	**1,029,476**	**307,481**	**514,558**	**1,851,515**	**1,172,569**	**386,997**	**340,583**	**1,900,149**

9. OTHER INCOME AND EXPENSE

9.1. Other operating income

	12.31.2018 ARS 000	12.31.2017 ARS 000
Foreign exchange difference	50,219	8,107
Other operating income	**50,219**	**8,107**

9.2. Other operating expenses

	12.31.2018 ARS 000	12.31.2017 ARS 000
Compensations	(33,324)	(83,222)
Foreign exchange difference	(252,407)	(127,889)
Total other operating expenses	**(285,731)**	**(211,111)**

9.3. Finance costs

	12.31.2018 ARS 000	12.31.2017 ARS 000
Interest accrued on payables and loans	(12,199)	(1,418)
Present value	(48,657)	(428)
Total financial costs	**(60,856)**	**(1,846)**

9.4. Finance income

	12.31.2018 ARS 000	12.31.2017 ARS 000
Present value	36,765	40,402
Other financial income	25,014	4,236
Total financial income	**61,779**	**44,638**

9.5. Other income, net

	12.31.2018 ARS 000	12.31.2017 ARS 000
Income on sale of PP&E	-	47,890
Miscellaneous	3,669	10,393
Total other income, net	**3,669**	**58,283**

10. INCOME TAX

A reconciliation between income tax expense and the product of accounting profit multiplied by the tax rate for years ended December 31, 2018, and 2017, is as follows:

	12.31.2018 ARS 000	12.31.2017 ARS 000
Comprehensive income (loss) for the year before income tax	(79,051)	715,684
At the 30% and 35% statutory tax rate, respectively	23,715	(250,489)
Tax-exempt profit (loss) from activities carried out in Tierra del Fuego at the statutory tax rate	(15,311)	210,342
Subtotal	**8,404**	**(40,147)**
Decrease in deferred income tax credit due to tax reform	(3,877)	(2,972)
Application (Charge) for the allowance for impairment in value of deferred income tax assets	(5,433)	40,089
Income tax and current minimum presumed income tax for the year	**(906)**	**(3,030)**

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

As of December 31, 2018, and 2017, the Company has NOLs which are not statute-barred totaling ARS 42,800 (which are usable through December 31, 2021) and 40,252, respectively. Based on the available evidence, the Company believes that recognizing a deferred income tax asset equivalent to 30% (note 21) of such amount is not necessary.

There are no income tax effects related to the payment of dividends by the Company to its shareholders in 2018 and 2017.

11. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the fiscal year attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding.

Diluted earnings per share amounts are calculated by dividing the net profit for the period attributable to ordinary equity holders (after adjusting for interest on the convertible preference shares and other convertible financial instruments that may exist) by the weighted average number of ordinary shares outstanding plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. As there are no dilutive potential financial instruments, basic and diluted earnings per share coincide.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	12.31.2018 ARS 000	12.31.2017 ARS 000
Total net comprehensive income (loss) for the year attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share computations	**(79,957)**	**712,654**

	12.31.2018 In thousands	12.31.2017 In thousands
Weighted average number of ordinary shares attributable to basic and diluted earnings per share (in thousands of shares)	**180,000**	**180,000**

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting year-end and the date of issuance of these separate financial statements.

12. PROPERTY, PLANT AND EQUIPMENT

Changes in cost of acquisition and accumulated depreciation as of December 31, 2018

	12.31.2018				
	Acquisition cost				
Main account	At beginning of year	Additions (1)	Disposals	Transfers	At end of year
	ARS 000	ARS 000	ARS 000	ARS 000	ARS 000
Plots of land	1,653	-	-	-	1,653
Buildings and construction	216,541	149	-	-	216,690
Machinery, equipment and tools	418,677	21,528	(4,894)	3,820	439,131
Vehicles	14,406	630	(181)	-	14,855
Furniture and office supplies	17,779	10,284	(9)	46	28,100
Fixtures	83,141	1,601	-	-	84,742
Die-stamping	170,556	-	-	-	170,556
Computer hardware	131,234	232	-	-	131,466
Works in process	3,866	26,809	-	(3,866)	26,809
	1,057,853	61,233	(5,084)	-	1,114,002

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Main account	12.31.2018 Depreciation At beginning of year	Average rate	Disposals	Transfers	Charges for the year	At end of year	Residual value
	ARS 000		ARS 000		ARS 000	ARS 000	ARS 000
Plots of land	-	-	-	-	-	-	1,653
Buildings and construction	92,989	2%	-	-	5,366	98,355	118,335
Machinery, equipment and tools	340,435	20%	(303)	-	21,977	362,109	77,022
Vehicles	13,382	20%	-	-	1,168	14,550	305
Furniture and office supplies	16,136	20%	(1)	-	1,839	17,974	10,126
Fixtures	69,938	25%	-	-	3,433	73,371	11,371
Die-stamping	167,908	20%	-	-	1,462	169,370	1,186
Computer hardware	111,951	20%	-	-	10,284	122,235	9,231
Works in process	-	-	-	-	-	-	26,809
	812,739		(304)	-	45,529	857,964	256,038

(1) The Company did not capitalize finance costs related to works in progress, as they are considered to be insignificant.

Changes in cost of acquisition and accumulated depreciation as of December 31, 2017

Main account	12.31.2017 Acquisition cost At beginning of year	Additions (1)	Disposals	Transfers	At end of year
	ARS 000	ARS 000	ARS 000	ARS 000	ARS 000
Plots of land	3,944	-	(2,291)	-	1,653
Buildings and construction	226,392	1,159	(11,010)	-	216,541
Machinery, equipment and tools	414,435	8,047	(3,805)	-	418,677
Vehicles	14,671	379	(644)	-	14,406
Furniture and office supplies	17,396	935	(552)	-	17,779
Fixtures	83,803	946	(1,608)	-	83,141
Die-stamping	170,780	-	(224)	-	170,556
Computer hardware	130,168	1,341	(275)	-	131,234
Works in process	-	5,397	(1,531)	-	3,866
	1,061,589	18,204	(21,940)	-	1,057,853

	12.31.2017					
	Depreciation					
Main account	At beginning of year	Average rate	Disposals	Charges for the year	At end of year	Residual value
	ARS 000		ARS 000	ARS 000	ARS 000	ARS 000
Plots of land	-	-	-	-	-	1,653
Buildings and construction	96,730	2%	(6,018)	2,277	92,989	123,552
Machinery, equipment and tools	332,755	20%	(2,438)	10,118	340,435	78,242
Vehicles	13,571	20%	(586)	397	13,382	1,024
Furniture and office supplies	16,022	20%	(319)	433	16,136	1,643
Fixtures	68,954	25%	(591)	1,575	69,938	13,203
Die-stamping	166,762	20%	(164)	1,310	167,908	2,648
Computer hardware	107,243	20%	(1,251)	5,959	111,951	19,283
Works in process	-	-	-	-	-	3,866
	802,037		(11,367)	22,069	812,739	245,114

(1) The Company did not capitalize finance costs related to works in progress, as they are considered to be insignificant.

13. INTANGIBLE ASSETS

Changes in cost of acquisition and accumulated amortization

	Software, patents and licenses	Goodwill	Total
	ARS 000	ARS 000	ARS 000
Acquisition cost			
As of January 1, 2017	50,153	508	50,661
Additions for the year	459	-	459
As of December 31, 2017	**50,612**	**508**	**51,120**
Additions for the year	2,118	-	2,118
As of December 31, 2018	**52,730**	**508**	**53,238**
Amortization and impairment in value			
As of January 1, 2017	17,453	-	17,453
Amortization charge for the year	9,105	-	9,105
As of December 31, 2017	**26,558**	**-**	**26,558**
Amortization charge for the year	11,206	-	11,206
As of December 31, 2018	**37,764**	**-**	**37,764**
Net carrying amount			
As of December 31, 2017	24,054	508	24,562
As of December 31, 2018	**14,966**	**508**	**15,474**

14. INVENTORIES

	12.31.2018 ARS 000	12.31.2017 ARS 000
Raw materials	522,979	210,144
Finished goods	204,084	152,099
Subtotal	727,063	362,243
Raw material in transit	101,878	192,944
Allowance for obsolescence and impairment in value of inventories	(53,524)	(42,981)
	775,417	**512,206**

The changes in the allowance for inventories impairment and obsolescence as of December 31, 2018, and 2017, as detailed below, have been included in cost of goods sold and services provided in the separate statement of comprehensive income:

	12.31.2018 ARS 000	12.31.2017 ARS 000
At beginning of year	**(42,981)**	**(137,042)**
Increase (1)	(36,949)	(35,850)
Use (1) (2)	26,406	129,911
At end of year	**(53,524)**	**(42,981)**

(1) Charged to the "Cost of sale of goods and services rendered" account within the comprehensive statement of income.
(2) Use for its specific purpose.

15. FINANCIAL ASSETS AND LIABILITIES

15.1.Trade and other receivables

	12.31.2018 ARS 000	12.31.2017 ARS 000
Current:		
Trade receivables	239,867	346,671
Trade receivables of associates - Note 18	73,603	59,858
Allowance for impairment in value of expected credit losses. Note 15(5)	(1,481)	(2,187)
	311,989	**404,342**

For the terms and conditions of receivables from related parties, refer to note 18. Trade payables are non-interest bearing and their average collection term is generally from 30 to 90 days. The information on the objectives and policies related to the Company's risk management is included in note 19.2 to the consolidated financial statements as of December 31, 2018.

Below is a breakdown of trade receivables by due date:

				Past due		
	Total	Without due date	To fall due	<30 days	31 - 60 days	61 - 90 days
	ARS 000	ARS 000	ARS 000	ARS 000	ARS 000	
12.31.2018	311,989	73,603	188,185	5,275	40,194	4,732
12.31.2017	404,342	59,858	292,493	26,243	25,748	-

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15.2. Trade and other payables

	12.31.2018 ARS 000	12.31.2017 ARS 000
Noncurrent:		
Trade receivables of associates - Note 18	9,960	10,524
	9,960	**10,524**

	12.31.2018 ARS 000	12.31.2017 ARS 000
Current:		
Trade payables	474,478	448,196
Trade payables of associates - Note 18	2,158,582	2,158,153
Salaries & wages and payroll taxes payable	244,807	214,764
Annual statutory bonus and vacation accrual	18,340	25,371
Health and safety assessment	1,393	2,714
Turnover tax payable and withholdings/additional withholdings to be deposited	1,781	7,787
Income tax accrual	-	3,273
Value-added tax payables and withholdings/additional withholdings to be deposited	1,948	7,081
Approved dividends pending payment	-	-
Approved dividends pending payment to associates. Note 17	-	-
Other taxes payable	8,603	5,677
Customer prepayments	-	-
Other accounts payable	-	2,879
Royalties payable	35,761	27,536
Directors' fees payable	1,879	4,094
	2,947,572	2,907,525

Terms and conditions of the above liabilities: (i) trade payables are non-interest bearing and are normally settled on 60-day terms; (ii) the other trade payables are non-interest bearing and are normally settled on 30-day terms, and (iii) interest payable is generally settled on a quarterly basis throughout the year.

The information on the objectives and policies related to the Company's risk management is included in note 19.2 to the consolidated financial statements as of December 31, 2018.

15.3. Interest-bearing debts and borrowings

	12.31.2018 ARS 000	12.31.2017 ARS 000
Current		
Interest-bearing current debts and borrowings		
Overdrafts from bank checking accounts	-	-
Bank loans	2,089	-
Total interest-bearing current debts and borrowings	**2,089**	**-**

15.4. Cash and short-term deposits

	12.31.2018 ARS 000	12.31.2017 ARS 000
Cash on hand and in banks	14,009	25,022
Short-term investments	46,951	140,263
To the separate statement of financial position	**60,960**	**165,285**

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For the purpose of the consolidated statement of cash flow, cash and cash equivalents comprise the following as of December 31, 2018, and 2017:

	12.31.2018 ARS 000	12.31.2017 ARS 000
Cash on hand and in banks	14,009	25,022
To the separate statement of cash flows	**14,009**	**25,022**

15.5.Impairment of financial assets

Trade and other receivables

Al 31 de diciembre de 2018, la previsión para deudores comerciales, asciende a 1.481. Los movimientos de la previsión por deterioro del valor de las cuentas por cobrar se detallan a continuación:

	Impaired in value separately ARS 000	Total ARS 000
As of December 31, 2017	**1,481**	**1,481**
Charge for the year (Note 8)	-	-
As of December 31, 2018	**1,481**	**1,481**

15.6.Information on fair values

As of December 31, 2018, and 2017, the carrying amounts of financial assets do not differ significantly from their fair values.

– **Derivative transactions**

It is the Company's policy to recognize financial instruments as long as they are considered to be immaterial. During the fiscal years ended December 31, 2018, and 2017, the Company did not sign this type of agreements.

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15.7.Changes in liabilities from financing activities

	12.31.2017	Variation (1)	Changes other than cash: Foreign exchange difference	Changes other than cash: Accrued interest	12.31.2018
	ARS 000	ARS 000	ARS 000	ARS 000	ARS 000
Bank loans	-	(10,110)	-	12,199	2,089

	12.31.2016	Variation (1)	Changes other than cash: Foreign Exchange difference	Changes other than cash: Accrued interest	12.31.2017
	ARS 000	ARS 000	ARS 000	ARS 000	ARS 000
Bank loans	20,885	(22,303)	-	1,418	-

(1) Net of gain (loss) on exposure to the change in currency purchasing power.

15.8.Assets and liabilities in foreign currency

The main financial assets and liabilities stated in foreign currency have been disclosed in note 15(10) to the consolidated financial statements.

16. OTHER NON-FINANCIAL RECEIVABLES

	12.31.2018	12.31.2017
	ARS 000	ARS 000
Noncurrent		
Payroll taxes to be recovered	135	279
Miscellaneous	1,270	31
	1,405	**310**

	12.31.2018	12.31.2017
	ARS 000	ARS 000
Current		
Prepayments to suppliers for the purchase of goods	18,214	3,662
Turnover tax withholdings and additional withholdings	24,358	-
Loans and advances to personnel	27,283	6,855
Insurance to be accrued	526	-
VAT balance in favor	490	-
Miscellaneous	3,176	3,692
	74,047	**14,209**

17. SOCIAL STOCK, CAPITAL RESERES AND OTHER EQUITY COMPONENTS

The breakdown of the social stock issued, subscribed and paid-in, capital adjustments, issuances premiums, legal reserve and other equity components were disclosed in note 17 to the consolidated financial statements as of December 31, 2018.

18. RELATED PARTY DISCLOSURES

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

		Accounts receivable *	Accounts payable *	Loans granted net of settled payables	Dividends earned (paid)	Sales. / (Purchases)	Other services	Salaries & wages and severance payments	Fees
		ARS 000	ARS 000	ARS 000	ARS 000	ARS 000	ARS 000	ARS 000	ARS 000
Associate:									
Interclima S.A.	12.31.2018	67,800	-	8,029	-	-	-	-	-
	12.31.2017	59,771	-	6,527	-	-	(41)	-	-
IATEC S.A.	12.31.2018	-	2,156,567	1,586	-	(2,565)	-	-	-
	12.31.2017	-	2,158,153	(233,636)	5,906	(1,348)	-	-	-
CAPDO S.A.	12.31.2018	-	9,960	564	-	-	-	-	-
	12.31.2017	-	10,524	(2,956)	11,708	-	-	-	-
GMRA S.A.	12.31.2018	-	2,015	(2,015)	-	-	-	-	-
	12.31.2017	-	-	-	-	-	-	-	-
Il Tevere S.A.	12.31.2018	5,803	-	5,716	-	-	-	-	-
	12.31.2017	87	-	518	-	-	-	-	-
Key management personnel:									
Directors	12.31.2018	-	-	-	-	-	-	31,303	4,294
	12.31.2017	-	-	-	-	-	-	61,623	3,543

(*) Amounts categorized as trade receibables and trade payables, respectively.

Main parent company

Parent company: Il Tevere S.A.
Registered office: Beauvoir 17, piso 1 – Río Grande – Province of Tierra del Fuego, Antarctica and South Atlantic Islands.
Main activity: Holding company.
Percentage of voting rights: 61.5862%
Percentage of shares: 48.27%.

Subsidiaries

The Company holds equity in the companies and in the percentages of capital stock disclosed in note 4 to the separate financial statements.

Terms and conditions of transactions with related parties

The terms and conditions of transactions with related parties was disclosed in note 18 to the consolidated financial statements as of December 31, 2018.

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risk objectives and policies were described in note 19 to the consolidated financial statements as of December 31, 2018.

19.1. Market risk

The market risk management (including interest rate and foreign exchange rate sensitivity) was described in note 19(1) to the consolidated financial statements as of December 31, 2018.

19.2. Credit risk

The credit risk management was described in note 19(2) to the consolidated financial statements as of December 31, 2018.

19.3. Liquidity risk

The liquidity risk management was described in note 19(3) to the consolidated financial statements as of December 31, 2018.

19.4. Capital management

The capital management was described in note 19(4) to the consolidated financial statements as of December 31, 2018.

19.5. Guarantees granted

The guarantees granted were described in note 19(4) to the consolidated financial statements as of December 31, 2018.

20. Restrictions to the distribution of earnings

Restrictions to distribution of earnings were described in note 21 to the consolidated financial statements as of December 31, 2018.

21. Tax situation of the Company

The conditions and characteristics of the industrial promotion of the Company were described in note 22.1 to the consolidated financial statements as of December 31, 2018.

In addition, the most significant aspects of Tax Reform Law No. 27,430 are described in note 22(2).

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22. SAFEGUARDING OF BOOKS

In compliance with effective CNV regulations (General Resolution No. 629/2014), we advise that the corporate books (Shareholders' Meeting Minutes, Board of Directors' Meeting Minutes, Audit Committee´s Meeting Minutes, Share Deposit and Shareholders' Meeting Attendance and Statutory Audit Committee Meetings Minutes books) and the statutory accounting records (the journal, auxiliary journals and inventory and financial statements book) are safeguarded at the Company's offices in Av. del Libertador 6350, 3° Piso, Buenos Aires City, and Einstein No. 1111, Río Grande, Tierra del Fuego.

Moreover, we advise that the remaining documents supporting the transactions and the accounting and corporate records are distributed between the Company's administrative offices and the following provider of third-party documentation safekeeping and preservation services: ADEA Administradora de Archivos S.A., CUIT: 30-68233570-6, Address: Ruta Provincial 36, KM 31,5, Florencio Varela, Province of Buenos Aires.

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SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS – SECTION 12, CHAPTER III, TITLE IV OF CNV REGULATIONS (AS AMENDED IN 2013)

1. General considerations on the Company's activity:

   a) Specific and significant legal systems that imply contingent defeasances or rebirths of benefits provided by such regulations: See notes 20 and 21 to the separate financial statements.

   b) In the year beginning January 1 and ended December 31, 2017, there are no significant changes in the activities carried out by the Company.

2. Classification of receivables and payables:

TRADE AND OTHER RECEIVABLES:

			To fall date	Past due
	Total	**Without due date**	**<90 days**	**<90 days**
Trade receivables	311,988	73,603	188,185	50,200

TRADE AND OTHER PAYABLES AND INTEREST BEARING LOANS AND BORROWINGS:

			To fall due			Past due
	Total	**Ithout due date**	**<90 days**	**90-80 days**	**180-270 days**	**<90 days**
Trade payables	2,957,532	2,168,542	497,428	17,583	259,420	14,289

3. Classification of receivables and payables, reporting the financial effects caused by their maintenance:

   FINANCIAL ASSETS:

   a) Accounts in Argentine pesos, in foreign currency and in kind: See Note 15. As of December 31, 2018, the Company has no receivables in kind.

   b) Amounts subject to adjustment clauses: None.

   c) Receivables that accrue interest: (See Note 15.)

   FINANCIAL LIABILITIES:

   a) Accounts in Argentine pesos, in foreign currency and in kind: See note 15; there are no payables in kind, except for any customer prepayment the Company may carry.

   b) Amounts subject to adjustment clauses: None.

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SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS – SECTION 12, CHAPTER III, TITLE IV OF CNV REGULATIONS (AS AMENDED IN 2013)

c) Payables that accrue interest: (See Note 15.)

4. Mirgor S.A.C.I.F.I.A. holds 99.9667% of the capital stock and voting rights in Interclima S.A., 95% of the capital stock and voting rights in Capdo S.A. and 5% of the capital stock and voting rights in IATEC S.A. Below is Mirgor S.A.C.I.F.I.A.'s direct and indirect equity in subsidiaries.

Subsidiary	(Direct and indirect) equity interest percentage in common stock as of:			Main business activity
	12.31.2018	12.31.2017	12.31.2016	
Interclima S.A. (ICSA)	99.9667	99.9667	99.9667	Manufacturing of auto parts and exchangers for residential air conditioning and heating systems
Capdo S.A. (Capdo)	100	100	100	Real estate agency
IATEC S.A.	100	100	100	Electronic products
GMRA S.A.	100	-	-	Trading company

RECEIVABLES:

a) Past due, with subtotals for each of the last four quarters and for each prior year: None.

b) Without any established due date: 73,603 (See note 18).

c) To fall due, with subtotals for each of the last four quarters and for over a year: None.

d) The accounts are stated in Argentine pesos.

e) The amounts are not subject to an adjustment clause.

f) The amounts do not accrue interest.

PAYABLES:

a) Past due, with subtotals for each of the last four quarters and for each year: None.

b) Without any established due date: 2,168,542 (See note 18).

c) To fall due, with subtotals for each of the last four quarters and for over a year: None.

d) The accounts are stated in Argentine pesos.

e) The amounts are not subject to an adjustment clause.

f) The amounts do not accrue interest.

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SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS – SECTION 12, CHAPTER III, TITLE IV OF CNV REGULATIONS (AS AMENDED IN 2013)

5. There are no trade receivables or loans with directors or statutory auditors and their relatives up to the second degree of kinship.

6. Physical inventory count: An annual inventory count is performed on all of the Company's inventories. During the fiscal year, cycle inventory counts are performed in the different plants and warehouses. The related allowances were set up as coverage for obsolete and slow-moving inventories.

7. There are no interests in other companies in excess of the limits established in section 31, Law No. 19.550 and CNV regulations.

8. The recoverable values of inventories and PP&E are as follows:

   In the case of inventories, it was used considering the net realizable values. See note 2(3) to the separate financial statements.

   In the case of PP&E, their possible value in use was considered, based on the expected cash flow. See note 2(3) to the separate financial statements.

9. Insurance covering tangible assets.

   a) Insured assets:

Vehicles:

– Covered risk: Civil liability towards third parties not transported (property damaged) and civil liabilities towards third parties transported and not transported (bodily harm) up to 6,000 per event, damage to the vehicle, collision total loss and fire total and partial loss. Theft, total and partial loss.

Computer, telecommunications and other equipment:

– Covered risk: Fire, lightning and/or explosion, theft and any unforeseen and sudden damage, with additional considerations for voltage.

– Insured amount: USD 1,782,178

Ground transportation of pieces, components and spare parts for air conditioning units within Argentina.

– Covered risk: Comprehensive insurance with a deductible and a liability exemption for the shipper.

– Insured amount: Up to USD 750,000 per shipment.

Sea transportation of pieces, components and spare parts for air conditioning units:

– Covered risk: Comprehensive property damage or loss insurance, pilferage, war and strike. Includes ground transportation the warehouse.

– Insured amount: Up to an average of USD 10,000,000 per shipment.

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SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS – SECTION 12, CHAPTER III, TITLE IV OF CNV REGULATIONS (AS AMENDED IN 2013)

Comprehensive industrial insurance:

- Covered risk: Fire, theft, civil liability, debris removal, etc. Includes buildings, stock, machinery, general content and comprehensive civil liability.

- Insured amount:

Stock, fire, master policy: USD 24,175,000 for all locations, variable according to monthly stock.

Buildings and general content: USD 39,639,000 for all locations.

Debris removal: 5% over the insured amount for the location that suffered a loss.

Civil liability: USD 20,000,000 for all locations.

b) See the book values in notes 12 and 14 to the separate financial statements.

10. The allowances booked by the Company are listed as indicated below.

a) Below are listed the elements considered for calculating the abovementioned allowances:

- Allowance for doubtful accounts: Set up based on a case-by-case analysis of trade receivables. See note 15(1) to the condensed separate financial statements.
- Allowance for obsolescence and impairment of inventories: see note 14 to the separate financial statements.
- Allowance for impairment of tax credits: see note 15 to the separate financial statements.
- Allowance for impairment of deferred tax credits: See note 10 to the separate financial statements.

b) As of the date of the financial statements, there are no contingent situations for material amounts whose likelihood of occurrence is not remote and whose equity effects have not been booked.

11. There are no proceedings for irrevocable advance payments on account of future subscription aimed at the capitalization thereof.

12. There are no accumulated dividends pending to be paid for shares of preferred stock.

13. Conditions, circumstances or terms for lifting restrictions on the distribution of unappropriated retained earnings, including the ones arising from the use of the legal reserve to absorb final losses which are still pending to be paid-in: None.