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, 2017,

PRESENTED JOINTLY WITH THE INDEPENDENT AUDITOR’S REPORT

AND THE STATUTORY AUDIT COMMITTEE’S REPORT

(Translation into English, originally issued in Spanish)

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 Reglamento de 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, 2017, and the related consolidated statements of comprehensive income, changes in equity, and cash flows for the year ended December 31, 2017. 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, Antártida e Islas del Atlántico Sur, 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, 2018, issued by Guillermo E. Bondancia, CPA (a partner of Pistrelli, Henry Martin y Asociados S.R.L.): (a) the accompanying consolidated financial statements for the year ended December 31, 2017, 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, 2017, 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, 2018

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 Reglamento de 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, 2017, 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, Antártida e Islas del Atlántico Sur, 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, 2018, issued by Guillermo E. Bondancia, CPA (a partner of Pistrelli, Henry Martin y Asociados S.R.L.): (a) the accompanying separate financial statements for the year ended December 31, 2017, 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, 2017, 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, 2018

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. 47 BEGINNING JANUARY 1, 2017 AND ENDED DECEMBER 31, 2017

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. 47 ended December 31, 2017.

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) automotive, 2) electronic consumer goods (including mobile telephones, TV sets and retail), and 3) services. The group does business in the local 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 automotive 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 Government had set important goals for the Argentine economy in 2017. However, the vast number of issues to be dealt with complicated the possibility of dealing with all of them and winning all battles.

Maybe the two goals that could not be attained at the same time were keeping a 17% inflation and increasing economy by more than 3% per year, especially because the need to lower the fiscal deficit encompassed the adjustment of rates intended to reduce the subsidies granted by the previous administration.

At the same time, the external financing of the deficit caused the BCRA (Central Bank of Argentina) to purchase US dollars and to absorb the primary expansion through LEBACs. As a result, the US dollar exchange rate did not encompass inflation and many investors were tempted to take advantage of the interest rate difference known as carry trade.

The Argentine peso strengthening, along with the easing of import procedures caused the balance of trade to exceed expectations and prior-year records.

Towards the end of the year and in view of the prospects of high interest rates set by the BCRA, which may affect 2018 growth goals, there was a change of policy that led operators to make a change in assets. As a result, the year ended up with a weaker peso and the prospects of a devaluation trend that would continue during early 2018.

Notwithstanding all the difficulties faced by the Government, it is worth mentioning that the economy grew for four consecutive quarters. First, from the point of view of demand, construction and public works, and investments began to occur. Then, towards the end of the year, Brazil started to give signs of an economy that began to grow, which was reflected in a slight recovery of automobile exports.

This growth allowed creating over 200,000 jobs. Although there was no significant reduction in the unemployment rate, the 2018 expansion is expected to continue contributing to the goal set by the Argentine Government at the beginning of its term.

As shown below, the company achieved significant improvements in its activity and results of operations, which are the result of different factors combined to attain the goals set upon preparing the budget of the year.

In November, one of the most outstanding events of the year took place. An agreement was signed among the Argentine Government, the Government of the province of Tierra del Fuego, electronic industrial employees of that province and workers belonging to the UOM and ASIMRA trade unions. The document, signed on November 13, 2017, contains a series of commitments assumed by the parties in order to achieve a strong sector competitiveness improvement.

Apart from bringing certainty to ongoing projects, the purpose of the agreement will be observed in an additional decrease in the public sale prices of air-conditioning units, mobile telephones and TV sets.

Although this trend had already begun upon the arrival of this government with the release of the foreign exchange market, the trend had already accelerated.

Fourth quarter

Sales in Q4 2017 stood at around ARS 6.15 billion, 66.12% higher than sales booked in the same period the prior year, for around ARS 3.7 billion. All products sold had a strong increase as compared to the same period the prior year, thus exceeding the units sold in each business.

The gross margin for the period stood at ARS 979 million as compared to ARS 477 million which were booked in Q4 2016. The margin improved by 105%, a portion of which results from higher sales, while the other portion arises from an improvement in percentages, from 12.9% in sales to 15.8% in Q4 2017. The products sold were those of a higher value, such as high-end smartphones and larger TV sets.

The gross margin for the period stood at 4.1%, which increased from ARS 75,800,000 in Q4 2016 to ARS 250,800,000 in the same period in 2017. There is no doubt that the increase in sales allows for a better absorption of fixed expenses, but the most significant aspect is the continuous improvement followed by the Company's plants and service areas in order to attain the improvement of strong competitiveness. The focus is on the reduction of sale prices of all the Company's products.

Income (loss) for the year

The sales in 2017 exceeded by 34.2% those recorded in 2016, from about ARS 15.3 billion to ARS 20.6 billion. Just as in 2016, sales were quite consistent throughout the four quarters. This causes production to be well balanced and enables good productivity improvements.

The gross margin also remained similar to that in 2016, but the important aspect is that higher sales lead to a higher surplus to face operating and financial expenses. In 2016 the margin reached ARS 2.3 billion, while in 2017 it increased to ARS 3.1 billion.

Thus the company was able to keep administrative and financial expenses under control, thus obtaining a very significant improvement of its net income, which increased from 2.8% in sales in 2016 to 4.3% in 2017, even though it transferred many competitiveness improvements to the market. Thus net income amounted to ARS 888 million, as compared to ARS 428 million in the prior year.

Sector behavior

Automotive industry:

Year 2017 was mainly characterized by a pronounced increase in the demand for vehicles. In 2016, a significant portion of the improvement could be due to the delayed demand. This year discussions have begun with respect to a floor that exceeds historical levels.

Unfortunately, this recovery did not have the same impact on the production of vehicles, which caused the share of imported vehicles in local sales to hit a record, Brazil being the main beneficiary of this improvement.

As explained above, the automobile production maintained its low level, which was almost stagnant as compared to the previous year, from 493,798 units manufactured in 2016 to 496,426 in 2017.

The recovery of Brazilian demand in the last few months allowed explaining the best production performance in the second half of 2017, as compared to the first half of that year.

As to exports, the good news during the beginning of the year is that several Argentine terminals sought to expand their markets to reduce the impact of the lower Brazilian demand. Thanks to that, exports increased in relation to 2016 from 200,840 to 221,600, causing the share of exports to exceed 44% in total production.

According to the “half-full glass” vision, there would still be room for strong growth once the Brazilian market recovers its dynamism. In 2017, exports to Brazil totaled 64%, while in previous years they exceeded 80% of total dispatches abroad.

Domestic demand exceeded market expectations at the beginning of the year. Although recorded sales were lower than the 2013 record (963,000 vehicles), the volume of the vehicles acquired in Argentina gives an idea of the market potential, even when there are still many macroeconomic variables that must improve to increase consumers’ trust.

Another important piece of information is that the share of imported vehicles totaled 70.2%, while in 2013 it had reached 62.8%. The increase in sales as compared to 2016 was 23%, from 739,090 to 909,008. Year-end sales were more dynamic than those recorded in previous quarters, which allows concluding that the growth is far from its limit.

Mirgor in the automotive industry

Sales in Mirgor’s air quality and control systems improved their performance as compared to the records of the industry mean. This was exclusively due to the fact that its customers succeeded in taking exports to new markets. Sales of air quality and control systems for air-conditioning cars reached 172,444 units in 2017, as compared to the 156,065 units sold in the same period in 2016, showing a 10.4% decrease.

Certain outstanding events took place during the year. Positive events included Mirgor’s nomination by Ford Argentina to provide the air quality and control systems of the Ford Ranger model, which will take place in Q2 2018. It was also nominated by Mercedes Benz for its new vehicle, which will begin to be produced in 2019. In addition, in Renault Argentina we reached the end of the Fluence and Kangoo series with no renewal of contracts for the new models. There was also an increase in the sales of the infotainment market to Toyota, from 77,932 units delivered in 2016 to 80,815 units delivered in 2017. During the year, IATEC worked very hard with Pioneer and customers to achieve interesting competitiveness improvements that encompass the growth projects of the estimated 2018 production.

Electronic consumer goods:

It is worth pointing out, with respect to the significance of the agreement signed among the Argentine Government, the provincial government, trade unions and companies, the commitment assumed by sector companies to achieve significant productivity improvements leading to price improvements. The sector has shown its trust and commitment towards this goal.

Meanwhile the activity concentration became more pronounced and currently 97% of the activity comprises three products: mobile telephones, TV sets and air-conditioning systems, the first one representing 50% of the total amount.

Another factor to be taken into account is that, although there was an increase in imports, as observed below, the figures were not very significant and productivity income may serve to keep market shares. However, certain segments within the family of products manufactured in Tierra del Fuego may be more exposed to competition.

Air conditioning

The company has not participated in this segment because market conditions and commercial circumstances have not allowed it to achieve a proper market share. Considering this situation and the requirements from other markets, products projects had to be postponed.

Television sets

The most outstanding fact of this market is that the technological improvement allows obtaining products with a better image quality and a higher level of features. Specifically, consumers' trend to use streaming programs (Netflix, YouTube, among others) causes the demand of smart TVs to increase. There is also more interest in devices with larger screens. However, the higher cost of technology had to be offset with the decrease in general prices.

Total production in Tierra del Fuego during 2016 stood at 3,314,000 units, compared with 3.175.000 in 2016.

IATEC focused its TV production exclusively on the Samsung brand, reaching 312,000 units. As to the products of this brand, the share of larger devices increased during the year. This caused the average value of devices sold by IATEC to increase.

Last year almost 418,000 units were sold, showing a 25.6% decrease in units, while the decrease in sales in terms of amounts did not exceed 6%.

Mobile telephones

The domestic demand of mobile telephones continues to be satisfied in more than 90% by the production of Tierra del Fuego. The work done by the industry to improve the competitiveness of products allows keeping a price advantage in relation to their import.

However, there is still concern in the industry in view of the high share of telephones failing to meet customs requirements, which account for a significant portion of the market. Those activities are expected to reach more than 25% of total demand.

The production in Tierra del Fuego increased by 18.2% in terms of the number of units, from 9,150,000 to 10,812,000. Although high-end telephones showed a good penetration, prices were lower than those in the previous year.

The characteristic of this year was the uneven growth of the different brands, while Samsung grew in all the segments where it participates. The brand took more than 10 additional market share points as compared to the previous year, reaching 58% of the share in products originating in Tierra del Fuego.

As a result of this growth, IATEC showed a strong increase in production and sales, thus exceeding the units of 2013, even though the Company only produces Samsung telephones at present.

The number of units sold in 2017 reached 4,221,771, which represented a 35.7% increase. An outstanding event in 2017 was the consolidation of the distribution and selling tasks performed by IATEC in rings 2 and 3 of the electronic products marketing chain.

The Company created a team formed by very dynamic people, who helped acquiring new skills to expand the service provided. This factor was taken into account by Samsung in view of the good service quality.

GMRA

Another novelty in 2017 were the measures taken by the company, at Samsung's request, to contribute to the commercial expansion of the brand.

As a result of a strong demand in its products, Samsung understood that there was a need to provide services to the market while expanding its presence in shopping malls.

The company acted in response to this request and, through the subsidiary, opened 13 spaces to attain this goal.

This was another great challenge for the company, which was able to add competences to expand its businesses, thus complying with the requests of its "strategic partner".

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, 2017

Financial position and ratios

	12.31.2017	12.31.2016
Noncurrent assets	1,353,975	1,379,375
Current assets	9,345,010	5,920,172
Total assets	**10,698,985**	**7,299,547**
Shareholders' equity	2,533,331	1,674,660
Noncurrent liabilities	1,151	842
Current liabilities	8,164,503	5,624,045
Total liabilities	**8,165,654**	**5,624,887**
Total liabilities and shareholders' equity	**10,698,985**	**7,299,547**

	12.31.2017	12.31.2016
a) Liquidity	1.14	1.05
b) Solvency	0.31	0.30
c) Fixed asset-to-equity capital ratio	0.13	0.19
d) Return on equity	0.35	0.26

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, 2017, amounted to ARS 10,698,985,000, which represents a 46.6% increase from ARS 7,299,547,000, as compared to 2016.

Current assets increased by 57.9% as compared to the 2016 year-end. The main changes are related to the increase in “Cash and short-term deposits” and “Other financial assets” net of the increase in “Inventories”. Inventories increased from around ARS 2.58 billion to around ARS 3.22 billion in 2017. Noncurrent assets decreased by 1.8%. The item with the highest variation is “Investment in associates” due to the conversion of contributions to the guarantee trust CIAPEXSA into loans for consumption to Minera Don Nicolás S.A., a subsidiary of CIAPEX S.A., followed in importance by “Property, plant and equipment”.

“Investments in associates” and “Other financial assets” show the (capital and long-term loan) investments made by the subsidiaries IATEC and Interclima as a result of the agreements signed with other manufacturers of electronic products from Tierra del Fuego, mainly in the guarantee trust, CIAPEX SA and subsidiaries; these shares increased from ARS 840,208,000 as of December 31, 2016, to ARS 871,865,000 as of December 31, 2017.

The changes in “Property, plant and equipment” 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.

Current liabilities increased by 45.2% as compared to 2016, from ARS 5,624,045,000 as of December 31, 2016, to ARS 8,164,503,000 as of December 31, 2017. Trade and other payables increased from ARS 4,698,775,000 to ARS 7,651,644,000 as of December 31, 2016, and 2017, respectively. Interest-bearing debts and borrowings decreased by ARS 411,842,000, net of loans, the accrual and/or payment of interest and their foreign exchange differences. Noncurrent liabilities increased by 36.7% as compared to 2016, from ARS 842,000 as of December 31, 2016, to ARS 1,151,000 as of December 31, 2017.

Equity attributable to the parent company's owners in 2016 amounted to ARS 1,673,854,000, increasing in 2017 to ARS 2,532,136,000, representing a 51.3% increase. Equity variations are related to the allocation of unappropriated retained earnings in 2016 to i) the distribution of cash dividends for ARS 29,000,000, ii) the increase in the legal reserve by ARS 2,400,000, and iii) the increase in the income (loss) reserve for ARS 396,084,000.

Total net comprehensive income for 2017 amounted to ARS 887,671,000, generating unappropriated retained earnings for ARS 887,282,000 and an increase in noncontrolling interests by ARS 389,000.

The current liquidity index for 2017 improved as compared to 2016, which caused solvency to improve from a 0.30 ratio in 2016 to 0.31 in 2017. The fixed assets-to-shareholders' equity ratio was 0.13 in 2017 and 0.19 in 2016. The increase in the profitability ratio results from the facts mentioned in the business changes mentioned in that document, from 0.26 in 2016 to 0.35 in 2017.

Income for the year

	12.31.2017	**12.31.2016**
Operative income from recurrent operations	1,118,401	637,099
Financial income (expense)	(280,481)	(283,994)
Other income/expense	74,970	15,055
Income from recurrent operations, net	**912,890**	**368,160**
Interest in net income from associated companies	30,919	107,042
Subtotal	943,809	475,202
Income tax	(56,138)	(47,471)
Net income	**887,671**	**427,731**

	12.31.2017	**12.31.2016**
Attributable to:		
Subsidiaries owners	887,282	427,484
Non-controlling interests	389	247
Total comprehensive income for period, net	**887,671**	**427,731**

Sales for the year (including the industrial promotion benefit item) amounted to ARS 20,634,957,000 representing a 34.2% year-to-year increase (ARS 15,379,463,000). 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 net comprehensive income for fiscal 2017 amounted to ARS 887,671,000, representing 4.3% of sales, as compared to the ARS 427,731,000 income in fiscal 2016, which represented 2.8% of sales. Furthermore, financial income (expense) and holding gains (losses) resulted in a loss of ARS 280,481,000, which represent 1.4% of sales, while in fiscal 2016 a loss of ARS 283,994,000 was generated, representing 1.8% of sales.

Administrative expenses, which amounted in 2017 to ARS 549,301,000 (2.7% of sales for the year), amounted to ARS 444,166,000 in 2016, representing 2.9% of sales for that year.

Selling expenses, ARS 905,035,000 represented 4.4% of sales, while in prior year they totaled ARS 687,813,000 and represented 4.5% of sales. Transactions with subsidiaries are detailed in note 18 to the separate financial statements.

Cash flow

	12.31.2017	12.31.2016
Funds arising (used) from operating activities	1,547,637	(1,776,147)
Funds (used) arising from investment activities	(224,050)	1,338,732
Funds (used) arising from in financial activities	(617,686)	265,680
Total funds arising (used) during fiscal year	**705,901**	**(171,735)**

Cash flows from operating activities during 2017 amounted to ARS 1,547,637,000, while in 2016 cash flows from operating activities were used, net of changes in assets and liabilities for an amount of ARS 1,776,147,000. The deeper impact results from the variation in trade and other payables, as well as trade and other receivables.

Cash flows from investment activities for ARS 224,050,000 were used in 2017, while cash flows generated in 2016 amounted to ARS 1,338,732,000. The funds used are mainly related to the purchase of PP&E for the year, for ARS 105,133,000, and the placement of short-term funds for ARS 175,000,000.

Funds were mainly generated by the collection of PP&E sales and dividends. During the current year no cash was provided by or used in extraordinary transactions. As to cash flows from financing activities, in 2016 there was a net increase of ARS 265,680,000 from the net increase in loans for an amount of ARS 475,173,000, while in 2017, the net decrease in loans amounted to ARS 549,021,000.

During the year, ARS 29,000,000 cash dividends were paid to shareholders, while in 2016 ARS 40,000,000 was paid in cash. Net cash flows from financing activities used funds for an amount of ARS 617,686,000, while in 2016 the funds generated amounted to ARS 265,680,000. The cash flows described herein implied a net increase in cash and cash equivalents for ARS 705,901,000 in 2017, while in 2016 they had decreased by ARS 171,735,000.

Prospects

Economic growth prospects are expected to keep the market active and will allow the company’s businesses to continue to grow and consolidate. As to the electronic goods market, the imminent World Cup is a factor that will promote the sale of television sets. Consumers usually use this opportunity as an excuse to renew their appliances. In particular the expanded use of wifi to use streaming channels (e.g. Netflix) is an additional reason to think about the intention to renew technology.

In relation to the automobile industry, the recovery of Brazil is a little higher than that initially expected, which has an impact on the expected growth of exports.

In addition, the company will launch the mass production of the Ford Ranger model in Q2 2018. A slight growth in the autoradio production is expected.

Finally, it is important to mention that the automobile industry expansion is encompassed by new plans of local factories, apart from the incorporation of new comfort and safety items. Thus it is expected to have a very active year in the search for new opportunities in an industry that continues to expand.

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	427,484
To cash dividends	(29,000)
To legal reserve	(2,400)
To optional reserve	(396,084)
Income of the year	887,282
Total as of December 31, 2017	**887,282**
Balance at the disposal of shareholders' meeting	**887,282**

During this year, the Shareholders' Meeting held in April 2017 resolved upon the distribution of dividends: i) in cash for an amount of ARS 29,000,000, ii) the increase in the legal reserve for an amount of ARS 2,400,000, and iii) the increase in the optional reserve for an amount of ARS 396,084,000.

As to income (loss) for 2017, the Board of Directors proposes –considering the business variations during the year ended December 31, 2017, and the economic and financial estimates for the following year– to (i) distribute a cash dividend for ARS 200,000,000, payable as follows: ARS 100,000,000 on May 24, 2018, and ARS 100,000,000 on October 25, 2018; and (ii) to increase the optional reserve by ARS 687,282,000.

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, 2018

Roberto G. Vázquez
Chairman

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

CHAIRMAN

Roberto G. Vázquez (*)

VICE-CHAIRMAN

Mauricio Blacher

DIRECTORS

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

ALTERNATE DIRECTORS

Eduardo Koroch
Enrique Spraggon Hernández
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.

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.

Registered office: Einstein IIII – Rio Grande - Provincia of Tierra del Fuego, Antartica and south south Atlantics Islands
Main Business: Manufactoring 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. 47 BEGINNING JANUARY 1, 2017

SUMMARY OF EVENTS (*)

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

(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

The sales in 2017 exceeded by 34.2% those recorded in 2016, from about ARS 15.3 billion to ARS 20.6 billion. Just as in 2016, sales were quite consistent throughout the four quarters. This causes production to be well balanced and enables good productivity improvements.

The gross margin also remained similar to that in 2016, but the important aspect is that higher sales lead to a higher surplus to face operating and financial expenses. In 2016 the margin reached ARS 2.3 billion, while in 2017 it increased to ARS 3.1 billion.

Thus the company was able to keep administrative and financial expenses under control, thus obtaining a very significant improvement of its net income, which increased from 2.8% in sales in 2016 to 4.3% in 2017, even though it transferred many competitiveness improvements to the market. Thus net income amounted to ARS 888 million, as compared to ARS 428 million in the prior year.

2. CONSOLIDATED EQUITY STRUCTURE

	12.31.2017	12.31.2016	12.31.2015	12.31.2014	12.31.2013
	ARS 000	ARS 000	ARS 000	ARS 000	ARS 000
Non current assets	1,353,975	1,379,375	963,891	559,707	326,102
Current assets	9,345,010	5,920,172	7,322,816	2,572,549	1,996,771
Total assets	**10,698,985**	**7,299,547**	**8,286,707**	**3,132,256**	**2,322,873**
Shareholders' equity	**2,533,331**	**1,674,660**	**1,286,929**	**782,352**	**645,347**
Noncurrent liabilities	1,151	842	857	21,679	112,373
Current liabilities	8,164,503	5,624,045	6,998,921	2,328,225	1,565,153
Total liabilities	**8,165,654**	**5,624,887**	**6,999,778**	**2,349,904**	**1,677,526**
Total liabiliteis and equity	**10,698,985**	**7,299,547**	**8,286,707**	**3,132,256**	**2,322,873**

3. CONSOLIDATED STATEMENT OF INCOME STRUCTURE

	12.31.2017	12.31.2016	12.31.2015	12.31.2014	12.31.2013
	ARS 000	ARS 000	ARS 000	ARS 000	ARS 000
Ordinary operating income	1,118,401	637,099	189,398	190,768	276,466
Financial (loss) income	(280,481)	(283,994)	286,749	(86,392)	(49,862)
Interest in associate's net income	30,919	107,042	61,593	35,801	7,488
Other income (loss)	74,970	15,055	7,204	8,197	755
Profit for the year before taxes	**943,809**	**475,202**	**544,944**	**148,374**	**234,847**
Income tax	(56,138)	(47,471)	(22,367)	(11,369)	(5,588)
Total comprehensive income for the year	**887,671**	**427,731**	**522,577**	**137,005**	**229,259**
Non controlling interest	(389)	(247)	(304)	(85)	(80)
Other comprehensive income	(389)	(247)	(304)	(85)	(80)
Total comprehensive income for the year	**887,282**	**427,484**	**522,273**	**136,920**	**229,179**

4. STATISTICAL DATA

	12.31.2017		12.31.2016		12.31.2015		12.31.2014		12.31.2013	
	Trim.	Acum.	Trim.	Acum.	Trim.	Acum.	Trim.	Acum.	Trim.	Acum.
Production (1)	1,201	4,907	764	3,667	1,777	3,751	703	3,263	1,294	4,669
Sales (2)	1,163	4,787	996	3,776	1,735	3,639	796	3,365	1,328	4,666
- Local sales	1,163	4,787	996	3,776	1,735	3,639	796	3,365	1,328	4,666
Equipment with air conditioning	49	172	40	156	43	189	59	208	61	271
Equipment without air conditioning	-	-	-	-	1	4	1	6	2	9
Residential air conditioning	-	-	-	12	34	77	39	105	29	96
Microwave oven	-	-	-	-	-	1	11	41	25	76
Mobile phones	1,018	4,222	853	3,112	1,484	3,124	618	2,754	1,094	3,971
Media TV	73	312	84	418	173	244	67	240	103	244
Notebook	-	-	-	-	-	-	-	11	-	-
Autoradio	24	81	20	78	-	-	-	-	-	-

(1) Including the one related to Interclima S.A.
(2) The units sold among group companies are not included.

5. RATIOS

	12.31.2017	12.31.2016	12.31.2015	12.31.2014	12.31.2013
Liquidity	1.14	1.05	1.05	1.10	1.28
Solvency	0.31	0.30	0.18	0.33	0.38
Tied-up capital	0.13	0.19	0.12	0.18	0.14
Return on equity	0.35	0.26	0.41	0.18	0.36

6. PROSPECTS

Economic growth prospects are expected to keep the market active and will allow the company's businesses to continue to grow and consolidate. As to the electronic goods market, the imminent World Cup is a factor that will promote the sale of television sets. Consumers usually use this opportunity as an excuse to renew their appliances. In particular the expanded use of wifi to use streaming channels (e.g. Netflix) is an additional reason to think about the intention to renew technology.

In relation to the automobile industry, the recovery of Brazil is a little higher than that initially expected, which has an impact on the expected growth of exports.

In addition, the company will launch the mass production of the Ford Ranger model in Q2 2018. A slight growth in the autoradio production is expected.

Finally, it is important to mention that the automobile industry expansion is encompassed by new plans of local factories, apart from the incorporation of new comfort and safety items. Thus it is expected to have a very active year in the search for new opportunities in an industry that continues to expand.

Buenos Aires,
March 8, 2018

Roberto Vázquez
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. 47,

BEGINNING JANUARY 1 AND ENDED DECEMBER 31, 2017

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
180,000,000 shares of common stock, face value ARS 0.10 each	
Class A and B shares each entitled to 3 votes per share	3,120,000
Class C shares each entitled to 1 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, 2017

	Notes	12.31.2017 ARS 000	12.31.2016 ARS 000
Revenues from ordinary activities	5	16,903,678	12,650,407
Industrial promotion benefit	22	3,731,279	2,729,056
Cost of goods sold and services rendered	6	(17,454,325)	(13,022,694)
Gross income		**3,180,632**	**2,356,769**
Other operating income	8	345,391	400,470
Administrative expenses	7	(549,301)	(444,166)
Selling expenses	7	(905,035)	(687,813)
Other operating expenses	8	(953,286)	(988,161)
Operating income		**1,118,401**	**637,099**
Financial costs	8	(375,723)	(348,871)
Financial income	8	95,242	64,877
Other income, net	8	74,970	15,055
Interest in the associates' net income	20	30,919	107,042
Income for the year before income tax and minimum presumed income tax, net		**943,809**	**475,202**
Income tax and minimum presumed income tax	9	(56,138)	(47,471)
Total comprehensive income for the year, net		**887,671**	**427,731**
Attributable to:			
Subsidiary owners		887,282	427,484
Noncontrolling interests		389	247
		887,671	**427,731**

Earnings (loss) per share (Note 10):

– Basic and diluted, net income for the year attributable to ordinary equity holders of the parent's equity		4.93	3.05

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2017

	Notes	12.31.2017 ARS 000	12.31.2016 ARS 000
Assets			
Noncurrent assets			
Property, plant and equipment	11	443,267	492,252
Investment property	12	6,738	6,906
Intangible assets	13	28,779	39,319
Investment in associate	20	455,628	840,208
Other non-financial receivables	16	1,575	690
Deferred tax assets	9	1,757	-
Other financial assets	15	416,231	-
		1,353,975	1,379,375
Current assets			
Other non-financial receivables	16	399,355	84,499
Inventories	14	3,224,711	2,581,869
Trade and other receivables	15	4,617,929	3,058,857
Other financial assets	15	27,167	-
Cash and short-term deposits	15	1,075,848	194,947
		9,345,010	5,920,172
Total assets		**10,698,985**	**7,299,547**
Equity and liabilities			
Shareholders' equity			
Issued capital		18,000	18,000
Capital adjustment		156	156
Additional paid-in capital		5,244	5,244
Income set apart for reserves		1,621,454	1,222,970
Unappropriated retained earnings		887,282	427,484
Equity attributable to owners of the parent		2,532,136	1,673,854
Noncontrolling interests		1,195	806
Total equity		**2,533,331**	**1,674,660**
Noncurrent liabilities			
Trade and other payables	15	83	106
Deferred tax liabilities	9	1,068	736
		1,151	842
Current liabilities			
Interest-bearing loans and borrowings	15	512,859	924,701
Trade and other payables	15	7,651,644	4,698,775
Other financial liabilities	15	-	569
		8,164,503	5,624,045
Total liabilities		**8,165,654**	**5,624,887**
Total equity and liabilities		**10,698,985**	**7,299,547**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

	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, 2017	**18,000**	**156**	**5,244**	**2,280**	**74**	**1,220,616**	**427,484**	**1,673,854**	**806**	**1,674,660**
Increase in the legal reserve, as resolved at the Shareholders' Meeting of April 28, 2017	-	-	-	2,400	-	-	(2,400)	-	-	-
Cash dividends distribution provided for by the Board of Shareholders' Meeting held April 28, 2017	-	-	-	-	-	-	(29,000)	(29,000)	-	(29,000)
Increase in the optional reserve, as resolved at the Shareholders' Meeting of April 28, 2017	-	-	-	-	-	396,084	(396,084)	-	-	-
Total comprehensive income for the year, net	-	-	-	-	-	-	887,282	887,282	389	887,671
As of December 31, 2017	**18,000**	**156**	**5,244**	**4,680**	**74**	**1,616,700**	**887,282**	**2,532,136**	**1,195**	**2,533,331**

	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)	Reserve for future dividends	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	ARS 000
As of January 1, 2016	**6,000**	**156**	**5,244**	**2,280**	**74**	**750,343**	**-**	**522,273**	**1,286,370**	**559**	**1,286,929**
Cash dividends distribution provided for by the Board of Shareholders' Meeting held April 29, 2016	-	-	-	-	-	-	-	(40,000)	(40,000)	-	(40,000)
Share dividends distribution provided for by the Board of Shareholders' Meeting held April 29, 2016	12,000	-	-	-	-	-	-	(12,000)	-	-	-
Increase in the optional reserve, as resolved at the Regular Shareholders' Meeting of April 29, 2016	-	-	-	-	-	470,273	-	(470,273)	-	-	-
Total comprehensive income for the year, net	-	-	-	-	-	-	-	427,484	427,484	247	427,731
As of December 31, 2016	**18,000**	**156**	**5,244**	**2,280**	**74**	**1,220,616**	**-**	**427,484**	**1,673,854**	**806**	**1,674,660**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

	12.31.2017 ARS 000	12.31.2016 ARS 000
Operating activities		
Comprehensive income for the year before income tax and minimum presumed income tax	943,809	475,202
Interest accrued on payables and loans	60,942	181,526
Adjustments to reconcile the comprehensive net income for the year with net cash flows		
PP&E depreciations	147,177	90,965
Depreciation of investment properties	168	171
Amortization of intangible assets	11,592	10,745
Income on sale of PP&E	(67,724)	(753)
Increese - In the allowance for inventory obsolescence	136,980	142,975
Increase in the allowance for impairment of doubtful accounts	1,206	-
Income for interest in the associates' net income	(30,919)	(107,042)
Foreign exchange differences from debts and borrowings	115,902	77,325
Foreign exchange difference and long-term loan interest	(20,351)	-
Adjustment of operating assets and liabilities:		
Increase in trade and other receivables, net of receivables from payables to associates	(1,549,818)	(427,565)
Increase in inventories	(779,822)	(408,467)
(Increase) Decrease in other nonfinancial receivables	(315,896)	180,641
Increase (Decrease) in trade and other payables	2,894,391	(1,991,870)
Cash Flows arising from (used) in operating activities, net	**1,547,637**	**(1,776,147)**
Investing activities		
PP&E additions	(105,133)	(238,653)
Collection on sale of PP&E	74,820	24,738
Acquisitions of intangible assets	(1,052)	(9,336)
(Acquisition) Collection of short-term deposits	(175,000)	733,008
Sale of government – owned securities	-	804,935
Variation of hedging instruments, net	(27,736)	341,835
Capital contribution to investments in associates - Note 20	-	(322,203)
Increase in intercompany payables	1,325	4,408
Dividends collected	8,726	-
Cash flows (used in) arisings from investing activities	**(224,050)**	**1,338,732**
Financing activities (Note 15.9)		
(Decrease) increase net in loans	(549,021)	475,173
Interest expense, net	(39,665)	(169,493)
Dividends paid	(29,000)	(40,000)
Cash flows arising from (used) in financing activities, net	**(617,686)**	**265,680**
Net increase (decrease) in cash and cash equivalents	**705,901**	**(171,735)**
Cash and cash equivalents as of January 1	194,947	366,682
Cash and cash equivalents as of December 31	**900,848**	**194,947**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

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, 2017, were authorized for issue in accordance with a resolution of the Company's Board of Directors on March 8, 2018.

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, 2017, 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 historical 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, 2017. Consolidated subsidiaries and their equity interests as of the relevant dates are:

Subsidiary	(Direct and indirect) equity interest percentage in common stock as of:		Year-end of last financial statements issued
	12.31.2017	12.31.2016	
Interclima S.A.	99.9667	99.9667	12.31.2017
Capdo S.A.	100	100	12.31.2017
IATEC S.A.	100	100	12.31.2017
GMRA S.A.	100	-	12.31.2017

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

These financial statements were prepared based on the historical cost model, except for the valuation of certain items which were measured at fair value as mentioned in note 2.4.

IAS 29 Financial Reporting in Hyperinflationary Economies requires that the financial statements of a company whose functional currency is that of a hyperinflationary economy be stated in terms of the current unit of measure as of the end of the reporting period, regardless of whether they are based on the historical cost model or on the current cost model, computing the inflation from the acquisition date in the case of nonmonetary items carried at cost or at cost less accumulated depreciation, or since the restatement date in the case of nonmonetary items carried at current values of dates other than the statement of financial position or acquisition. Therefore, although the regulation does not prescribe a single inflation rate which, if surpassed, would render a hyperinflationary economy, for this purpose it is common practice to consider a variation in price levels of about or exceeding an accumulated 100% over the last three years, along with another series of qualitative factors related to the macroeconomic context.

Management assesses whether the Argentine peso qualifies as a currency belonging to a hyperinflationary economy according to the guidelines established in IAS 29 and considers the changes in the domestic wholesale price index published by the INDEC (Argentine Institute of Statistics and Censuses) to assess the abovementioned quantitative factor since it is the index that best reflects the conditions required by IAS 29.

Since the current government took office on December 10, 2015, the INDEC is undergoing a reorganization process. Such entity published the monthly inflation measured over the wholesale domestic price index as from January 2016, without assigning any specific inflation to November or December 2015. As of December 31, 2017, the inflation rate accumulated over a three-year period ended on that date is about 77%.

In spite of the lack of objective conditions to classify the Argentine economy as hyperinflationary for the preparation of the financial statements as of December 31, 2017, the existence of material changes in significant economy variables affecting the Company's business, such as those observed in the last few years in salary costs, the prices of main raw materials and other inputs, the interest rate and foreign exchange rate, could also affect the Company's financial position and income (loss) and, therefore, these variations should be taken into account upon interpreting the information provided by the Company in these financial statements on its financial position, results of operations and cash flows.

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 35%.

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, 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, 2017, and 2016, 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, 2017, and 2016, 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 properties

Investment properties are measured initially at acquisition cost, 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. 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

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, 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 basis.

Finished goods and work in progress

At cost of acquisition of materials and labor 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 (CGU) 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. Comparative information

The financial statements as of December 31, 2016, presented for comparative purposes, include certain minor reclassifications to adjust them to those as of December 31, 2017.

2.8. Changes in significant accounting policies

New and amended standards and interpretations

The Group has applied for the first time certain standards and amendments to the standards, which are effective for the year beginning on or after January 1, 2017. 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 amendments:

Amendments to IAS 7 Statement of Cash Flows: Disclosure initiative

The amendments require entities to break down the changes in liabilities resulting from financing activities, including those arising from cash flows and those not involving any cash flows (such as foreign exchange gains or losses). The Group has provided information on the current year and the comparative year in note 15.9 and 15.7 to the consolidated and separate financial statements, respectively.

Amendments to IAS 12 Income Taxes: Recognition of deferred tax assets for unrealized losses

The amendments clarify that an entity needs to consider if tax legislation restricts the types of tax benefits that may be used to offset the reversal of a deductible temporary difference related to unrealized losses. In addition, the amendments provide guidance on the manner in which an entity should determine future tax benefits and explain the circumstances under which the tax benefit may include the recovery of certain assets for an amount that is higher than their carrying amount.

The Group has applied these amendments retrospectively. However, their application has had no effect on its financial position or income (loss), as the Group has no deductible temporary differences or assets within the scope of the amendments.

Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of the disclosure requirements in IFRS 12

The amendments clarify that the breakdowns required in IFRS 12, other than those included in paragraphs B10-B16, are applicable to the interests in subsidiaries, joint ventures or associates (or a portion of their interest in a joint venture or an associate) classified as held for sale (or included in a group that may be divested).

These amendments did not affect the Group's financial statements.

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 not yet effective. The Group intends to adopt these standards, as applicable, when they become effective.

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 intends to adopt the new standard on the date of mandatory application and will not restate comparative information. During 2017, the Group made a detailed evaluation of the effects caused by the three aspects of IFRS 9. This evaluation is based on the information currently available and may be subject to variations due to additional information available in 2018 once the Group adopts IFRS 9. In general, the Group does not expect significant changes in its statement of financial position and in equity.

(a) Classification and valuation

The Group does not expect significant changes in its statement of financial position or in equity as a result of the application of the classification and valuation requirements under IFRS 9. It expects to continue disclosing at fair value all the financial assets currently booked at fair value. 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. The Group does not expect this amendment to have an impact on future financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15, published in May 2014 and amended in April 2016, sets a new five-step model applicable to the booking of revenue from contracts with customers. According to IFRS 15, revenue is recognized in an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

This new standard shall abrogate all previous standards on the recognition of revenue. Full or partial retrospective application is required for the years beginning on or after January 1, 2018. The Group expects to adopt the new standard on the required effective date. During 2016, the Group made a preliminary evaluation of IFRS 15, which was completed in fiscal 2017.

In view of the Group’s type of business, the amendment is not expected to have a material impact as a result of the application of this standard.

(a) Sale of goods

This standard is not expected to have an impact on the Group’s income (loss). The Group expects the revenue recognition to occur once the control of the asset is transferred to the customer, generally upon the delivery of the goods.

In analyzing the adoption of IFRS 15, the Group considers as follows:

(i) Variable consideration

Certain contracts with customers provide rights to return, commercial discounts or volume discounts. The Group currently recognizes revenue from the sale of goods at the fair value of the consideration received or to be collected, net of returns, commercial discounts and volume discounts. If revenue cannot be measured reliably, the Group defers the revenue recognition until the uncertainty is solved.

IFRS 15 requires considering that there will be no material revenue reversals upon estimating variation consideration amounts. The Group expects the application of the restriction in the recognition of variable consideration to have no material impact on the financial statements.

Right of return

At present, when a contract with a customer provides a right of return of a good within the specific term, the Group books such right of return using an average of returns that is similar to the method of the expected value under IFRS 15.

According to IFRS 15, as the contract allows the customer to return the products, the consideration received is variable. In addition, a liability for the reimbursement and an asset for the customer’s right to recover the product must be booked in the statement of financial position separately. The Group expects the amendment to have no material impact as a result of the application of this standard.

(ii) Guarantee obligations

In general the Group offers guarantees for general repairs and does not offer any guarantee extensions in its contracts with customers. Therefore, most of the mandatory guarantees as per IFRS 15 will continue to be booked pursuant to IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as currently done.

(b) Service provision

According to IFRS 15, the services sold separately from the rest of the contracts shall be assigned based on relative independent sales prices. As a result, the consideration allocation and, therefore, the opportunity of the revenue recognition in relation to these sales may be affected.

By virtue of IFRS 15, if the revenue consideration is subject to the successful completion of installation services, it must be recognized as a contract asset instead of an account receivable. The Group expects the amendment to have no material impact as a result of the application of this standard.

(c) Equipment received from customers

In the case of equipment received from customers to contribute to the manufacture process, such equipment must be booked at fair value as property, plant and equipment according to IFRIC 18 Transfers of Assets from Customers, with the appropriate increase in deferred income.

IFRS 15 requires that the fair value of such nonmonetary consideration received or to be received from the customer be included in the transaction price. The Group expects the amendment to have no material impact as a result of the application of this standard.

(d) Advance payments from customers

On some occasions, the Group receives short-term advance payments from its customers, which are booked under "Trade and other payables".

According to IFRS 15, the Group must determine if there is a significant financing component in its contracts, with the possibility of using the practical solution under IFRS 15, whereby the consideration amount is not adjusted in view of the effects of the significant financing component of contracts if it expects at contract inception that the period between collection and the transfer of goods or services is one year or less. Therefore, for the short-term advance payments previously mentioned, the Group shall not book a financing component, even if material.

(e) Consideration as principal or agent

According to the current accounting policy, based on the credit risk existence and the nature of the contract consideration, if acting on account and behalf of a third party, it is necessary to analyze whether there is a risk exposure and significant returns related to the sale of these products to customers and to book the contracts as if being the principal. IFRS 15 requires evaluating whether the Group controls specific goods or services before being transferred to the customer. The Group expects the amendment to have no material impact as a result of the application of this standard.

(f) Presentation and reporting requirements

IFRS 15 includes reporting and information requirements that are more detailed than those in the current standards. Presentation requirements imply a material change in the current practice and significantly increase the volume of breakdowns required in the financial statements. The reporting requirements under IFRS 15 are completely new and the Group expects the amendment to have no material impact as a result of the application of this standard.

(g) Other adjustments

Apart from the main adjustments previously mentioned, upon adopting IFRS 15, other items of the financial statements will be adjusted, as required, such as deferred taxes, held-for-sale assets and related liabilities, income or loss after taxes from interrupted transactions, investments in associates, and the interest held in associates' income (loss). In addition, foreign exchange differences from the conversion of transactions abroad shall be adjusted.

The recognition and valuation requirements under IFRS 15 are also applicable to the recognition and valuation of any income or loss from the writeoff of nonfinancial assets (such as property, plant and equipment and intangible assets), whenever such writeoff does not occur during the ordinary course of business. However, the effect of these changes is not expected to be material for the Group during the transition.

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.

Amendments to IFRS 2 classification and measurement of share-based payment transactions

The IASB issued the amendments to IFRS 2 Share-Based Payments to clarify the booking of three important issues: the effects of the conditions for the irrevocability of the concession and the conditions that do not determine concession irrevocability in valuing a transaction with share-based payments settled in cash; the classification of a transaction with share-based payments including a settlement less tax withholdings; and the booking of an amendment to the terms and conditions of a share-based payment transaction that changes its classification, from a cash settlement to a settlement through equity instruments.

Upon the adoption, the entities are required to apply the amendments without restating the previous years; however, the retrospective application is allowed if performed for the three amendments and if other criteria are met. The amendments are effective for the years beginning on or after January 1, 2018, thus allowing their early application. The Group expects the amendment to have no material impact as a result of the application of this standard.

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.

In 2018, the Group will continue to evaluate the potential effect of IFRS 16 in its consolidated financial statements.

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. This standard is not applicable to the Group.

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. These amendments are effective for the years beginning on or after January 1, 2018, thus allowing their early application. The Group shall apply these amendments once they become effective. However, as the Group's current practice is consistent with the clarifications issued, the Group does not expect any impact on its consolidated financial statements.

Annual IFRS improvements. Period 2014-2016 (issued in December 2016)

The amendments include:

IFRS 1 First-time Adoption of International Financial Reporting Standards. Deletion of short-term exemptions for first-time adopters

The short-term exemptions under paragraphs E3 through E7 in IFRS 1 have been eliminated because they have not been useful for the expected purpose. The amendments are effective January 1, 2018. These amendments are not applicable to the Group.

IAS 28 Investments in Associates and Joint Ventures. Clarification that the valuation of investees at fair value through profit or loss must be decided separately for each investment

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 must be applied retrospectively and are effective from January 1, 2018, thus allowing its early application. If an entity applies these amendments in a year that begins on a previous date, it should be broken down. The Group does not expect any impact on its consolidated financial statements as a result of the application of this standard.

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

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.

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 interpretation shall be effective for the years beginning on or after January 1, 2018. The early application of this interpretation is allowed and, in that case, it should be broken down. 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.

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.

Inter-segment 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, 2017, and 2016, are presented below:

Period ended December 31, 2017	Automotive	Electronics	Other services	Segments consolidated total
	ARS 000	ARS 000	ARS 000	ARS 000
Revenues from ordinary activities	2,961,349	13,932,465	9,864	16,903,678
Industrial promotion benefits	596,002	3,135,277	-	3,731,279
Total income	**3,557,351**	**17,067,742**	**9,864**	**20,634,957**
Income (loss)				
Depreciation and amortization	(30,292)	(128,477)	(168)	(158,937)
Operating (loss) income for the year	**(135,558)**	**1,247,755**	**6,204**	**1,118,401**

Period ended December 31, 2016	Automotive	Electronics	Other services	Segments consolidated total
	ARS 000	ARS 000	ARS 000	ARS 000
Revenues from ordinary activities	2,346,294	10,295,708	8,405	12,650,407
Industrial promotion benefits	428,057	2,300,999	-	2,729,056
Total income	**2,774,351**	**12,596,707**	**8,405**	**15,379,463**
Income (loss)				
Depreciation and amortization	(16,612)	(85,098)	(171)	(101,881)
Operating (loss) income for the year	**(275,925)**	**905,909**	**7,115**	**637,099**

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

The assets and liabilities for each segment as of December 31, 2017, and 2016 are disclosed below:

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					
Non-operating assets					
– Invesments in associates	-	-	-	455,628	455,628
– Other financial assets	-	-	-	416,231	416,231
– Other nonfinancial receivables	-	313,815	-	87,115	400,930
– Deferred tax assets	-	-	-	1,757	1,757
Total non-operating assets	**-**	**313,815**	**-**	**960,731**	**1,274,546**
Operating assets	1,035,387	8,378,116	10,936	-	9,424,439
Total assets	**1,035,387**	**8,691,931**	**10,936**	**960,731**	**10,698,985**
Non-operating liabilities					
– Interest-bearing debts and borrowings	-	-	-	512,859	512,859
– Deferred tax liability	-	-	-	1,068	1,068
Total non-operating liabilities	**-**	**-**	**-**	**513,927**	**513,927**
Operating liabilities	649,307	7,000,429	1,991	-	7,651,727
Total liabilities	**649,307**	**7,000,429**	**1,991**	**513,927**	**8,165,654**

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

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, 2016					
Non-operating assets					
– Invesments in associates	-	-	-	840,208	840,208
– Other nonfinancial receivables	-	-	-	85,189	85,189
Total non-operating assets	**-**	**-**	**-**	**925,397**	**925,397**
Operating assets	1,177,068	5,188,975	8,107	-	6,374,150
Total assets	**1,177,068**	**5,188,975**	**8,107**	**925,397**	**7,299,547**
Non-operating liabilities					
– Interest-bearing debts and borrowings	-	-	-	924,701	924,701
– Deferred tax liability	-	-	-	736	736
Total non-operating liabilities	**-**	**-**	**-**	**925,437**	**925,437**
Operating liabilities	437,928	4,258,993	2,529	-	4,699,450
Total liabilities	**437,928**	**4,258,993**	**2,529**	**925,437**	**5,624,887**

5. REVENUES FROM ORDINARY ACTIVITIES

	12.31.2017	12.31.2016
	ARS 000	ARS 000
Sale of goods	16,893,814	12,642,002
Rental income	9,864	8,405
Total net sales of goods and services	**16,903,678**	**12,650,407**

6. COST OF GOODS SOLD AND SERVICES RENDERED

	12.31.2017	12.31.2016
	ARS 000	ARS 000
Stock at beginning of year (*)	1,977,638	1,677,156
Purchase for the year	15,322,776	10,789,769
Operating expenses and services - Note 7	2,925,823	2,529,927
Creation of the allowance for inventories obsolescence and impairment in value - Note 14	136,980	142,975
Use of the allowance for inventories obsolescence and impairment in value - Note 14	(185,528)	(139,495)
Stock at end of year	(2,723,364)	(1,977,638)
Cost of goods sold and services rendered	**17,454,325**	**13,022,694**

(*) 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

	12.31.2017			
	Operating expenses and services	Administrative expenses	Selling expenses	Total
	ARS 000	ARS 000	ARS 000	ARS 000
Salaries & wages	1,357,083	194,194	89,024	1,640,301
Contributions and employee benefits	358,254	52,101	18,094	428,449
Insurance	67,453	2,112	7,368	76,933
Fees	11,339	36,269	8,678	56,286
Taxes, rates and assessments	185,709	36,827	561,314	783,850
Advertising expenses	-	-	74,794	74,794
Bank expenses and tax on bank account transactions	-	154,966	-	154,966
Intangible assets amortization	-	11,592	-	11,592
PP&E and investment property depreciations	136,296	9,292	1,757	147,345
Leases and logistics services	45,819	14,252	52,151	112,222
Customs clearing and dispatch expenses	226,400	-	195	226,595
Maintenance	48,088	8,462	227	56,777
Traveling and living expenses	4,544	6,614	2,830	13,988
Transportation, shipping and handling	410,601	-	83,859	494,460
Cleaning and surveillance expenses	54,718	3,260	53	58,031
Miscellaneous	19,519	19,360	1,375	40,254
Royalties	-	-	2,110	2,110
Doubtful accounts	-	-	1,203	1,206
Total	**2,925,823**	**549,301**	**905,035**	**4,380,159**

	12.31.2016			
	Operating expenses and services	Administrative expenses	Selling expenses	Total
	ARS 000	ARS 000	ARS 000	ARS 000
Salaries & wages	1,030,498	153,263	42,274	1,226,035
Contributions and employee benefits	284,744	39,857	7,402	332,003
Insurance	101,638	1,464	7,439	110,541
Fees	18,067	46,722	934	65,723
Taxes, rates and assessments	255,331	23,580	318,594	597,505
Advertising expenses	-	-	123,536	123,536
Bank expenses and tax on bank account transactions	-	120,629	-	120,629
Intangible assets amortization	-	10,745	-	10,745
PP&E and investment property depreciations	88,023	3,041	72	91,136
Leases and logistics services	46,797	3,185	5,832	55,814
Customs clearing and dispatch expenses	117,269	-	-	117,269
Maintenance	29,220	6,176	-	35,396
Traveling and living expenses	6,058	6,429	1,159	13,646
Transportation, shipping and handling	466,145	-	174,675	640,820
Cleaning and surveillance expenses	52,136	6,781	-	58,917
Miscellaneous	34,001	22,294	914	57,209
Royalties	-	-	4,982	4,982
Doubtful accounts	-	-	-	-
Total	**2,529,927**	**444,166**	**687,813**	**3,661,906**

8. OTHER INCOME AND EXPENSES

8.1. Other operating income

	12.31.2017 ARS 000	12.31.2016 ARS 000
Foreign exchange difference	345,391	398,472
Miscellaneous	-	1,998
Total other operating income	**345,391**	**400,470**

8.2. Other operating expenses

	12.31.2017 ARS 000	12.31.2016 ARS 000
Compensations	(103,413)	(63,429)
Foreign exchange difference	(849,873)	(924,732)
Total other operating expenses	**(953,286)**	**(988,161)**

8.3. Finance costs

	12.31.2017 ARS 000	12.31.2016 ARS 000
Interest accrued on payables and loans	(60,942)	(181,526)
Foreign exchange difference and net present value	(314,781)	(167,345)
Total finance costs	**(375,723)**	**(348,871)**

8.4. Finance income

	12.31.2017 ARS 000	12.31.2016 ARS 000
Income on short-term deposits	27,152	1,306
Interest	320	29,775
Present value	67,770	33,796
Total finance income	**95,242**	**64,877**

8.5. Other income, net

	12.31.2017 ARS 000	12.31.2016 ARS 000
Income on sale of PP&E	67,724	753
Other income	7,246	14,302
Total other income	**74,970**	**15,055**

9. INCOME TAX

The major components of income tax expense for the years ended December 31, 2017, and 2016, are:

	12.31.2017 ARS 000	12.31.2016 ARS 000
Current income tax		
Income tax and current minimum presumed income tax charge	(57,563)	(47,493)
Deferred income tax		
Related to the origin and reversal of temporary differences	(30,253)	19,865
Variation in the allowance for impairment in value of deferred income tax and minimum presumed income tax credit	31,678	(19,843)
Income tax for the year	**(56,138)**	**(47,471)**

(*) 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, 2017, and 2016, is as follows:

Deferred income tax

Deferred tax relates to the following:

	12.31.2017 ARS 000	12.31.2016 ARS 000
Income before income tax	943,809	475,202
At the 35% statutory tax rate	(330,333)	(166,321)
Exempt income due to activities performed in Tierra del Fuego	248,287	138,693
Subtotal	(82,046)	(27,628)
	(5,770)	
Charge for the allowance for impairment in value of deferred income tax and minimum presumed income tax assets	31,678	(19,843)
Income tax for the year	**(56,138)**	**(47,471)**

	Consolidated statement of financial position		Consolidated statement of comprehensive income	
	12.31.2017	12.31.2016	12.31.2017	12.31.2016
	ARS 000	ARS 000	ARS 000	ARS 000
Allowance for impairment in value of inventories	8	9	(1)	-
NOLs to be offset against future taxable income	23,035	52,406	(29,371)	19,843
Allowance for impairment in value of deferred tax asset	(20,737)	(52,415)	31,678	(19,843)
Current value effect	(457)	-	(457)	-
Inventories valuation	(92)	-	(92)	-
Deferred income tax asset	1,757	-	1,757	-
Investment property	(1,068)	(736)	(332)	22
Deferred income tax liabilities	**(1,068)**	**(736)**	**(332)**	**22**

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, 2017, 2016, Mirgor Group has tax losses which amounted to 82,550 and 149,731 (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, 2017, and 2016, deferred tax liabilities amounted to 1,068 and 736, respectively.

There are no income tax effects related to the payment of dividends by Mirgor Group to its shareholders in 2017 and 2016.

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.

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

	12.31.2017 ARS 000	12.31.2016 ARS 000
Total net comprensive income for the year attribuible to ordinary equity holder of the parent used in the basic earnings and diluted earnings per share computations	**887,282**	**427,484**
Weighted average number of ordinary shares attributable to basic and diluted earnings per share (in thousands of shares)	**180,000**	**140,000**

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, 2017.

	12.31.2017				
	Acquisition cost				
Main account	**At beginning of year** **ARS 000**	**Additions (1)** **ARS 000**	**Dispositions** **ARS 000**	**Transfers** **ARS 000**	**At end** **ARS 000**
Plots of land	4,154	44	(1,318)	-	2,880
Buildings and construction	131,410	6,416	(7,457)	2	130,371
Machinery, equipment and tools	546,775	38,298	(2,719)	2,746	585,100
Vehicles	4,761	1,797	(500)	-	6,058
Furniture and office supplies	14,479	4,478	(391)	-	18,566
Fixtures	94,496	3,713	(1,089)	6,830	103,950
Die-stamping	35,080	1	(152)	-	34,929
Computer hardware	51,080	3,578	(186)	102	54,574
Works in process	14,550	46,808	(1,037)	(9,680)	50,641
	896,785	**105,133**	**(14,849)**	**-**	**987,069**

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Main account	12.31.2017 Depreciation						
	At beginning of year	Annual average rate	Dispositions	Transfers	Charges for the end	At end	Residual value
	ARS 000		ARS 000	ARS 000	ARS 000	ARS 000	ARS 000
Plots of land	-	-	-	-	-	-	2,880
Buildings and construction	41,522	2%	(4,076)	-	11,657	49,108	81,268
Machinery, equipment and tools	248,153	20%	(1,793)	-	106,736	353,096	232,004
Vehicles	2,476	20%	(448)	-	912	2,940	3,118
Furniture and office supplies	6,009	20%	(233)	-	4,250	10,026	8,540
Fixtures	47,154	25%	(400)	-	11,953	58,707	45,243
Die-stamping	30,954	20%	(111)	-	2,402	33,245	1,684
Computer hardware	28,265	20%	(847)	-	9,267	36,685	17,889
Works in process	-	-	-	-	-	-	50,641
	404,533		**(7,908)**	**-**	**147,177**	**543,802**	**443,267**

(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, 2016.

Main account	12.31.2016 Acquisition cost				
	At beginning of year	Additions (1)	Dispositions	Transfers	At end
	ARS 000	ARS 000	ARS 000	ARS 000	ARS 000
Plots of land	4,154	-	-	-	4,154
Buildings and construction	100,272	30,587	-	551	131,410
Machinery, equipment and tools	360,606	161,953	(29,107)	53,323	546,775
Vehicles	2,715	2,019	-	27	4,761
Furniture and office supplies	8,933	5,259	-	287	14,479
Fixtures	78,151	15,023	(250)	1,572	94,496
Die-stamping	35,310	40	(270)	-	35,080
Computer hardware	34,395	15,669	-	1,016	51,080
Works in process	63,223	8,103	-	(56,776)	14,550
	687,759	**238,653**	**(29,627)**	**-**	**896,785**

Main account	12.31.2016 Depreciation					
	At beginning of year	Annual average rate	Charge for the period	Deletions for the period	At end	Residual value
	ARS 000		ARS 000	ARS 000	ARS 000	ARS 000
Plots of land	-	-	-	-	-	4,154
Buildings and construction	31,856	2%	-	9,666	41,522	89,888
Machinery, equipment and tools	190,168	20%	(3,436)	61,421	248,153	298,622
Vehicles	1,979	20%	-	497	2,476	2,285
Furniture and office supplies	4,006	20%	-	2,003	6,009	8,470
Fixtures	37,167	25%	(75)	10,062	47,154	47,342
Die-stamping	29,967	20%	(108)	1,095	30,954	4,126
Computer hardware	22,044	20%	-	6,221	28,265	22,815
Works in process	-	-	-	-	-	14,550
	317,187		**(3,619)**	**90,965**	**404,533**	**492,252**

(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, 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	1,292	-	-	-	-	1,292
Buildings and construction	7,321	1,707	2%	168	1,875	5,446
	8,613	1,707		168	1,875	6,738

Changes in cost of acquisition and accumulated depreciation as of December 31, 2016

	12.31.2016					
	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	1,292	-	-	-	-	1,292
Buildings and construction	7,321	1,536	2%	171	1,707	5,614
	8,613	1,536		171	1,707	6,906

Net income from on investment properties delivered under operating leases for the fiscal years ended December 31, 2017, and 2016, were as follows:

	12.31.2017 ARS 000	12.31.2016 ARS 000
Income from leases on investment properties	9,864	8,405
Operating expenses (including repair and maintenance) related to leased investment properties	(1,405)	(1,290)
Subtotal	**8,459**	**7,115**
Income tax	(3,635)	(3,807)
Net profit arising from investment properties	**4,824**	**3,308**

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, patents and licenses ARS 000	Goodwill ARS 000	Total ARS 000
Acquisition cost			
As of January 1, 2016	47,129	766	47,895
Additions for the year	9,336	-	9,336
As of December 31, 2016	**56,465**	**766**	**57,231**
Additions for the year	1,052	-	1,052
As of December 31, 2017	57,517	**766**	58,283
Amortization and impairment in value			
As of January 1, 2016	7,167	-	7,167
Additions for the year	10,745	-	10,745
As of December 31, 2016	**17,912**	**-**	**17,912**
Additions for the year	11,592	-	11,592
As of December 31, 2017	**29,504**	**-**	**29,504**
Residual value			
As of December 31, 2016	**38,553**	**766**	**39,319**
As of December 31, 2017	**28,013**	**766**	**28,779**

14. INVENTORIES

	12.31.2017 ARS 000	12.31.2016 ARS 000
Raw materials	1,546,138	1,165,254
Finished goods	1,177,226	812,384
Subtotal	2,723,364	1,977,638
Raw material in transit	640,568	792,000
Allowance for obsolescence and impairment in value of inventories	(139,221)	(187,769)
	3,224,711	**2,581,869**

The changes in the allowance for inventories impairment and obsolescence as of December 31, 2017, and 2016, as detailed below, have been included in cost of goods sold and services provided in the statement of comprehensive income:

	12.31.2017 ARS 000	12.31.2016 ARS 000
At beginning of year	**(187,769)**	**(184,289)**
Increase (1)	(136,980)	(142,975)
Use (2)	185,528	139,495
At end of year	**(139,221)**	**(187,769)**

(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

	12.31.2017	12.31.2016
	ARS 000	ARS 000
Current		
Trade receivables	4,608,950	3,059,132
Trade receivables of associates – Nota 18	10,460	-
Allowance for doubtful accounts (1)	(1,481)	(275)
	4,617,929	**3,058,857**

(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	Without due date	To fall due	<30 days	30 - 60 days	61 - 90 days	90 - 120 days
	ARS 000	ARS 000	ARS 000	ARS 000	ARS 000	ARS 000	ARS 000
12.31.2017	4,617,929	10,460	4,505,718	48,621	30,589	10,354	12,187
12.31.2016	3,058,857	-	2,492,788	296,649	132,604	111,180	25,636

15.2. Trade and other payables

	12.31.2017	12.31.2016
	ARS 000	ARS 000
Noncurrent		
Security deposits	83	106
	83	**106**

	12.31.2017	12.31.2016
	ARS 000	ARS 000
Current		
Trade payables	6,742,459	4,325,966
Trade payables of associates - Note 18	-	892
Salaries & wages and payroll taxes payable	286,404	164,867
Annual statutory bonus and vacation accrual	52,920	27,176
Income tax accrual	28,039	39,799
Health and safety assessment	1,903	1,654
Turnover tax payable and withholdings/additional withholdings to be deposited	49,364	29,161
Value-added tax payables and withholdings/additional withholdings to be deposited	18,716	11,769
Excise taxes payable	-	40,354
Other taxes payable	6,702	12,829
Customer prepayments	424,565	203
Other accounts payable	18,866	21,858
Royalties payable	18,650	19,519
Directors' fees payable	3,056	2,728
	7,651,644	**4,698,775**

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	12.31.2017	12.31.2016
			ARS 000	ARS 000
Interest-bearing current debts and borrowings				
Bank loans in local currency	-	-	-	14,146
Bank loans in foreign currency	3.73	2018	512,859	910,555
Total interest-bearing current debts and borrowings			**512,859**	**924,701**

(*) Effective as of December 31, 2017.

The information on the objectives and policies related to Mirgor Group's credit risk management is included in Note 19.1.

15.4. Other financial assets

	12.31.2017 ARS 000	12.31.2016 ARS 000
Noncurrent		
Long-term loans – Note 18	416,231	-
	416,231	**-**

	12.31.2017 ARS 000	12.31.2016 ARS 000
Current		
Credit for forward exchange transactions	27,167	-
	27,167	**-**

15.5. Other current financial liabilities

	12.31.2017 ARS 000	12.31.2016 ARS 000
Liabilities for forward exchange transactions	-	569
	-	**569**

15.6. Cash and short-term deposits

	12.31.2017 ARS 000	12.31.2016 ARS 000
Cash on hand and in banks	900,848	194,947
Short-term investments	175,000	-
To the consolidated statement of financial position	**1,075,848**	**194,947**

For the purpose of the consolidated statement of cash flow, cash and cash equivalents comprise the following as of December 31, 2017, and 2016:

	12.31.2017 ARS 000	12.31.2016 ARS 000
Cash on hand and in banks	900,848	194,947
To the consolidated statements of cash flows	**900,848**	**194,947**

15.7. Impairment of financial assets

Trade and other receivables

As of December 31, 2017, the value of trade receivables for an original carrying amount of 1,481 were impaired and fully booked as allowance. The amounts and changes of the allowance for doubtful accounts are detailed below.

	Impaired in value separately	Total
	ARS 000	ARS 000
As of December 31, 2016	**275**	**275**
Charge for the year (Note 7)	1,206	1,206
	1,481	**1,481**

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, 2017, 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, 2017, and 2016, agreements were signed to cover the potential devaluations of the Argentine peso in the amount of about USD 248,838,000 and USD 84,550,000, respectively, since Mirgor Group carries significant payables in foreign currency to industrial suppliers abroad. As of December 31, 2017, the amount receivable disclosed under "Other financial assets" is 27,167. As of December 31, 2016, the amount payable disclosed under "Other financial liabilities" is 569. 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, 2017, and 2016, income (loss) for these transactions amounted to 34,356 (loss) and 65,473 (income), respectively, and was disclosed in "Foreign exchange differences" under "Other operating expenses".

15.9. Changes in liabilities from financing activities

			Changes other than cash		
	12.31.2016	Cash flows	Foreign exchange difference	Accrued interest	12.31.2017
	ARS 000	**ARS 000**	**ARS 000**	**ARS 000**	**ARS 000**
Bank loans	924,701	(588,686)	115,902	60,942	512,859

			Changes other tan cash		
	12.31.2015	Cash flows	Foreign exchange	Accrued interest	12.31.2016
	ARS 000	**ARS 000**	**ARS 000**	**ARS 000**	**ARS 000**
Bank loans	360,170	305,680	77,325	181,526	924,701

15.10. Consolidated financial assets and liabilities in foreign currency

Mirgor Group's consolidated assets and liabilities in foreign currency as of December 31, 2017, and 2016, 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	12.31.2017	12.31.2016
				ARS 000	ARS 000
ASSETS					
Noncurrent assets					
Other financial assets	USD	22,440	18,549	416,231	-
				416,231	-
Total noncurrent assets				**416,231**	**-**
Current assets					
Cash on hand and in banks					
Cash on hand	USD	59	18,549	1,099	1,644
Cash in banks	USD	46,386	18,549	860,414	6,681
				861,513	8,325
Trade and other receivables					
Trade receivables	EUR	1,230	22,283	27,401	48,429
	USD	140,719	18,549	2,610,206	1,650,220
				2,637,607	1,698,649
Other nonfinancial receivables					
Prepayments to suppliers for the purchase of goods	EUR	111	22,450	2,494	2,360
	USD	15,897	18,649	296,471	5,020
	JPY	149	0,166	25	20
	BRL	-	-	-	122
				298,990	7,522
Total current assets				**3,798,110**	**1,714,496**
Total assets				**4,214,341**	**1,714,496**
Liabilities					
Current liabilities					
Interest-bearing debts and borrowings	USD	27,501	18,649	512,859	910,555
				512,859	910,555
Trade and other payables					
Trade payables	USD	326,945	18,649	6,097,202	3,814,961
	EUR	4,269	22,450	95,846	32,477
	BRL	1,524	5,630	8,580	8,042
	JPY	48,814	0,166	8,096	4,010
				6,209,724	3,859,490
Royalties payable	EUR	801	22,450	17,988	18,854
	BRL	52	5,630	291	281
	USD	20	18,649	371	384
				18,650	19,519
Total current liabilities				**6,741,233**	**4,789,564**
Total liabilities				**6,741,233**	**4,789,564**

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

	12.31.2017	12.31.2016
	ARS 000	**ARS 000**
Noncurrent		
Payroll taxes to be recovered	681	681
Miscellaneous	894	9
	1,575	**690**
Current		
Prepayments to suppliers for the purchase of goods	313,815	23,077
Turnover tax withholdings and additional withholdings	28,810	31,576
Loans and advances to personnel	7,531	6,310
Insurance to be accrued	31,006	2,944
VAT credit balance - Note 22	3,723	620
Excise tax prepayment	8,299	10,438
Miscellaneous	6,171	9,534
	399,355	**84,499**

17. CAPITAL STOCK

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

	12.31.2017	12.31.2016
	In thousands	**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, issued, subscribed and paid-in ordinary shares		
As of December 31, 2017	**180,000**	**18,000**
As of December 31, 2016	**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	Other accounts payable	Noncurrent financial assets
		ARS 000	ARS 000	ARS 000
Parent company:				
Il Tevere S.A.	12.31.2017	59	-	-
	12.31.2016	-	292	-
Associate:				
SAPI S.A.	12.31.2017	1,428	-	-
	12.31.2016	-	600	-
Minera Don Nicolás S.A.	12.31.2017	-	-	326,359
	12.31.2016	-	-	-
CIAPEX S.A.	12.31.2017	8,973	-	89,872
	12.31.2016	-	-	-

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, 2017, 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**
12.31.2017	17%	(408,862)
	(17%)	408,862

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

The Finance Department is in charge of managing customer credit risk subject to policies, procedures and controls relating to Mirgor Group's credit risk management. Customer receivables are regularly monitored. Note the following concentration of credit risk by business:

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, 2017.

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, 2017, 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.

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

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, 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	-	-	512,859	512,859
Trade and other payables	289,617	5,761,469	1,753,340	7,804,426
	289,617	**5,761,469**	**2,266,199**	**8,317,285**

As of December 31, 2016	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	-	741,764	182,937	924,701
Trade and other payables	1,821,604	2,026,078	1,236,078	5,084,614
	1,821,604	**2,768,696**	**1,419,015**	**6,009,315**

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, 2017, 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.

	12.31.2017	12.31.2016
	ARS 000	ARS 000
Interest-bearing debts and borrowings	512,859	924,701
Trade payables	6,742,456	4,325,966
Less: Cash on hand and in banks	(1,075,848)	(194,947)
Net debt	**6,179,470**	**5,055,720**
Shareholders' equity	2,533,331	1,674,660
Total capital	2,533,331	1,674,660
Total capital and net debt	8,712,801	6,730,380
Indebtedness ratio	**71%**	**75%**

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, 2017, 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 information on the abovementioned entities as of December 31, 2017, and 2016, is as follows:

Company	Business activity	Equity	Income for the year	Percentage in the capital stock	Book value as of 12.31.2017	Book value as of 12.31.2016
CIAPEX S.A.	Investment and financing	2,066,974	(234,615)	14.21%	307,305	321,453
SAPI S.A.	Administrative, advisory and management	50,408	50,288	3.00%	1,512	2,214
CIAPEXSA guarantee trust	Guarantee trust	617,318	284,119	23.75%	146,811	516,541
Total					**455,628**	**840,208**

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, 2017, and 2016, amount to 146,811 and 516,541, respectively, net of returns. In addition, the contributions made to CIAPEX S.A. and SAPI S.A. as of December 31, 2017, and 2016, stood at 308,817 and 323,667, respectively, net of distributions and retained earnings (accumulated losses).

21. EARNINGS DISTRIBUTION

The Regular and Special Shareholders' Meeting held on April 28, 2017, resolved to approve the increase in the legal reserve by 2,400, to 4,680, to approve the allocation of cash dividends in the amount of 29,000, to use the remaining 2016 income for an amount of 396,084, and to increase the optional reserve for existing working capital and investments to 1,616,700, as well as to delegate on the Board the power to reverse this reserve and use it for its intended purpose.

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, Antarctica and South Atlantic Islands. 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, Antarctica and South Atlantic Islands are subject to a 100% income-tax 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, Antarctica and South Atlantic Islands 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, Antarctica and South Atlantic Islands under Law No. 19,640.

f) Export rebates in Argentine pesos: Under Law No. 19,640, exports from the mainland to Tierra del Fuego, Antarctica and South Atlantic Islands 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, Province of Tierra del Fuego, Antarctica and South Atlantic Islands.

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, Antarctica and South Atlantic Islands 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. On July 30, 2013, IATEC S.A. requested that its production capacity of television sets be expanded to 400,000 units, since it had complied with the investment commitments, working capital and minimum number of personnel employed 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 material and the export of finished products from the Province of Tierra del Fuego, Antarctica and Southern Atlantic Islands.

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[1] on the same date it was passed.

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[1]Argentine government daily periodical publishing enacted acts, decrees, administrative orders, as well as resolutions of federal government and municipal agencies, and judicial documents requiring publication, etc. Under Argentine law, legal provisions become effective and binding once they have been published in this Bulletin for some specified time as provided by the related statute.

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 December 31, 2017. 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.

Management decided not to exercise the tax revaluation option.

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 assedssed.

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

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

	Notes	12.31.2017 ARS 000	12.31.2016 ARS 000
Revenues from ordinary activities	6	1,932,091	1,460,559
Industrial promotion benefit	21	370,971	230,875
Cost of sale of goods	7	(2,088,612)	(1,618,998)
Gross income		**214,450**	**72,436**
Other operating income	9	5,491	6,038
Administrative expenses	8	(262,112)	(230,393)
Selling expenses	8	(230,676)	(230,380)
Other operating expenses	9	(99,998)	(62,409)
Operating loss		**(372,845)**	**(444,708)**
Financial costs	9	(1,250)	(94,470)
Financial income	9	31,191	5,641
Other income, net	9	75,197	1,161
Interest in the subsidiaries' net income	4	1,157,233	965,409
Income for the year before income tax and minimum presumed income tax, net		**889,526**	**433,033**
Income tax and minimum presumed income tax	10	(2,244)	(5,549)
Total comprehensive income for the year, net		**887,282**	**427,484**

Earnings per share (Note 11):

		12.31.2017	12.31.2016
– basic and diluted, net income for the year attributable to ordinary equity holders of the parent's equity		4.93	3.05

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

SEPARATE STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2017

	Notes	12.31.2017 ARS 000	12.31.2016 ARS 000
Assets			
Noncurrent assets			
Property, plant and equipment	12	62,544	72,160
Intangible assets	13	9,555	13,611
Interest in subsidiaries	4	3,698,086	2,552,791
Other nonfinancial receivables	16	210	198
		3,770,395	2,638,760
Current assets			
Other nonfinancial receivables	16	9,624	12,403
Inventories	14	340,775	337,687
Trade and other receivables	15	273,860	349,202
Cash and short-term deposits	15	111,947	37,142
		736,206	736,434
Total assets		**4,506,601**	**3,375,194**
Equity and liabilities			
Shareholders' equity			
Issued capital		18,000	18,000
Capital adjustment		156	156
Additional paid-in capital		5,244	5,244
Income set apart for reserves		1,621,454	1,222,970
Unappropriated retained earnings (accumulated losses)		887,282	427,484
Total equity		**2,532,136**	**1,673,854**
Noncurrent liabilities			
Trade and other payables	15	7,128	13,056
		7,128	13,056
Current liabilities			
Interest-bearing debts and borrowings	15	-	14,146
Trade and other payables	15	1,967,337	1,674,138
		1,967,337	1,688,284
Total liabilities		**1,974,465**	**1,701,340**
Total equity and liabilities		**4,506,601**	**3,375,194**

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

SEPARATE STATEMENT OF CHANGES IN EQUITY

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

	Attributable to owners							
		Other capital accounts convertible into shares		Other shareholders' equity components				
	Capital	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**	**156**	**5,244**	**2,280**	**74**	**1,220,616**	**427,484**	**1,673,854**
Increase in the legal reserve as resolved at the Shareholders' Meeting on April 28, 2017	-	-	-	2,400	-	-	(2,400)	-
Distribution of cash dividends provided for by at the Shareholders' Meeting on April 28, 2017	-	-	-	-	-	-	(29,000)	(29,000)
Increase in the optional reserve, as resolved at the Shareholders' Meeting on April 28, 2017	-	-	-	-	-	396,084	(396,084)	-
Net income of the year	-	-	-	-	-	-	(887,282)	887,282
As of December 31, 2017	**18,000**	**156**	**5,244**	**4,680**	**74**	**1,616,700**	**887,282**	**2,532,136**

	Attributable to owners							
		Other capital accounts convertible into shares		Other shareholders' equity components				
	Capital	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, 2016	**6,000**	**156**	**5,244**	**2,280**	**74**	**750,343**	**522,273**	**1,286,370**
Distribution of cash dividends, as resolved at the Shareholders' Meeting on April 29, 2016	-	-	-	-	-	-	(40,000)	(40,000)
Distribution of share dividends provided for at the Shareholders' Meeting on April 29, 2016	12,000	-	-	-	-	-	(12,000)	-
Increase in the optional reserve, as resolved at the Shareholders' Meeting on April 29, 2016	-	-	-	-	-	470,273	(470,273)	-
Net income of the year	-	-	-	-	-	-	427,484	427,484
As of December 31, 2016	**18,000**	**156**	**5,244**	**2,280**	**74**	**1,220,616**	**427,484**	**1,673,854**

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

SEPARATE STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

	12.31.2017	12.31.2016
	ARS 000	**ARS 000**
Operating activities		
Comprehensive income for the year before income tax and minimum presumed income tax	889,526	433,033
Interest accrued on loans	960	77,684
Adjustments to reconcile the comprehensive net income for the year with net cash flows		
PP&E depreciations	14,947	12,687
Amortization of intangible assets	4,256	3,925
Income on sale of PP&E	(68,158)	(1,161)
Increase in the allowance for inventory obsolescence	25,125	15,938
Increase in the allowance for imperment of doubt ful accounts	1,206	-
Income on interest in the associates' net income	(1,157,233)	(965,409)
Adjustment of operating assets and liabilities		
Decrease (Increase) in trade and other receivables	78,616	(75,640)
Increase in inventories	(28,213)	(95,691)
Decrease in other nonfinancial receivables	531	9,111
Increase (Decrease) in trade and other payables	139,250	(74,869)
Net cash flows arising from (used in) operating activities	**99,187**	**(660,392)**
Investing activities		
PP&E additions	(12,493)	(20,871)
Collection on sale of PP&E, net	75,320	17,968
Acquisitions of intangible assets	(200)	(2,610)
Acquisitions of short-term deposits	(95,000)	-
Net cash flows used in investing activities	**(32,373)**	**(5,513)**
Financing activities (Note 15.7)		
Decrease in loans, net	(14,147)	(258,197)
Interest expense, net	(959)	(80,098)
Increase in intercompany (*)	155,471	940,794
Dividends paid	(29,000)	(40,000)
Net cash flows arising from financing activities	**111,365**	**562,499**
Net (decrease) increase in cash and cash equivalents	**(20,195)**	**(103,406)**
Cash and cash equivalents as of January 1	37,142	140,548
Cash and cash equivalents as of December 31	**16,947**	**37,142**

(*) As od December 31, 2017, net of dividends distribued by Capdo S.A. for an amount of 7,930, net of dividends distributed by IATEC S.A. for an amount of 4,000 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, 2017

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 December 31, 2017, were authorized for issue in accordance with a resolution of the Company’s Board of Directors on March 8, 2018.

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, 2017, 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, 2017, 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, 2017.

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The IFRS applicable as from January 1, 2017, 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, 2017.

4. INTERESTS IN SUBSIDIARIES AND ASSOCIATES

The Company has shares in the following subsidiaries:

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

	ICSA 12.31.2017 ARS 000	CAPDO 12.31.2017 ARS 000	IATEC 12.31.2017 ARS 000	GMRA 12.31.2017 ARS 000
Equity under professional accounting statements	3,613,092	13,224	3,749,561	(4,001)
IFRS adjustments	72,580	955	(114,456)	(247)
Equity under IFRS	**3,685,672**	**14,179**	**3,635,105**	**(4,248)**

5. OPERATING SEGMENT INFORMATION

Operating segment information was presented in note 4 to the consolidated financial statements as of December 31, 2017.

6. REVENUES FROM ORDINARY ACTIVITIES

	12.31.2017	12.31.2016
	ARS 000	ARS 000
Sale of goods	1,932,091	1,460,559
Total revenues from ordinary activities	**1,932,091**	**1,460,559**

7. COST OF GOODS SOLD AND SERVICES RENDERED

	12.31.2017	12.31.2016
	ARS 000	ARS 000
Stock at beginning of year (*)	276,905	191,726
Purchases of the year	1,323,490	1,089,884
Operating expenses - Note 8	723,904	609,986
Creation of the allowance for inventories obsolescence and impairment in value. Note 14	25,125	15,938
Use of the allowance for inventories obsolescence and impairment in value. Note 14	(21,607)	(11,631)
Stock at end of year (*)	(239,205)	(276,905)
Cost of sale of goods	**2,088,612**	**1,618,998**

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

8. OPERATING, ADMINISTRATIVE AND SELLING EXPENSES

Account	12.31.2017				12.31.2016			
	Operating expenses and services	Administrative expenses	Selling expenses	Total	Operating expenses and services	Administrative expenses	Selling expenses	Total
	ARS 000	ARS 000	ARS 000	ARS 000	ARS 000	ARS 000	ARS 000	ARS 000
Salaries & wages	302,946	125,198	63,266	491,410	280,275	116,979	24,044	421,298
Contributions and employee benefits	75,909	32,766	11,943	120,618	63,572	27,381	3,419	94,372
Insurance	11,299	1,542	732	13,573	11,934	725	63	12,722
Fees	2,563	21,277	638	24,478	3,079	17,758	934	21,771
Taxes, rates and assessments	17,432	20,978	77,847	116,257	10,442	14,262	60,909	85,613
Advertising expenses	-	-	7,082	7,082	-	-	5,456	5,456
Bank expenses and tax on bank account transactions	-	22,537	-	22,537	-	24,669	-	24,669
Intangible assets amortization	-	4,256	-	4,256	-	3,925	-	3,925
PP&E depreciations	11,615	3,004	328	14,947	10,202	2,413	72	12,687
Leases and logistics services	11,951	-	15,489	27,440	9,484	-	558	10,042
Customs clearing and dispatch expenses	65,584	-	-	65,584	30,510	-	-	30,510
Maintenance	14,898	5,728	70	20,696	8,017	4,981	-	12,998
Traveling and living expenses	2,243	5,001	1,073	8,317	3,520	4,859	718	9,097
Transportation, shipping and handling	194,751	-	48,302	243,053	158,370	-	128,389	286,759
Cleaning and surveillance expenses	9,532	3,196	48	12,776	9,028	109	-	9,137
Miscellaneous	3,181	16,629	542	20,352	11,553	12,332	836	24,721
Royalties	-	-	2,110	2,110	-	-	4,982	4,982
Doubtful accounts	-	-	1,206	1,206	-	-	-	-
Total	**723,904**	**262,112**	**230,676**	**1,216,692**	**609,986**	**230,393**	**230,380**	**1,070,759**

9. OTHER INCOME AND EXPENSE

9.1. Other operating income

	12.31.2017	12.31.2016
	ARS 000	ARS 000
Foreign exchange difference	5,491	3,840
Miscellaneous	-	2,198
Other operating income	**5,491**	**6,038**

9.2. Other operating expenses

	12.31.2017 ARS 000	12.31.2016 ARS 000
Compensations	(56,366)	(32,388)
Foreign exchange difference	(43,632)	(30,021)
Total other operating expenses	**(99,998)**	**(62,409)**

9.3. Finance costs

	12.31.2017 ARS 000	12.31.2016 ARS 000
Interest accrued on payables and loans	(960)	(77,684)
Present value	(290)	(16,786)
Total financial costs	**(1,250)**	**(94,470)**

9.4. Finance income

	12.31.2017 ARS 000	12.31.2016 ARS 000
Present value	27,364	4,360
Other financial income	3,827	1,281
Total financial income	**31,191**	**5,641**

9.5. Other income, net

	12.31.2017 ARS 000	12.31.2016 ARS 000
Income on sale of PP&E	68,158	1,161
Miscellaneous	7,039	-
Total other income, net	**75,197**	**1,161**

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, 2017, and 2016, is as follows:

	12.31.2017	12.31.2016
	ARS 000	**ARS 000**
Comprehensive income (loss) for the year before income tax	889,526	433,033
At the 35% statutory tax rate	(311,334)	(151,562)
Tax-exempt income from activities carried out in Tierra del Fuego at the statutory tax rate	(338,717)	141,942
Subtotal	**(27,383)**	**9,620**
Decrease in deferred income tax credit due to tax reform	(2,013)	-
Application (Charge) for the allowance for impairment in value of deferred income tax assets	27,152	(15,169)
Income tax and current minimum presumed income tax for the year	**(2,244)**	**(5,549)**

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, 2017, and 2016, the Company has NOLs which are not statute-barred totaling ARS 40,252 (which are usable through December 31, 2022) and 112,080, 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 2017 and 2016.

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:

	12.31.2017 ARS 000	12.31.2016 ARS 000
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	**887,282**	**427,484**

	12.31.2017 In thousands	12.31.2016 In thousands
Weighted average number of ordinary shares attributable to basic and diluted earnings per share (in thousands of shares)	**180,000**	**140,000**

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, 2017

	12.31.2017				
	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	1,731	-	(1,552)	-	179
Buildings and construction	35,521	785	(7,457)	-	28,849
Machinery, equipment and tools	71,899	5,450	(2,577)	-	74,772
Vehicles	2,701	257	(436)	-	2,522
Furniture and office supplies	2,447	633	(374)	-	2,706
Fixtures	13,852	641	(1,089)	-	13,404
Die-stamping	20,312	-	(152)	-	20,160
Computer hardware	27,099	908	(186)	-	27,821
Works in process	1,084	3,819	(1,037)	-	3,866
	176,646	12,493	(14,860)	-	174,279

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Main account	12.31.2017 Depreciation At beginning of year	Average rate	Dispositions	Charges for the year	At end	Residual value
	ARS 000		ARS 000	ARS 000	ARS 000	ARS 000
Plots of land	-	-	-	-	-	179
Buildings and construction	12,894	2%	(4,076)	1,542	10,360	18,489
Machinery, equipment and tools	43,642	20%	(1,651)	6,853	48,844	25,928
Vehicles	2,221	20%	(397)	269	2,093	429
Furniture and office supplies	1,796	20%	(216)	293	1,873	833
Fixtures	9,016	25%	(400)	1,067	9,683	3,721
Die-stamping	17,959	20%	(111)	887	18,735	1,425
Computer hardware	16,958	20%	(847)	4,036	20,147	7,674
Works in process	-	-	-	-	-	3,866
	104,486		(7,698)	14,947	111,735	62,544

(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, 2016

Main account	12.31.2016 Acquisition cost At beginning of year	Additions (1)	Dispositions	Transfers	At end
	ARS 000	ARS 000	ARS 000	ARS 000	ARS 000
Plots of land	1,731	-	-	-	1,731
Buildings and construction	35,416	105	-	-	35,521
Machinery, equipment and tools	76,978	13,220	(18,728)	429	71,899
Vehicles	2,649	25	-	27	2,701
Furniture and office supplies	2,180	267	-	-	2,447
Fixtures	13,595	251	-	6	13,852
Die-stamping	20,565	17	(270)	-	20,312
Computer hardware	20,313	5,902	-	884	27,099
Works in process	1,346	1,084	-	(1,346)	1,084
	174,773	20,871	(18,998)	-	176,646

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	12.31.2016					
	Depreciation					
Main account	At beginning of year	Average rate	Dispositions	Charges for the year	At end of year	Residual value
	ARS 000		ARS 000	ARS 000	ARS 000	ARS 000
Plots of land	-	-	-	-	-	1,731
Buildings and construction	12,311	2%	-	583	12,894	22,627
Machinery, equipment and tools	38,308	20%	(2,083)	7,417	43,642	28,257
Vehicles	1,949	20%	-	272	2,221	480
Furniture and office supplies	1,648	20%	-	148	1,796	651
Fixtures	7,858	25%	-	1,158	9,016	4,836
Die-stamping	17,942	20%	(108)	125	17,959	2,353
Computer hardware	13,974	20%	-	2,984	16,958	10,141
Works in process	-	-	-	-	-	1,084
	93,990		(2,191)	12,687	104,486	72,160

(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, 2016	19,117	508	19,625
Additions for the year	2,610	-	2,610
As of December 31, 2016	**21,727**	**508**	**22,235**
Additions for the year	200	-	200
As of December 31, 2017	**21,927**	**508**	**22,435**
Amortization and impairment in value			
As of January 1, 2016	4,699	-	4,699
Amortization charge for the year	3,925	-	3,925
As of December 31, 2016	**8,624**	**-**	**8,624**
Amortization charge for the year	4,256	-	4,256
As of December 31, 2017	**12,880**	-	**12,880**
Net carrying amount			
As of December 31, 2016	13,103	508	13,611
As of December 31, 2017	**9,047**	**508**	**9,555**

14. INVENTORIES

	12.31.2017	12.31.2016
	ARS 000	**ARS 000**
Raw materials	136,189	183,494
Finished goods	103,016	93,411
Subtotal	239,205	276,905
Raw material in transit	130,681	86,375
Allowance for obsolescence and impairment in value of inventories	(29,111)	(25,593)
	340,775	**337,687**

The changes in the allowance for inventories impairment and obsolescence as of December 31, 2017, and 2016, as detailed below, have been included in cost of goods sold and services provided in the separate statement of comprehensive income:

	12.31.2017	12.31.2016
	ARS 000	**ARS 000**
At beginning of year	**(25,593)**	**(21,286)**
Increase (1)	(25,125)	(15,938)
Use (1) (2)	21,607	11,631
At end of year	**(29,111)**	**(25,593)**

(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

	12.31.2017	12.31.2016
	ARS 000	ARS 000
Current:		
Trade receivables	234,799	313,415
Trade receivables of associates - Note 18	40,542	36,062
Allowance for impairment in value of doubtful accounts - Note 15.5	(1,481)	(275)
	273,860	**349,202**

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, 2017.

Below is a breakdown of trade receivables by due date:

				Past due	
	Total	Without due date	To fall due	<30 days	31 - 60 days
	ARS 000	ARS 000	ARS 000	ARS 000	ARS 000
12.31.2017	273,860	40,542	198,105	17,774	17,439
12.31.2016	349,202	36,062	208,841	104,299	-

15.2. Trade and other payables

	12.31.2017	12.31.2016
	ARS 000	ARS 000
Noncurrent:		
Trade payables of associates - Note 18	7,128	13,056
	7,128	**13,056**

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	12.31.2017	12.31.2016
	ARS 000	ARS 000
Current:		
Trade payables	301,639	218,810
Trade payables of associates - Note 18	1,461,712	1,307,763
Salaries & wages and payroll taxes payable	145,459	92,716
Annual statutory bonus and vacation accrual	17,184	17,286
Health and safety assessment	1,838	1,654
Turnover tax payable and withholdings.additional withholdings to be deposited	5,274	3,298
Income tax accrual	2,217	842
Value-added tax payables and withholdings.additional withholdings to be deposited	4,796	3,218
Other taxes payable	3,845	2,955
Other accounts payable	1,950	3,349
Royalties payable	18,650	19,519
Directors' fees payable	2,773,	2,728
	1,967,337	**1,674,138**

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, 2017.

15.3.Interest-bearing debts and borrowings

	12.31.2017	12.31.2016
	ARS 000	ARS 000
Current		
Interest-bearing current debts and borrowings		
Bank loans	-	14,146
Total interest-bearing current debts and borrowings	**-**	**14,146**

15.4.Cash and short-term deposits

	12.31.2017	12.31.2016
	ARS 000	ARS 000
Cash at banks and on hand	16,947	37,142
Short-term investments	95,000	-
To the separate statement of financial position	**111,947**	**37,142**

For the purpose of the consolidated statement of cash flow, cash and cash equivalents as of December 31, 2017 and 2016, comprise the following:

	12.31.2017 ARS 000	12.31.2016 ARS 000
Cash at banks and on hand	16,947	37,142
To the separate statement of cash flows	**16,947**	**37,142**

15.5.Impairment of financial assets

Trade and other receivables

During the year ended December 31, 2017, the allowance for doubtful accounts rose by 1,206 and stood at 1,481. The changes in the allowance for impairment in value of accounts receivable are detailed below.

	Impaired in value separately ARS 000	Total ARS 000
As of December 31, 2016	**275**	**275**
Charge for the year (Note 8)	1,206	1,206
As of December 31, 2017	**1,481**	**1,481**

15.6.Information on fair values

As of December 31, 2017 and 2016, 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, 2017, and 2016, the Company did not sign this type of agreements.

15.7. Changes in liabilities from financing activities

	12.31.2016	Cash flows	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	14,146	(15,106)	-	960	-

	12.31.2015	Cash flows	Changes other than cash: Foreign exchange	Changes other than cash: Accrued interest	12.31.2016
	ARS 000	ARS 000	ARS 000	ARS 000	ARS 000
Bank loans	274,757	(338,295)	-	77,684	14,146

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

	12.31.2017	12.31.2016
	ARS 000	ARS 000
Noncurrent		
Payroll taxes to be recovered	189	189
Miscellaneous	21	9
	210	**198**

	12.31.2017	12.31.2016
	ARS 000	ARS 000
Current		
Prepayments to suppliers for the purchase of goods	2,480	7,018
Loans and advances to personnel	4,643	3,729
Insurance to be accrued	-	1,424
Miscellaneous	2,501	232
	9,624	**12,403**

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, 2017.

18. Related party disclosures

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

		Accounts receivable *	Accounts payable *	Loans granted net of (settled payables)	Dividends collected	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.	12.31.2017	40,483	-	4,421	-	-	(28)	-	-
	12.31.2016	36,062	-	(37,289)	-		(68)	-	-
IATEC S.A.	12.31.2017	-	1,461,712	(158,241)	4,000	(913)	-	-	-
	12.31.2016	-	1,307,471	(896,862)	5,750	(292)	-	-	-
CAPDO S.A.	12.31.2017	-	7,128	(2,002)	7,930	-	-	-	-
	12.31.2016	-	13,056	(5,301)	-	-	-	-	-
II TEVERE S.A.	12.31.2017	59	-	351	-	-	-	-	-
	12.31.2016	-	292	4,408	-	-	-	-	-
Company key management personnel:									
Directors	12.31.2017	-	-	-	-	-	-	41,737	2,400
	12.31.2016	-	-	-	-	-	-	27,743	923

(*) 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, 2017.

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, 2017.

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, 2017.

19.2. Credit risk

The credit risk management was described in Note 19.2 to the consolidated financial statements as of December 31, 2017.

19.3. Liquidity risk

The liquidity risk management was described in Note 19.3 to the consolidated financial statements as of December 31, 2017.

19.4. Capital management

The capital management was described in Note 19.4 to the consolidated financial statements as of December 31, 2017.

19.5. Guarantees granted

The guarantees granted were described in Note 19.4 to the consolidated financial statements as of December 31, 2017.

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, 2017.

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, 2017.

Additionally, the Law No. 27,430 Tax Reform main relevant aspects were described in Note 22.2.

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.

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

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	90-180 days
Trade receivables	273,860	40,542	198,105	35,213	-

TRADE AND OTHER PAYABLES AND INTEREST BEARING LOANS AND BORROWINGS:

			To fall due					Past due
	Total	Ithout due date	90 days	90-180 days	180-270 days	270-360 days	More than one year	90 days
Trade payables	1,974,465	1,468,840	307,018	139,128	18,650	-	-	40,829

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, 2017, 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.

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

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. Note 4 to the separate financial statements discloses Mirgor SACIFIA's direct and indirect interests in subsidiaries.

Subsidiary	(Direct and indirect) equity interest percentage in common stock as of:			Main business activity
	12.31.2017	12.31.2016	12.31.2015	
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 broker
IATEC S.A.	100	100	100	Electronic products
GMRA S.A.	100	-	-	Marketing company

RECEIVABLES:

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

b) Without any established due date: (See Note 18) 40,542.

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

b) Without any established due date: (See Note 18) 1,468,840.

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

d) The accounts are stated in Argentine pesos.

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

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

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

f) The amounts do not accrue interest.

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.

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

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

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.

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.

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

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

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.

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 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, 2017, (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, 2017, 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, 2017, 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, 2017, 2016, 2015, 2014 and 2013", 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 accompanying financial statements consolidated with those of its subsidiaries as of December 31, 2017, and as of December 31, 2016, 2015, 2014 and 2013, which are not included in the accompanying document and on which we issued our audit reports dated March 9, 2017, March 10, 2016, March 6, 2015 and March 7, 2014, to which we refer and which should be read jointly with this report.

(d) As of December 31, 2017, 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 9,832,637, 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, 2017, 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, 2018

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

GUILLERMO E. BONDANCIA
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 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, 2017, (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, 2017, 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, 2017, liabilities accrued in employee and employer contributions to the Integrated Pension Fund System, as recorded in the Company's books, amounted to ARS 9,832,637, 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, 2017, 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, 2018

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

GUILLERMO E. BONDANCIA
Partner
Certified Public Accountant (U.B.A.)