



March 29, 2019, Mexico City, United States of México

REPORT OF THE CHIEF EXECUTIVE OFFICER OF VISTA OIL & GAS, S.A.B. DE C.V.

To the Shareholders of Vista Oil & Gas S.A.B.,
de C.V.

cc. Board of Directors of
Vista Oil & Gas S.A.B., de C.V.

Dear Ladies and Gentlemen:

In my capacity as the Chief Executive Officer of Vista Oil & Gas, S.A.B. de C.V. (the "Company" or "Vista"), and in compliance with the provisions of Section 45 of the Security Market Act, I proceed to submit the report of activities, the financial situation, results and the existing projects of the Company, during the financial year ended December 31, 2018, pursuant to Section 44, subsection XI of the Securities Market Act, Section 172 of the General Law of Companies.

OUR COMPANY

Vista is an independent oil and gas company operating since April 4, 2018, in a leadership position in Latin America. We own high-quality, low-operating costs, high-margin conventional producing assets in Argentina and Mexico. Led by an experienced management team, we seek to generate strong returns for our shareholders by leveraging our strong cash flow-producing conventional assets and developing our premier shale acreage in our 134,000 net acres in the Vaca Muerta shale play in Argentina.

COMPANY'S PERFORMANCE DURING 2018, MANAGEMENT POLICIES AND MAIN EXISTING PROJECTS

INITIAL BUSINESS COMBINATION

On April 4, 2018, Vista consummated the Initial Business Combination. The term "Initial Business Combination" refers to the following transactions:

- (i) **Acquisition of Petrolera Entre Lomas S.A. ("PELSA", now Vista Oil & Gas Argentina S.A.):** The acquisition to Pampa Energía S.A. ("Pampa") of:
 - a) a 58.88% of the capital stock of PELSAs, an Argentine corporation that hold a 73.15% direct operating interest in each of the Entre Lomas, Bajada del Palo and Agua Amarga oil exploitation concessions located in the Neuquina Basin in the provinces of Neuquén and Rio Negro, Argentina (the "EL-AA-BP Concessions");



- b) a 3.85% direct interest in the EL-AA-BP Concessions operated by PELSA; and
- c) a 100% direct interest in the 25 de Mayo- Medanito SE and Jagüel de los Machos oil exploitation concessions located in the Neuquén basin in the province of Río Negro, Argentina, which were acquired by PELSA on the same day.

(ii) **APCO Acquisitions.** The acquisition to Pluspetrol Resources Corporation ("Pluspetrol") of:

- a) a 100% of the capital stock of APCO Oil & Gas International, Inc.; and
- b) a 5% of the capital stock of APCO Argentina, S.A.

At the time of the Initial Business Combination (April 4, 2018), APCO International held (a) 39.22% of PELSA's capital stock; (b) 95% of APCO Argentina's capital stock; and (c) through APCO Argentina Branch, the following oil and gas interests:

- 1) 23% interest in each of the EL-AA-BP Concessions operated by PELSA;
- 2) 45% non-operational interest in an assessment block in the Neuquina Basin in the Province of Neuquén, Argentina, denominated "Coirón Amargo Sur Oeste";
- 3) 55% operating interest in an exploitation concession in the Neuquina Basin in the Province of Neuquén, Argentina, denominated "Coirón Amargo Norte";
- 4) 1.5% non-operating interest in an exploitation concession in the Noroeste Basin in the Province of Salta, Argentina, denominated "Acambuco";
- 5) 16.95% non-operating interest in an exploitation concession in the Golfo San Jorge Basin in the Province of Santa Cruz, Argentina, denominated "Sur Río Deseado Este"; and
- 6) 44% non-operating interest in an exploration agreement in the Golfo San Jorge Basin in the Province of Santa Cruz, Argentina, denominated "Sur Río Deseado Este II."

At the time of the Initial Business Combination, APCO Argentina held a 1.58% equity interest in PELSA, which, together with (a) the 39.22% equity interest in PELSA held through APCO International, (b) the 58.88% equity interest held directly by the Company as described in (i)(a) above, and (c) the 0.32% equity interest directly acquired on April 25, 2018 by Vista Holding I from PELSA's minority shareholders, accounted for 100% of the capital stock of PELSA that we hold as of the date hereof.



RECENT ACQUISITIONS

Acquisition of the rights over the Jaguar blocks

On October 30, 2018, we completed the acquisition of a 50% interest in three blocks held by two Mexican E&P companies, Jaguar Exploración y Producción 2.3, S.A.P.I. de C.V., a company wholly-owned by Jaguar Exploración y Producción de Hidrocarburos, S.A.P.I. de C.V. ("Jaguar"), and Pantera Exploración y Producción 2.2, S.A.P.I. de C.V. ("Pantera"), a company 67% owned by Jaguar and 33% owned by Sun God Energía México, S.A. de C.V., pursuant to an assignment agreement (the "Jaguar JVA").

As a result of this transaction, which was approved by the National Hydrocarbon Commission ("CNH") on October 2, 2018, we hold a 50% working interest in the following blocks:

- CS-01 (23,475 gross acres) and A-10 (85,992 gross acres), both to be operated by Vista (upon the approval of transfer of operatorship by the CNH); and
- TM-01 (18,039 gross acres), to be operated by Jaguar.

To the date hereof, the amendments to the respective license agreements are pending of signature by the CNH, Jaguar, Pantera and Vista in order to formalize the acquisition of those rights. We foresee that these agreements will be executed on the first months of 2019.

Águila Mora's acquisition

On August 22, 2018, our subsidiary APCO Argentina Branch entered into a cross assignment of rights agreement with O&G Developments Ltd. S.A. ("O&G"), a wholly-owned subsidiary of Shell (the "Águila Mora Swap Agreement"), pursuant to which (i) APCO Argentina Branch assigned to O&G 35% non-operated working interest in the Coirón Amargo Sur Oeste block, (ii) O&G assigned to APCO Argentina Branch a 90% operated working interest in the Águila Mora block and agree to invest US\$10,000,000 to upgrade its current water supply infrastructure and serve our operations in the Bajada del Palo block. On November 30, 2018, the province of Neuquén approved the assignment of 90% of the interest in the Águila Mora block to APCO Argentina Branch. As a result of the transaction, Vista retained a 10% working interest in the Coirón Amargo Sur Oeste block and own a 90% working interest in the Águila Mora block, becoming the operator of the latter, pursuant to the Águila Mora Swap Agreement.

RELEVANT ASPECTS OF 2018

- Average Daily Production of 2018 was 24,500 barrels of oil equivalent per day ("boed"), composed by 14,700 barrels of oil per day ("bbld"), 1.44 million cubic meters per day ("MMm3d") of natural gas, and 747 boed of natural gas liquids ("NGL"), exceeding the total production guidance of 24,100 boed by 1.7%.



- Average Daily Production of the fourth quarter of 2018 ("Q4 2018") was 24,700 boed, composed by 14,500 bbl/d, 1.52 MMm3d of natural gas, and 716 boed of NGL, exceeding the total production guidance of 24,100 boed by 2.5%. In Q4 2018 Vista continued to increase its total operated production to 24,400 boed, a 2.5% above the previous quarter of 23,800 boed. Operated production represented 99% of total production.
- Vista boosted total proved reserves in 2018 to 57.6 million barrels of oil equivalent ("MMBOE"). Total proved reserves increased by 10.3% with a total reserves replacement ratio of 161%.
- Consolidated adjusted EBITDA for the full year 2018 reached 195.0 million US dollars ("\$MM"), reflecting an adjusted EBITDA margin of 45%, two percentage points above guidance of 43%. Q4 2018 adjusted EBITDA reached 40.4\$MM, reflecting an adjusted EBITDA margin of 39%, four percentage points below guidance.
- Average 2018 lifting cost was 13.9 US dollars per barrel of oil equivalent ("\$/boe"), which represents a reduction of 19.7% vis-à-vis the guidance of 17.3 \$/boe. Average lifting cost for Q4 2018 was 12.6 \$/boe, 27.2% below the guidance.
- In Q4 2018, crude oil average realized price was 65.5 \$/bbl, 2.2% below the guidance, and natural gas average realized price was 3.9 \$/MMBTU, below the guidance by 17.0%, which is explained by seasonal effects on natural gas prices.
- During 2018, the total number of conventional wells tied-in was 18 and performed 14 workovers. From the 18 wells drilled, 15 targeted oil prone formations, and 3 targeted natural gas.
- The Company is on track with the development of its Vaca Muerta Shale Oil project in Bajada del Palo Oeste, having already finished drilling and completed the first 4-well pad, with an average lateral length of 2,550 meters each, and an average of 34 frac stages per well.
- Cash balance at the end of the year 2018 was 80.9\$MM, with cash generated from operating activities during Q4 2018 of 54.7\$MM, 24.3% growth vis-à-vis the third quarter of 2018.

Proved reserves. Vista boosted 2018 proved reserves to 57.6 MMBOE, a 10.3% above pro-forma 2017 proved technical volumes (reserves), with a Reserves Replacement Ratio of 161%. Main additions came from unconventional reserves in Bajada del Palo Oeste, Lotena formation in Bajada del Palo Oeste as well, and from the effect of the improvement to base production decline ratios.

Revenues. Total consolidated revenues for the full year 2018 were 435.4\$MM, below the guidance of 445\$MM in 2.2%. Q4 2018 revenues were below the other quarters of the year, despite of the increase in production, this being explained by price effect.



Net Income. Vista recorded a net income of 42.4\$MM during Q4 2018. During this quarter, a recovery of non-cash charges of deferred income taxes of 18.2\$MM was recorded. Total net loss for the year 2018 was 29.9\$MM, mainly driven by income tax effect on the second and third quarter of 2018: current income tax was 35.4\$MM and deferred income tax was 12.0\$MM.

Capital Expenditure. Vista's total capital expenditure (Capex) was 123.7\$MM during the second, third and fourth quarters of 2018 (full year 2018 Capex was 130.0\$MM). Vista's Capex included 43.2\$MM in conventional activity for the drilling and completion of 18 new wells in Jagüel de los Machos, Medanito and Lotena formation in Bajada del Palo Oeste. All of the conventional wells tied-in by the Company are currently on production. Conventional activity also included 14 well workovers.

Capital Expenditure in unconventional activity reached 48.2\$MM, of which 44.3\$MM correspond to the Vaca Muerta development in Bajada del Palo Oeste (operated by Vista), and 3.9\$MM correspond to the development in Coirón Amargo Sur Oeste (operated by Shell).

Capital expenditure in facilities was 16.3\$MM in the year, mainly corresponding to the revamping of existing oil and gas treatment facilities and pipelines. Other capital expenditures for 16.1\$MM correspond to the bonus paid for unconventional concessions of Bajada del Palo Oeste and Bajada del Palo Este for 9.0\$MM, and technology, communications and infrastructure projects.

On October 30, 2018, we completed the acquisition of a 50% interest in three blocks held by Jaguar exploración y producción S.A.P.I. de C.V (Jaguar). As the result of this transaction, we disbursed 30.6\$MM (including refundable VAT for 4.7\$MM) for a 50% working interest in the blocks: CS-01 and A-10, both to be operated by Vista (upon the approval of transfer of operatorship by the CNH to Vista), and TM-01 to be operated by Jaguar.

Financial Overview. As of December 31, 2018, the Company's cash and cash equivalents balance was 80.9\$MM and the financial debt was 300\$MM, corresponding to the 5-year term loan executed on July 20th. The implied gross leverage ratio was 1.5x and the net leverage ratio was 1.1x.

During Q4 2018, cash flow from operations was 54.7\$MM, 24.4% above the 44.0\$MM of the third quarter of 2018 and 73.1% above the 31.6\$MM of the second quarter of 2018, mainly driven by working capital management and a decrease in income tax effectively paid.

OUR MANAGEMENT TEAM

Experienced management and professional team. Our management team and professional staff has vast experience in executing complex projects worldwide. Our management team played a pivotal role in unlocking the Vaca Muerta formation as an economically viable shale play, drilling more than 500 unconventional wells and bringing



shale production to 50,000 boe/d from zero in their previous jobs. Our management team has significant experience in the development of unconventional reservoirs and also in the implementation of secondary and tertiary recovery projects in mature fields. We believe that such experience of our management team and professional staff will improve our position among our competitors and enhance our ability to successfully leverage the exploitation of the Vaca Muerta formation.

We adopted our Long Term Incentive Plan in April 2018 for purposes of attracting and retaining talented people as officers, directors, employees and consultants which are key to us, incentivizing their performance and aligning their interests with ours.

Lean and agile organization. Our employees are organized in a flat and lean organizational structure that we believe facilitates a rapid and effective decision-making process, allowing us to adapt to the continuous changes in the industry and business environment. Our Management Team works closely with our operations, prioritizing shareholders returns while committing to high safety and security standards. We incorporate new technologies in order to automate every-day operations, improve response time and achieve real-time reporting.

FINANCIAL STATEMENTS OF THE COMPANY FOR THE YEAR CONCLUDED ON 31 DECEMBER, 2018

I attached hereto the financial statements of the Company, together with the opinion of the external auditor, regarding the Company's operations and results of the financial year ended on December 31, 2018.

Thank you

Since the beginning of the Company, we have world-class Board of Directors, on both a professional and personal level, with vast experience in the industry and in the region, composed mostly by independent directors. I am very fortunate to be able to rely on their experience and support. I want to express my gratitude to them and to all the relevant officers of Vista for their constant dedication, and to you, our shareholders, for trusting us.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Miguel Matias Galuccio", is written over a horizontal line.

Miguel Matias Galuccio
Chief Executive Officer of Vista Oil & Gas
S.A.B., de C.V.