

Free translation from the original prepared in Spanish for publication in Argentina

Generación Mediterránea S.A.

FINANCIAL STATEMENTS

AT DECEMBER 31, 2016

PRESENTED IN COMPARATIVE FORMAT

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Generación Mediterránea S.A.

GLOSSARY OF TECHNICAL TERMS

The following are not technical definitions, but they are helpful for the reader's understanding of some terms used in the notes to the financial statements of the Company.

Terms	Definitions
/day	Per day
AISA	Albanesi Inversora S.A.
AJSA	Alba Jet S.A.
ASA	Albanesi S.A.
AFIP	Administración Federal de Ingresos Públicos
AFSA	Albanesi Fuegoína S.A.
AISA	Albanesi Inversora S.A.
AVRC	Alto Valle Río Colorado S.A.
AVSA	Albanesi Venezuela S.A.
BADLAR	Interest rates paid by financial institutions on their time deposits for over one million pesos.
BADCOR	Adjusted BADLAR rate
BDD	Bodega del Desierto S.A.
BCRA	Argentine Central Bank
CAMMESA	Compañía Administradora del Mercado Mayorista Eléctrico S.A.
CC	Combined cycle
CINIIF	International Financial Reporting Interpretations Committee
CNV	National Securities Commission
CTE	Central Térmica Ezeiza located in Ezeiza, Buenos Aires.
CTI	Central Térmica Independencia located in San Miguel de Tucumán, Tucumán (merged with GMSA)
CTLB	Central Térmica La Banda located in La Banda, Santiago del Estero (merged with GMSA)
CTMM	Central Térmica Modesto Maranzana located in Río IV, Córdoba
CTR	Central Térmica Roca S.A.
CTRi	Central Térmica Riojana located in La Rioja, La Rioja (merged with GMSA)
CVP	Variable Production Cost
Dam3	Cubic decameter Volume equivalent to 1,000 (one thousand) cubic meters.
DH	Historical availability
Availability	Percentage of time in which the power plant or machinery, as applicable, is in operation (generating power) or available for power generation, but not called by CAMMESA
DMC	Minimum Availability Committed
DO	Target availability
DR	Registered availability
The Group	Albanesi S.A. and its subsidiaries
Energía Plus	Plan created under ES Resolution 1281/06
ENRE	National Electricity Regulatory Authority
EPEC	Empresa Provincial de Energía de Córdoba
FACPCE	Argentine Federation of Professional Councils in Economic Sciences

Generación Mediterránea S.A.

GLOSSARY OF TECHNICAL TERMS (Cont'd)

Terms	Definitions
FONINVEMEM	Fund for investments required to increase the electric power supply in the WEM
GE	General Electric
GFSA	Generación Frías S.A.
GISA	Generación Independencia S.A.
GLBSA	Generación La Banda S.A.
GMSA	Generación Mediterránea S.A.
Large Users	WEM agents classified according to their consumption into: GUMAs, GUMEs, GUPAs and GUDIs
GRISA	Generación Riojana S.A.
GROSA	Generación Rosario S.A.
GUDIs	Large Demand from Distributors, with declared or demanded supplies of over 300kW
GUMAs	Major Large Users
GUMEs	Minor Large Users
GUPAs	Particular Large Users
GW	Gigawatt Unit of power equivalent to 1,000,000,000 watts
GWh	Gigawatt hour Unit of energy equivalent to 1,000,000,000 watts hour
IASB	International Accounting Standards Board
IGJ	Superintendency of Commercial Companies
kV	Kilovolt Unit of electromotive force which is equal to 1,000 volts
kW	Kilowatt Unit of power equivalent to 1,000 watts
kWh	Kilowatt hour Unit of energy equivalent to 1,000 watts hour
LGS	General Companies Law
LVFVD	Sales liquidations with maturity date to be defined
MAT	Futures market
MAPRO	Major Scheduled Maintenance
MEM	Wholesale Electric Market
MMm3	Million cubic meters
MW	Megawatt Unit of power equivalent to 1,000,000 watts
MWh	Megawatt hour Unit of energy equivalent to 1,000,000 watts hour
MVA	Mega-volt ampere, unit of energy equivalent to 1 volt x 1 ampere x 106
ARG GAAP	Argentine Generally Accepted Accounting Principles
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
NO	Negotiable obligations
PWPS	Pratt & Whitney Power System Inc
Resolution 220/07	Regulatory framework for the sale of energy to CAMMESA through the "WEM Supply Contract" under Energy Secretariat Resolution No. 220/07
GR	General Resolution
RGA	Rafael G. Albanesi S.A.
RT	Technical pronouncements
TRASNOA S.A.	An electric power carriage company by means of a trunk line in the Argentine Northwestern region
SADI	Argentine Interconnection System
SE	Energy Secretariat
UGE	Cash-Generating Unit

Generación Mediterránea S.A.

Composition of the Board of Directors and Syndics' Committee
as of December 31, 2016

President

Armando R. Losón

Vice-president 1º

Guillermo G. Brun

Vice-president 2º

Julián P. Sarti

Directors

Carlos A. Bauzas
Sebastián A. Sánchez Ramos
Oscar C. De Luise
Roberto J. Volonté
Juan Carlos Collin
Jorge Hilario Schneider

Deputy Directors

Armando Losón (h)
José Leonel Sarti
Juan G. Daly
María de los Milagros D. Grande
Ricardo M. López
Romina S. Kelleyian

Full Syndics

Enrique O. Rucq
Marcelo P. Lerner
Francisco A. Landó

Alternate Syndics

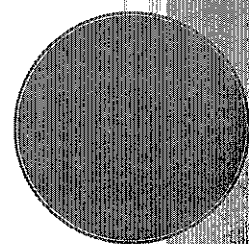
Juan Cruz Nocciolino
Carlos I. Vela
Augusto N. Arena

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Generación Mediterránea S.A

Annual Report for Fiscal Year 2016



GLOSSARY OF TECHNICAL TERMS

The following glossary does not contain technical definitions, but has been designed to help the reader understand some of the terminology used in the preparation of the notes to the special consolidated financial statements of the Company.

Term	Definition
/day	Per day
AESA	Albanesi Energía S.A.
AFIP	Federal Administration of Public Revenue
AFSA	Albanesi Fuegoína S.A.
AIS	Argentine Interconnected System
AISA	Albanesi Inversora S.A.
AJSA	Alba Jet S.A.
ASA	Albanesi S.A.
Availability	Percentage of time during which the power plant or machinery, as applicable, is operative (generating power) or available for power generation but is not called upon by CAMMESA.
AVRC	Alto Valle Río Colorado S.A.
AVSA	Albanesi Venezuela S.A.
BADCOR	Adjusted BADLAR rate
BADLAR	Interest rates paid by average financial institutions on their time deposits above one million pesos.
BCRA	Argentine Central Bank
BDD	Bodega del Desierto S.A.
CAMMESA	Wholesale Electricity Market Management Company (Compañía Administradora del Mercado Mayorista Eléctrico S.A.)
CC	Combined cycle
CCA	Corporation Control Authority (IGJ in Spanish)
CGU	Cash Generating Unit
CNV	Spanish acronym for National Securities Commission
CTE	Central Térmica Ezeiza (Ezeiza Power Plant) located in Ezeiza, Buenos Aires.
CTI	Central Térmica Independencia (Independencia Power Plant) located in San Miguel de Tucumán, Tucumán (merged with GMSA)
CTLB	Central Térmica La Banda (La Banda Power Plant) located in La Banda, Santiago del Estero (merged with GMSA)
CTMM	Central Térmica Modesto Maranzana (MM Power Plant) located in Río Cuarto, Córdoba
CTR	Central Térmica Roca S.A.
CTRi	Central Térmica Riojana (Riojana Power Plant) located in La Rioja (merged with GMSA)
Dam3	Cubic Decameter. Volume equal to 1,000 (one thousand) cubic meters.
HA	Historical Availability
Energía Plus	Plan created by Energy Secretariat (SE) Resolution 1281/06
ENRE	National Regulatory Body for Electricity
EPEC	Energy Company of the Province of Córdoba (Empresa Provincial de Energía de Córdoba)
FACPCE	Argentine Federation of Professional Councils in Economic Science
FONINVEMEM	Fund for investments required to increase the electric power supply in the WEM
GCL	General Company Law
GE	General Electric

GLOSSARY OF TECHNICAL TERMS (Cont.)

Term	Definition
GFSA	Generación Frías S.A.
GISA	Generación Independencia S.A.
GLBSA	Generación La Banda S.A.
GLSA	Generación Litoral S.A.
GMSA	Generación Mediterránea S.A.
GU (Grandes Usuarios)	Large Users - WEM Agents that are classified according to their consumption as: GUMAs, GUMEs, GUPAs and GUDIs
GRISA	Generación Riojana S.A.
GROSA	Generación Rosario S.A.
GUDIs	Large Users – Distributors: demand from clients of Distributors with power demand or declared power above 300 kW
GUMAs	Large Users High Scale
GUMEs	Large Users Low Scale
GUPAs	Large Users – Individuals
GW	Gigawatt. Unit of power equal to one billion watts.
GWh	Gigawatt-hour. Unit of energy equal to one billion watts-hour
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IFRS IC	International Financial Reporting Standards Interpretations Committee
INDEC	National Institute for Statistics and Census
kV	Kilovolt. Unit of electromotive force equal to 1,000 (one thousand) volts.
kW	Kilowatt. Unit of energy equal to 1,000 (one thousand) watts.
kWh	Kilowatt-hour. Unit of energy equal to 1,000 watts of power expended over one hour
LVFVD	Sales Payments with Expiry Date TBD
MAT	Spot Market
MAPRO	Major Programmed Maintenance
MCA	Minimum Committed Availability
MMm3	Million cubic meters.
MW	Megawatt. Unit of energy equal to one million (1,000,000) watts.
MWh	Megawatts-hour. Unit of energy equal to 1,000,000 watts expended over one hour.
MVA	Megavolt ampere. Unit of measure of apparent power equal to 1 watt x 1 ampere x 106.
NCPA	Argentine Professional Accounting Standards
NO	Negotiable Obligation
PWPS	Pratt & Whitney Power System Inc
RA	Registered Availability
Resolution 220/07	Regulatory framework for the sale of energy to CAMMESA through so-called “WEM Supply Contracts”, under Energy Secretariat Resolution N° 220/07
RG	General Resolution
RGA	Rafael G. Albanesi S.A.
RT	Spanish acronym for Technical Pronouncement
TA	Target Availability
The Group	Albanesi S.A. together with its subsidiaries
TRASNOA S.A.	Empresa de Transporte de Energía Eléctrica por Distribución Troncal del Noroeste Argentino S.A.
SE	Energy Secretariat
VPC	Variable Production Cost
WEM	Wholesale Electricity Market

Generación Mediterránea S.A

Annual Report for Fiscal Year 2016

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Annual Report for Fiscal Year 2016

To the Shareholders of GMSA,

In compliance with the applicable legal and regulatory provisions, the Board of Directors of the Company submits for your consideration the Annual Report, the Informative Review, the Financial Statements, the Statement of Comprehensive Income, Statement of Changes in Equity, Cash Flow Statement, and Notes to the Financial Statements, corresponding to the fiscal year ended December 31, 2016.

1. ACTIVITY OF THE COMPANY

GMSA is a company engaged in the conventional thermal power generation and is controlled by Albanesi S.A., an investing and financing company, which holds 95% of its capital and votes.

The Company was established in 1994 with a corporate purpose of making investments. Through its controlled and related companies, ASA has invested in the energy market in the segment dedicated to the generation and sale of electricity.

Central Térmica Modesto Maranzana

GMSA owns the Modesto Maranzana Steam Power Plant ("the Power Plant"), located in Río Cuarto, Province of Córdoba. The Power Plant originally had a combined cycle in operation with a capacity of 70 MW in two blocks of machinery of 35 MW each, each block comprising one Frame 5 Gas Turbine, one Generator and one Steam Turbine in a single axis system.

In October 2008, GMSA completed the first stage of an expansion project at the Power Plant with the installation and start-up of two new PWPS SwiftPac 60, FT8-3 aeroderivative gas turbines. These units comprise two aeroderivative gas turbines each with a capacity of 30 MW, laid out so that the two convey their power to a single generator, thus providing great operative flexibility.

Continuing with the expansion process, in 2010 GMSA installed a third 60 MW PWPS SwiftPac 60, FT8-3 turbine that went into commercial production in September 2010, increasing the installed capacity at the Power Plant by 250 MW.

In order to maintain a high level of availability, GMSA executed a long-term maintenance contract with PWPS (expiring on 12/31/2019) that envisages the provision of technical assistance by PWPS and stocks of spare parts available at company workshops.

The Power Plant is connected to the AIS through EPEC's High Voltage network.

The certifications ISO9001:2008, ISO14001:2004 and OHSAS 18001:2007 of the Integrated Management System of the Power Plant are effective. The documentation is correctly updated having adjusted it to the organization's demands and objectives for a sure and efficient performance. The staff has been trained according to the training needs identified for a correct performance of duties, and the controls and pre-emptive follow ups, undertaken, have been performed in due time and manner.

In November 2016, the first external audit for the maintenance of the Integrated Management System was made after the re-certification obtained in 2015, with satisfactory results.

For 2017 we foresee, in the first six-month period, an internal audit under Standards in effect to date, migration of the Environmental Management System and Quality Management System to its new versions in 2015 and implementation of changes based on, mainly, training activities for staff, both in classroom or distance learning. In the second six-month period, annual external audit for the maintenance of the system (2nd in a three-year period of certifications) under version 2015 for Quality and Environment Systems.

On March 28, 2016, GMSA signed an agreement with Siemens Industrial Turbomachinery AB to carry out the project to enlarge the Power Plant by 100 MW from the existent 250 MW with the installation of two Siemens SGT-800 turbines of 50MW nominal each. This enlargement agreement falls within the scope of ES Resolution 220/07. An investment of USD 88 million is expected for this work. The commercial operation is expected to start in the second quarter of 2017. At the date of these financial statements, the Company has completed payment to Siemens Industrial Turbomachinery AB of USD 21.1 million, representing 50% for the purchase of two turbines, and a deferred payment agreement has been signed for the remaining 50% in 24 installments, the first one of which must be paid in August 2017. Turbines, generator, anchor bolts and chimneys are already at the power plant.

Furthermore, in September 2016, negotiations were completed in connection with transformers, civil works for the project, chillers assembly, cooling tower and other ancillary works. In addition, in November 2016, an agreement was signed with Siemens for the maintenance and supply of spare parts for USD 823 thousand payable in two installments of 50% each.

Group's companies merger process

GMSA (merging and continuing company) has been part of a merger process with the following companies which have been absorbed: GISA (merged company), GLBSA (merged company) and GRISA (merged company). On November 10, 2015, a final merger agreement was signed which established as effective date of the merger January 1, 2016. The merger was approved by the CNV on March 22, 2016 and registered with the Superintendency of Commercial Companies on May 18, 2016 (See Note 37.a).

As a result of the merger, the power plants owned by the merged companies have been transferred to GMSA. Below, is a detail of the most important information for each of the power plants mentioned:

Independencia Power Plant (CTI, for its acronym in Spanish) is located in the city of San Miguel de Tucumán, province of Tucumán. CTI was out of service and during 2011, GISA performed all necessary works and tasks to install 120MW with PWPS technology as well as refurbish the existent auxiliary facilities. On November 17, 2011, GISA obtained the authorization for the commercial operation of the new turbines.

For the purpose of maintaining a high level of availability, GISA signed a contract for long-term maintenance with PWPS (which was transferred to GMSA and expires on December 31, 2019) whereby PWPS provides technical assistance and ensures a stock of spare parts in the Company's repair shops.

CTI is connected to SADI through a transformer substation belonging to TRANSNOA S.A. located within the premises of the Power Plant.

Riojana Power Plant (CTRI) has currently three power generation units Turbogrupos Fiat TG21 of 12MW, Turbogrupos John Brown TG22 of 16MW and Turbogrupos Fiat TG23 of 12MW, connected to SADI grid through the TRASNOA S.A. transformer substation.

On July 20, 2015, GRISA signed an addendum with CAMMESA for the agreement within the scope of ES Resolution No. 220/067 to enlarge the installed capacity by 50MW.

On September 7, 2015, GRISA executed a contract with Siemens Industrial Turbomachinery AB, whereby it agreed to purchase a turbine Siemens SGT800 of 50 MW, for an amount of USD 19.3 million. The payment of the turbine Siemens SGT800 was completed in February 2016 and it arrived at the plant in June 2016. As for the rest of the equipment: the power transformer has been installed, as well as the gas compressor, water treatment plant, chillers and tanks, among other items. At the date of these financial statements, the turbine was in the process of start-up. The total investment of the project amounts to approximately USD 49.9 million. We estimate the start of commercial operations in March of 2017.

La Banda Power Plant (CTLB) has currently two power generation units Turbogrupos Fiat TG21 of 16 MW and Turbogrupos Fiat TG22 of 16 MW, connected to SADI grid through the TRASNOA S.A. transformer substation.

For CTI, CTLB and CTRI the certification ISO14001:2004 is effective of the System for Environmental Management of the Power Plant and its documentation has been duly updated. The staff has been trained according to the training needs identified for a correct performance of duties as well as protection of the environment, and the controls and pre-emptive follow ups, undertaken, have been performed in due time and manner. There were neither environmental incidents nor emergency situations derived from the development of the process and service activities.

In November 2016, the first external audit for the maintenance of the Environmental Management System was made after the re-certification obtained in 2015, with satisfactory results.

For 2017 we foresee, in the first six-month period, an internal audit under version 2004 of the Standard, migration of the Environmental Management System to its new versions in 2015 and implementation of changes based on, mainly, training activities for staff, both in classroom or distance learning. In the second six-month period, an annual external audit was performed for the maintenance of the system (2nd in a three-year period of certification) under version 2015 in effect as from July 2017.

Under the framework of Resolution No. 21/16, the Company presented projects to enlarge the power generation capacity by 250MW, which were awarded through a bidding process. At June 30, 2016, GMSA entered into with CAMMESA agreements under this Resolution for the projects of Ezeiza Power Plant stages I and II 150 MW, and CTI stages I and II 100 MW, with rates stated in US dollars, under a take or pay clause, and effective for 10 years as from the date scheduled or date of commercial authorization, whichever occurs first.

Enlargement at Independencia Power Plant

In relation to Resolution No. 21/16 previously described, an enlargement by 100 MW of the power generation capacity in CTI was started, through the installation of two Siemens SGT-800 turbines of 50 MW each. The estimated investment amounts to approximately USD 82.5 million. The enlargement will be completed in two stages, installing 50MW in each of them. We estimate that the commercial operation of the first stage will start in the third quarter of 2017 and in the first quarter of 2018 that of the second stage.

On April 30, 2016, a contract has been signed with Siemens Industrial Turbomachinery AB for the purchase of the first SGT-800 turbine of 50 MW. At December 31, 2016, 50% of the turbine has been paid, and the other 50% will be financed by Siemens in 24 installments. The total value of this turbine amounts to USD 20.4 million.

On August 9, 2016, a contract was signed with Siemens Industrial Turbomachinery AB for the purchase of a second SGT-800 turbine of 50 MW. In that month 5% was paid, a second payment of 5% will be made in January 2017, and in March 2017, the remaining 40% will be paid. In September 2016, a deferred payment agreement was entered into for the remaining 50% to be financed by Siemens. The value of the turbine amounts to USD 19.2 million.

In September 2016, negotiations were completed in connection with two transformers of 75 MVA, the civil works for the project and chiller equipment. In addition, in November 2016, the agreements for the assembly with Siemens for a total of USD 7.5 million and maintenance and provision of spare parts for USD 1.02 million. This last will be paid 35% in June 2017, 35% in September 2017 and 30% in February 2018. Furthermore, in December 2016, the construction of a 132 Kv field was hired and a cooling tower was acquired.

Ezeiza Power Plant

In relation to Resolution No. 21/16 previously described, the building of a new plant in the Province of Buenos Aires (Ezeiza Power Plant) with 150 MW of power generation capacity started, through the installation of three Siemens turbines SGT-800 of 50 MW each. The estimated investment amounts to USD 137.5 million.

The enlargement will be completed in two stages, by installing 100 MW in the first stage and the additional 50MW in the second stage. We estimate that the commercial operations of the first stage will start in the third quarter of 2017 and in the first quarter of 2018 that of the second stage.

On April 30, 2016, a contract has been signed with Siemens Industrial Turbomachinery AB for the purchase of two SGT-800 turbines of 50 MW. In September 2016, the payment of 50% was made for the first two turbines and the remaining 50% will be financed by Siemens in 24 installments. The total value of the turbines amounts to USD 20.4 million (each).

On August 9, 2016, a contract was signed with Siemens Industrial Turbomachinery AB for the purchase of a third SGT-800 turbine of 50 MW. In that month 5% was paid, a second payment of 5% will be made in January 2017, and in March 2017, the remaining 40% will be paid. In September 2016, a deferred payment agreement (DPA) was signed for the deferred payment of the remaining 50%, which will be financed by Siemens. The value of the turbine amounts to USD 19.2 million. In a similar manner, purchase agreements have been signed for three transformers of 75 MVA, Alfa Laval equipment and chillers, the construction of 132kv fields and the purchase of land in Ezeiza and civil works. In October 2016, two water tanks and one gasoil tank were acquired.

In November 2016, the agreements for the assembly with Siemens for a total of USD 9.3 million and maintenance and provision of spare parts for USD 1.6 million were signed. This last will be paid 35% in June 2017, 35% in September 2017 and 30% in February 2018.

In December 2016, the control room and the overhead travelling crane were built and soil movements works were performed among other civil works.

2. MACROECONOMIC CONTEXT

International context

The global economy grew 3.1% in 2016, following a growth of 3.2% in 2015 and 3.4% in 2014. The world economy is expected to grow 3.4% in 2017 and 3.6% in 2018. Developed economies are expected to show growth figures above 1.9% in 2017 and 2% in 2018, driven by the expected growth in the United States of 2.3% and 2.5%, respectively, although offset by the lower growth forecast in the Euro zone of 1.6% for each of those years.

The estimated growth in the gross world product during the third quarter of 2016 was close to 3% (annualized rate); in other words, approximately equivalent to the growth in the first two quarters of the year. Nevertheless, this stable average growth rate conceals disparities among the different groups of countries. The upturn in growth was more vigorous than expected in advanced economies, mostly due to an attenuation of the drag effect caused by stocks, and an upturn in manufacturing production to a certain extent. On the other hand, an unexpected deceleration is noted in some emerging

economies, mostly attributable to idiosyncratic factors. Anticipated indicators, such as purchase agent indices, maintained their vigor in the fourth quarter in most cases.

Among the advanced economies, the economic activity revived strongly in the United States, following a weak first semester of 2016, and the economy is nearing full employment. The GDP remains below its potential level in various advanced economies, in particular in the Euro zone. Preliminary third quarter growth figures were more encouraging than expected in some economies, such as Spain and the United Kingdom, where the domestic demand held out surprisingly well following the Brexit vote. According to historical growth reviews, in 2016 and preceding years Japan's growth rate exceeded all estimates.

Regional context

The Latin American region is expected to end 2016 with a -0.7% drop in activity explained mainly by the low performance of Brazil (-3.5%) offset by slow growth in Mexico (+2.2%). The economy of the Latin American region is expected to achieve a growth of 1.2% in 2017 and of 2.1% in 2018.

In Latin America, the downward revision of growth largely reflects lower expectations of a short term recovery in Argentina and Brazil, following disappointing growth figures in the second semester of 2016, more restrictive financial conditions, stronger headwinds for Mexico in view of the uncertainty associated with the United States, and the uninterrupted deterioration of the situation in Venezuela.

Argentina

According to the IMF's WEO report, Argentina's cumulative economic activity for 2016 will reflect a -2.4% decline compared with 2015.

The Argentine economy is expected to grow 2.2% in 2017 and of 2.8% in 2018.

The cumulative economic activity for Argentina up to November 2016 – measured by the EMAE (Monthly Economic Activity Estimator) – showed a negative variation of -2.5% with regard to the cumulative economic activity for the same period of 2015.

The cumulative GDP for the first three quarters of 2016, according to the Level of Activity Progress Report prepared by the Indec, showed a similar behavior, with a contraction of -2.4% compared with the same period of 2015.

The macroeconomic evolution for the third quarter of 2016 resulted in a 3.1% drop in global supply vis a vis the same period of the previous year, according to temporary estimates and measured at 2004 prices, as a result of the 3.8% drop in the GDP and a 0.6% drop in imports of actual goods and services.

The global demand showed a 2.5% drop in exports of actual goods and services and an 8.3% decline in gross fixed capital formation. Public consumption grew 1.9%, while private consumption fell 3.1%.

The industrial activity measured by the Monthly Industrial Estimator (EMI) fell by 4.6% in 2016 compared with 2015.

According to the Wholesale Domestic Price Index (IPIM), prices showed a cumulative increase of 34.5% in 2016 (Indec).

The IPIM general level rose 0.8% in December 2016 compared with the previous month. This increase is explained by the 0.6% rise in national products and a 2.7% hike in imported products.

During the same period, the Imported Products Price Index (IPBI) general level rose 0.8%. This variation was explained by a 0.7% increase in national products and a 2.7% increase in imported products. Additionally, the Producer Price Index (IPP) general level grew 0.8% during the same period as a result of a 1.6% increase in manufactured goods and Electricity, while primary products fell by 1.0%.

As regards foreign trade, a trade surplus of USD 2.1 billion was posted during the twelve months of 2016. Total exports reached USD 57.7 billion, while imports reached USD 55.6 billion. Exports grew 1.7% with regard to 2015 (up USD 949 million). Exports of primary products grew 17.7%, exports of Manufactures of Agricultural and Livestock origin (MOA) grew 0.2%, while exports of Fuel and Power dropped 11.5%, and Industrial Manufactures (MOI) fell 6.6%. The value of exports in 2016 was 6.9% -or USD 4.1 billion- below the value posted the previous year. Imports of Fuel and lubricants dropped sharply by 30.7%, imports of intermediate goods fell 14.4%, imports of Parts and accessories for capital assets fell 10.8%; while imports of Passenger Motorcar vehicles grew 33.5%; imports of Consumer goods rose 9.1%; and imports of Capital Assets grew 2.2%. In the last segment, imports of Capital Assets excluding transport equipment fell 6.7%, while imports of Industrial Transport Equipment grew 32.5%.

In terms of monetary variables, the monetary base grew from \$622.2 billion at the end of 2015 to \$787.8 billion at the end of 2016, reflecting a 26.6% increase during the year. At year end, international reserves reached \$37.8 billion, up 52.5% from the previous year. According to the sole free exchange market (MULC), the peso lost value against the United States dollar, going from \$13.04/US\$ to \$15.89/US\$, reflecting a devaluation of 21% (BCRA).

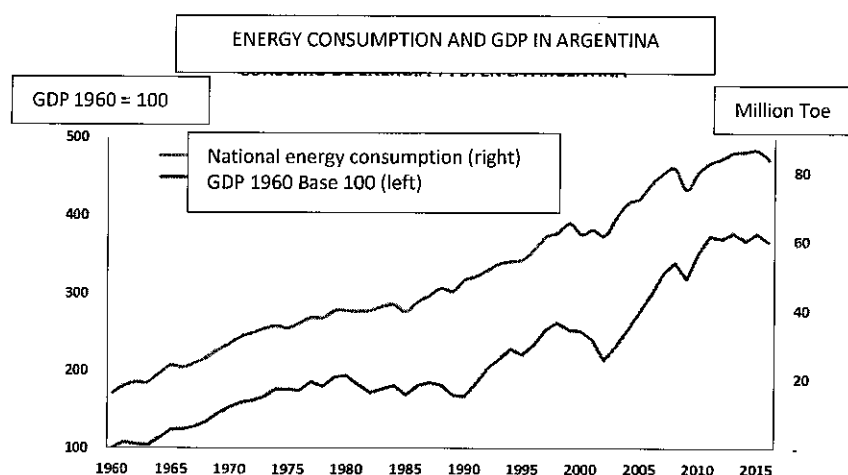
The monetary base showed a monthly growth of 9.6%, reflecting growths in the money in circulation and in bank reserves driven by the seasonal and exceptional factors referred to previously, which in turn generated a rise in encashment requirements (refer to the section on Bank Liquidity). The December demand for money supply was covered with a reduction in LEBAC holdings and the expansion generated by purchases of foreign currency, mainly from the National Treasury. These two effects were partly offset by the contraction generated by the increase in Central Bank swaps.

Considering the year 2016 as a whole and unlike what happened in previous years, foreign currency purchases constituted the main source of variation in the monetary base, leaving transfers to the National Treasury in second place. As a result, the increase in non-monetary liabilities in 2016 was met by a strengthening of Central Bank assets through the increase in foreign currency liquid assets. Inter-annually, the monetary base showed a variation of 26.6%, i.e. 1.8 p.p. below the previous month and 13.9 p.p. lower than the level posted at the end of 2015.

As regards public finances, according to the Treasury Department (the Ministry of Economy and the AFIP), National Government revenues (including tax, social security and land tax receipts) grew an annual 35.3%, reaching \$1,613 billion in 2016. Primary spending grew at a slightly faster rate (38.2%), reaching \$1,972 billion. Tax collections amounted to \$2,070 billion, reflecting a 34.6% increase from 2015.

Structure of the Energy Sector

The evolution of energy demand and consumption in Argentina is positively related to the evolution of the GDP, so that higher economic growth implies greater consolidated energy demand for all the energy products. In the last 57 years¹ energy consumption has shown a historical annual average cumulative growth of 3.1%, with a cumulative annual median of 2.2%² since 2002, despite the fact that economic growth reached a median of 3.9% during this last period, exceeding the 2.5% cumulative annual growth recorded since 1959.



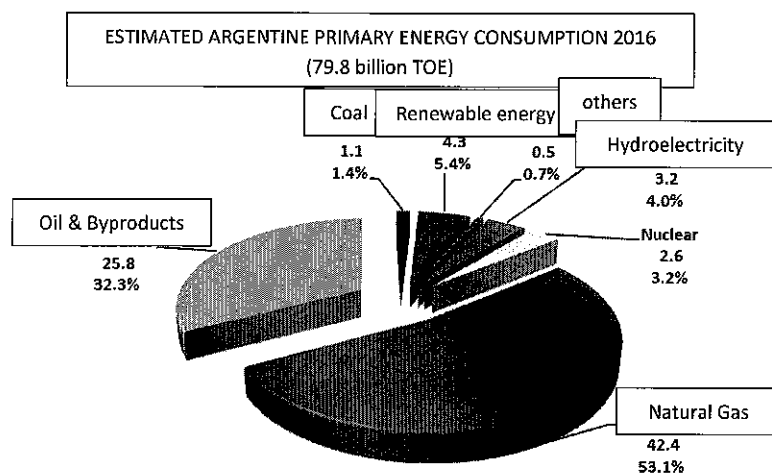
The growth in energy consumption during the first decade of the 21st century, characterized by high economic growth, was driven mainly by the Residential and Commercial sectors, and to a lesser extent by the growth in Industrial sector consumption, as shown by the levels of gas, gasoline and, in particular, electricity consumption. The economic stagnation in recent years reduced energy consumption growth rates, which had shown favorable increases between 2003 and 2011.

Argentine primary energy consumption is highly dependent on hydrocarbons, which accounted for an estimated 86.7% in 2016³.

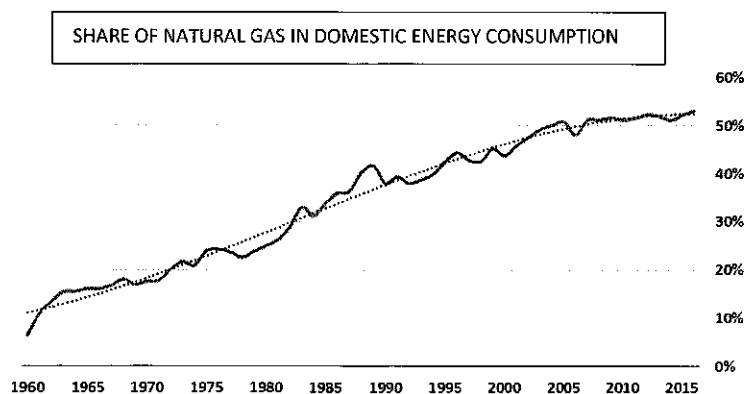
¹ From 1959 to the estimated figure for 2016.

² Official data on energy consumption until 2014, using 2015 estimates published by G&G Energy Consultants.

³ Latest official data for 2015 and estimate for 2016 by G&G Energy Consultants, expressed in thousands of Tons of Oil Equivalent (TOE) for Primary Energy Consumption.

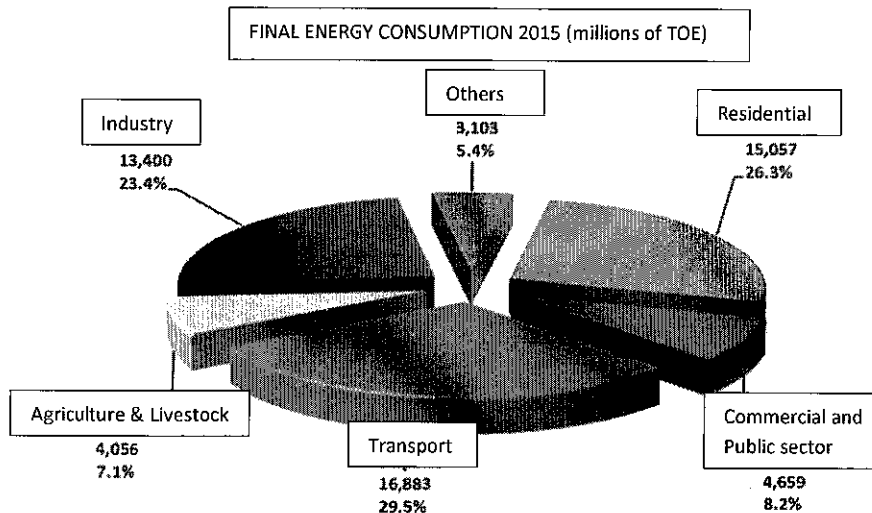


This percentage has dropped slightly in the last five years as a result of the obligation imposed on fuel supplying refineries to incorporate increasing ratios of biodiesel and bioethanol in their diesel and gasoline production. Few countries show this structure of heavy reliance on oil and natural gas byproducts, and typically only those with significant oil and gas reserves. The particularly high reliance on natural gas – an estimated 53.1% in 2016 – fluctuates annually based on imports of natural gas and liquefied natural gas (LNG) to meet the demand. Despite these imports, the potential natural gas demand remains partly unmet in the industrial segment in the winter, generating restrictions on consumption, without replacing it with other types of fuel, and on the steam power generation segment⁴. The main difficulty faced to modify the current energy consumption structure in the short term is the nature, characteristics and cost of the investments required; nevertheless, the current administration has set ambitious targets to increase the use of renewable energies in the power supply.



⁴ In the absence of restrictions on gas demand, the share of this product in the primary matrix would probably rise at least 10 additional percentage points.

Final energy consumption in Argentina –net of losses and transformation– is evenly distributed between the transport, industrial and residential/commercial segments. This distribution is similar to other developing countries with a vast territory and medium sized population.

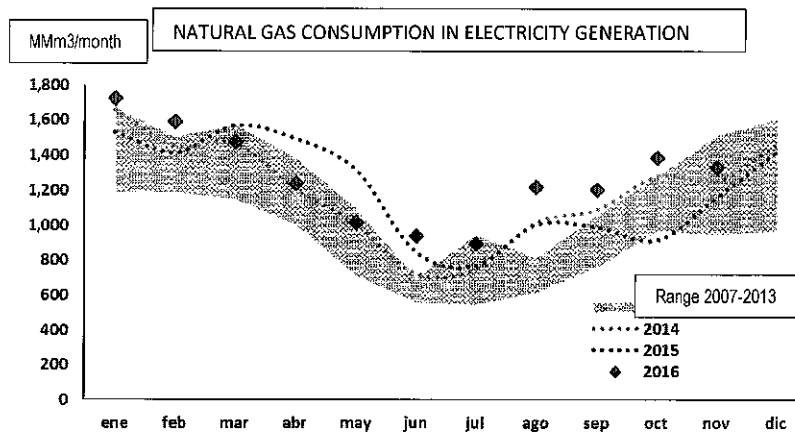


The characteristics of the Argentine energy supply and demand are summarized below:

- An atypical breakdown featuring Oil and Gas as the predominant energy sources, typical only of large hydrocarbon exporters such as countries of the Middle East, Russia, African LNG exporters, or Venezuela.
- Additionally, 53.1% of consumption relies on natural gas, with gas penetrating consumption, despite significant restrictions to discourage potential demand for this energy source. This leads to the substitution of gas for alternate fuel sources in electric power generation, and direct restrictions on industrial demand in certain branches of industry, which is surpassed by few countries with significant excess natural gas production.
- Stagnant local energy supply – which in recent years also affected the domestic energy demand, mitigating the relative scarcity; this is attributed to insufficient investments in recent years in the highly oil-and-gas-dependent energy sector in order to effectively increase the domestic productive supply to meet a demand that rises during periods of economic growth.
- Demand for natural gas and electricity driven in some specific segments by unreasonably low tariffs for the residential/commercial sector, encouraging unreasonable growth in residential energy consumption.

To supplement local gas production, Argentina has been importing gas from Bolivia increasingly, in addition to the ever-increasing imports of LNG from various suppliers to cover winter demand, when their capacity is not saturated. Imports of LNG by the regasification terminals of YPF-ENARSA located in Bahía Blanca using a pier belonging to the company MEGA, and at a dedicated pier in the district of Escobar, have grown sharply since 2008.

Gas imports from Bolivia have risen continually, although at a lower rate than that originally agreed in the contract with ENARSA, having incurred a default of 4 MMm3/d in the winter of 2016 in relation to the agreed Deliver-or-Pay quantities.

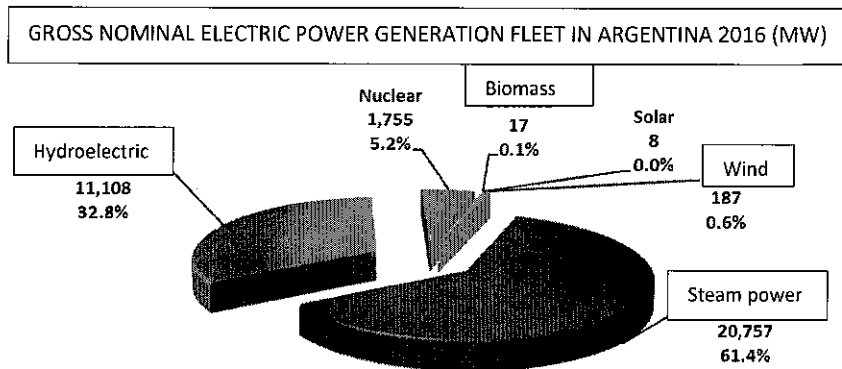


The drop in international prices of oil has also contributed to a considerable reduction in the import prices of gas from Bolivia and of LNG.

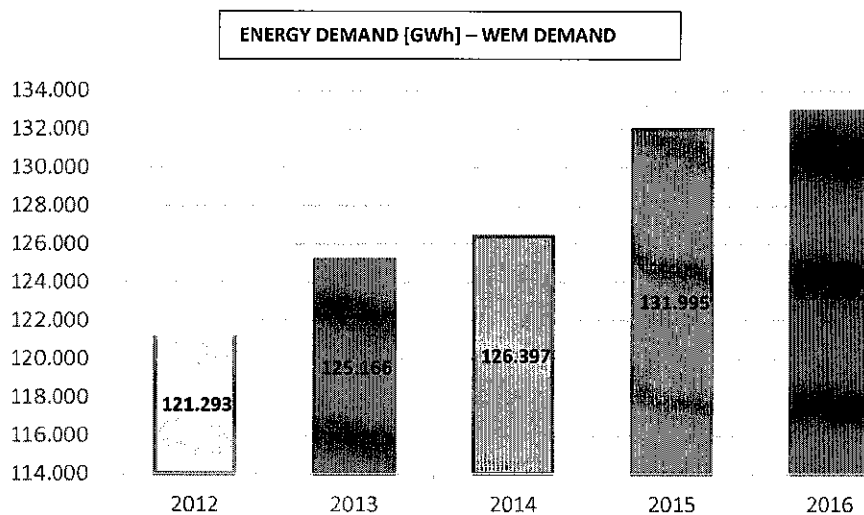
Specific Condition of the Argentine Electricity Sector

The Argentine electricity generation fleet has evolved unevenly over the years, with periods of increased supply in response to the prevailing policies to meet electricity demand. The installed capacity at the end of 2016 is estimated at a nominal power of 33,832 MW; however, the available operating power at any given time can be estimated at 24,500 MW at the end of 2016, since certain units have generation restrictions due to insufficient fuel supply, added to difficulties in reaching the nominal yield, and a significant number of units undergo recurring maintenance.

It is estimated that during 2016 small emergency power units entered the local market, comprising mainly diesel engines with a generation capacity of 608 MW, which were located in different regions to meet peak demand in medium sized and small cities. Additionally, 1,206 MW were incorporated in the form of gas turbines at large power plants such as the Guillermo Brown Steam Power Plant (SPP) (two GT (Gas Turbine) units with a capacity of 290 MW each), and at smaller power plants such as the Loma La Lata SPP in Neuquén, Independencia SPP and Frías SPP, among others. It is also worth noting a marginal increase of 5 MW and 18 MW in nominal nuclear power using biomass generation.



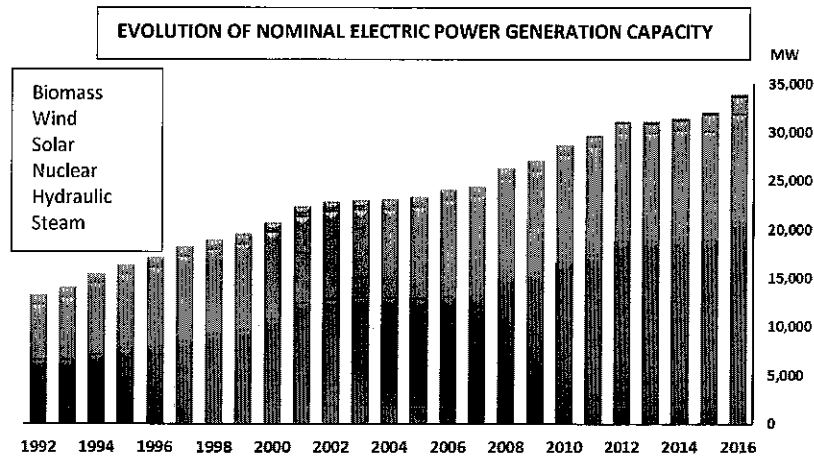
Gross electricity demand rose slightly in 2016 (including consumption by the company at electric power generation plants and losses in transmission and distribution systems) by 0.6% compared with 2015.



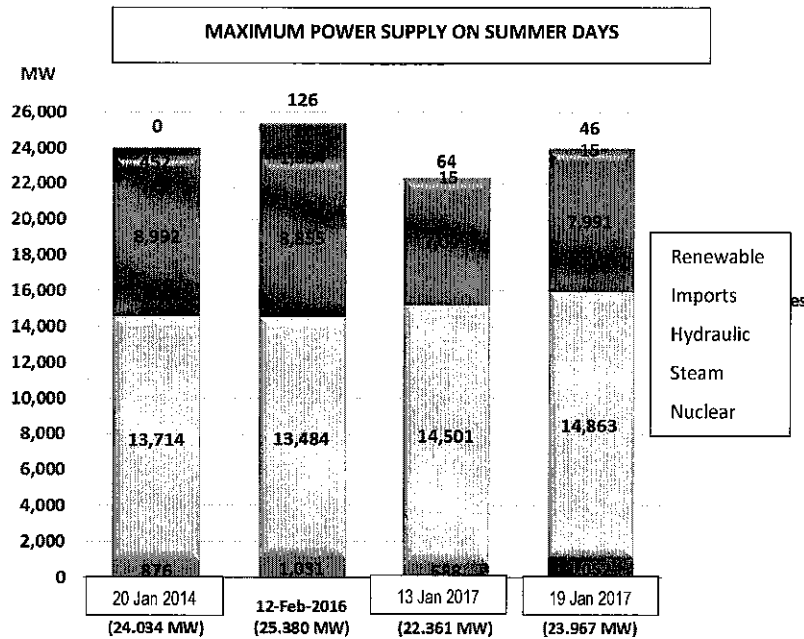
The greatest increase in maximum gross demand was recorded in February 2016, when maximum demand was 10% higher compared with the same month of the previous year.

Nominal Electricity Generation Capacity

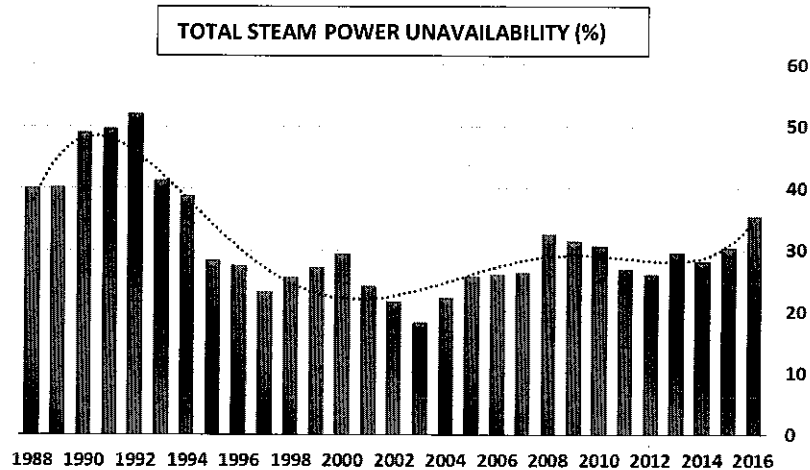
The Nominal Installed Capacity is generated predominantly using steam power, although this segment still features a high level of unavailability, in particular during the winter season when fuel restrictions cause a reduction in the available effective power.



G&G Energy Consultants estimates that during 2016 the available effective power – which is lower than the declared nominal power due to the reasons explained above – was close to 24,500 MW, including a rotating reserve of 1,000 MW which did not need to be used in full magnitude due to the moderate demand as a result of the industrial recession in the cold months of May and June 2016 in which no records were exceeded, and the available power was sufficient to meet the demand. In February 2016 the demand exceeded the historical record, with significant power outages and requiring imports, as the local generation fleet barely managed to contribute 23,496 MW of the 25,380 MW actually consumed, without considering restrictions.



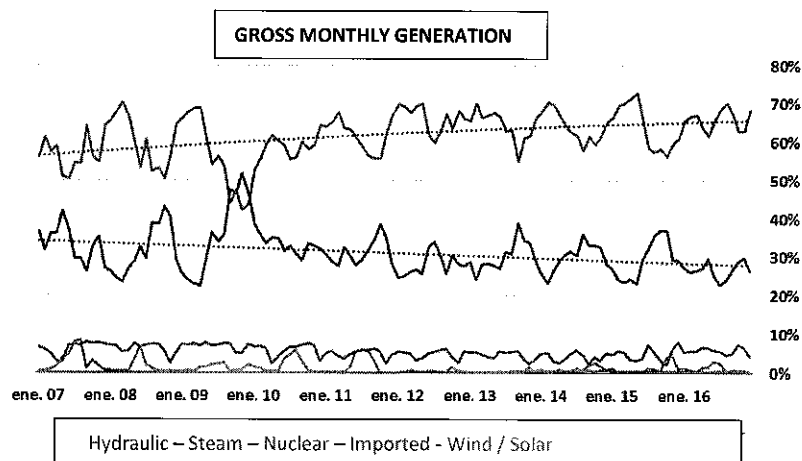
Investments in maintenance improved the availability of the steam power generation fleet in December 2016 and January 2017 alone, with local generation availability close to approximately 25,000 MW.

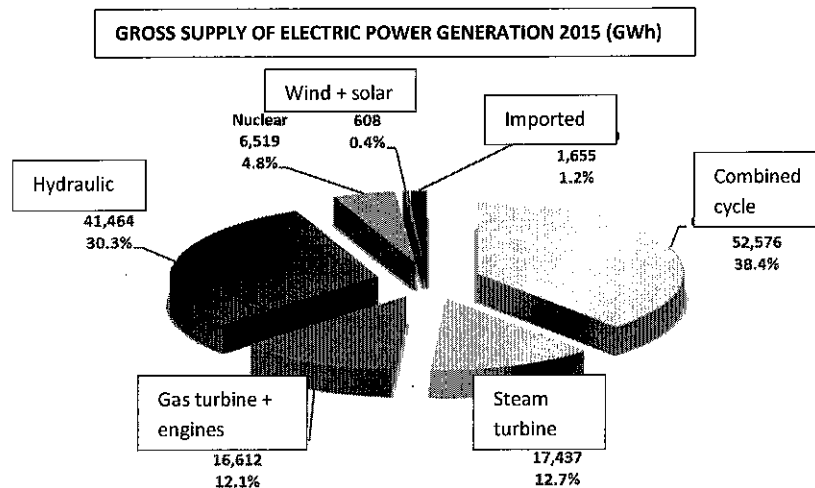


An increase in effective available power was achieved through repairs executed at units that were normally unavailable, and the incorporation of power referred to above. The companies belonging to Grupo Albanesi continued to invest in various power plants, among which it is worth noting two GT units, each with a rated power of 60 MW, at the Independencia SPP in Tucumán, one 60 MW Gas Turbine at the Frías SPP in Santiago del Estero, and two turbines that provide an additional 32 MW at the La Banda SPP also in Santiago del Estero, one 50 MW GT unit at the Riojana SPP (which will be brought into commercial operation in 2017), the completion of the revamping of a 130 MW GT unit at the Roca SPP where, additionally, construction is underway to close the combined cycle with the incorporation of a 60 MW Steam Turbine unit. It is also worth noting the availability of the Steam Turbine units that run on natural gas or fuel oil at the Sorrento SPP, which provide an additional 135 MW.

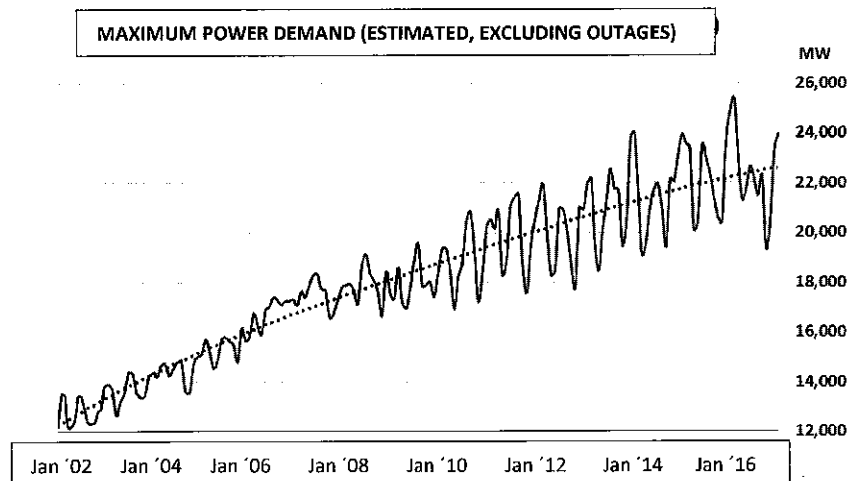
The Group entered a commitment with CAMMESA to provide a new generating plant - the 150 MW Ezeiza SPP, and to expand the capacity at GI by 100 MW in two stages, under the framework of the Electricity Secretariat's call for bids for new generation capacity under Resolution 21/2016, in which the Grupo Albanesi was awarded bids for 420 MW.

Gross Electricity Demand – including losses in the transmission and distribution system, and the company's own consumption at generating units – has shown a significant growth in steam electric power supply in recent decades, accompanied by a mild increase in the hydroelectric power supply from the Yacyretá power plant following the gradual increase of its generating quota as from the year 2006.



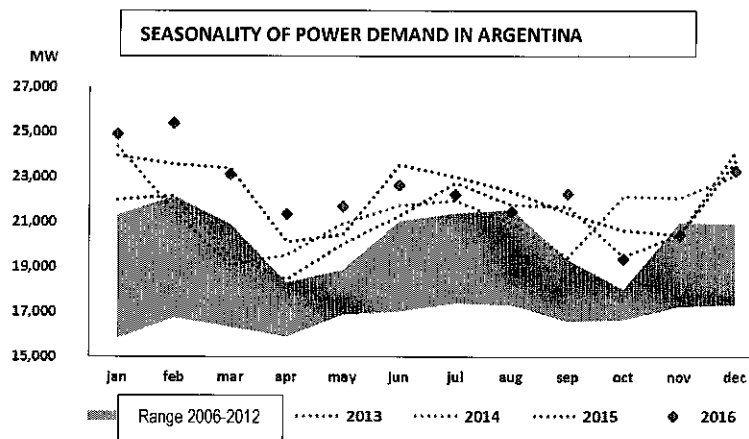


The electric power demand shows a strong upward trend, with slow-downs during periods of economic decline, as was the case in 2016, with a 2.5% drop in the GDP.



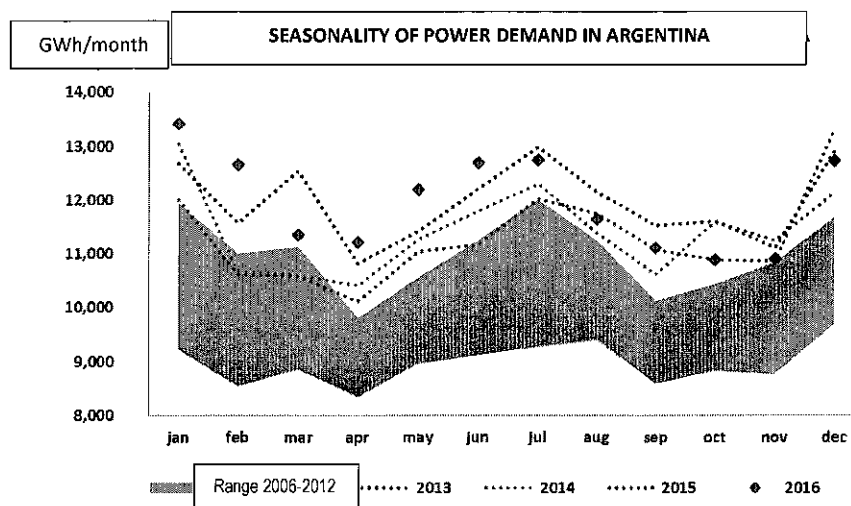
The hourly power demand for each month reported a rise following the drop recorded after the restrictions on industrial electricity consumption in the winter of 2007 and the international crisis at the end of 2008 and beginning of 2009, reflecting the strong rise in industrial activity and in mass consumption in the Argentine economy. However, the trend in the demand for electricity made an about turn as from the middle of 2011 and until the end of 2015, with growth in demand visible in the twelve month moving average. At the end of 2015, the onset of the economic recession brought a new change in this trend, with a drop in the demand for electricity, reporting a growth of only 0.6% at the end of 2016 compared with 2015, below the 1.0% growth in electricity demand in 2014 – a year in which the GDP also fell by 2.5%.

The mild winters of 2015 and 2016 failed to generate new maximum power demand, with the ensuing impact on power consumption in 2015, and in 2016 due to the economic recession. A new record was reached in the summer of 2016 due to high temperatures in Buenos Aires, with record power consumption of 25,380 MW on February 12, 2016.

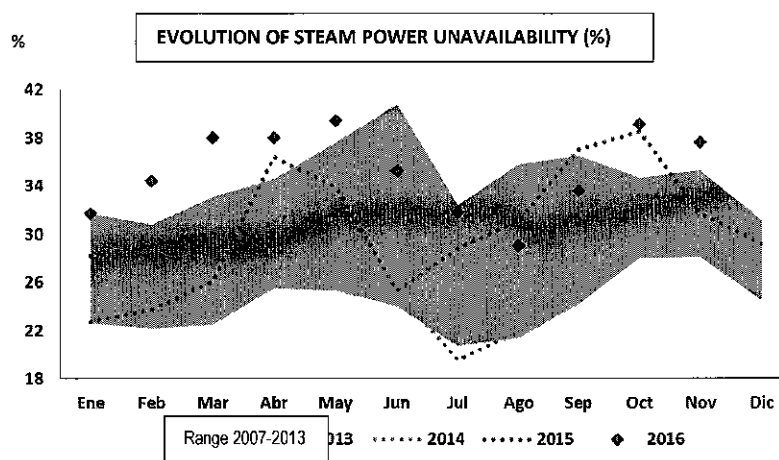


CHANGES IN RECORD ELECTRICITY CONSUMPTION IN RECENT YEARS						
DAY	PREVIOUS RECORDS		CURRENT RECORDS		VARIATION (%)	VARIATION (MW)
	POWER (MW)					
Saturday	12/28/13	21.264	01/18/14	21,866	2.8%	602
Sunday	01/25/15	21.024	12/27/15	21,973	4.5%	949
Working Day	01/20/14	24.034	02/12/16	25,380	5.6%	1,346
DAY	ENERGY (GWh)					
Saturday	12/28/13	456.0	01/18/14	477.9	4.8%	21.9
Sunday	12/29/13	426.8	12/27/15	432.9	1.4%	6.1
Working Day	01/23/14	507.6	02/12/16	523.9	3.2%	16.3

As with natural gas, the strong seasonality of the electricity demand in Argentina – both in terms of power and capacity – has an impact on the investment required to meet maximum peak demand in winter, generating significant surpluses at other times of the year, with lower costs and greater competition in those periods. The maximum demand for electricity occurs during night hours both in summer and particularly in winter. In the latter case this is due to the intensive use of electric heaters as a result of their lower cost and simplicity compared to natural gas.



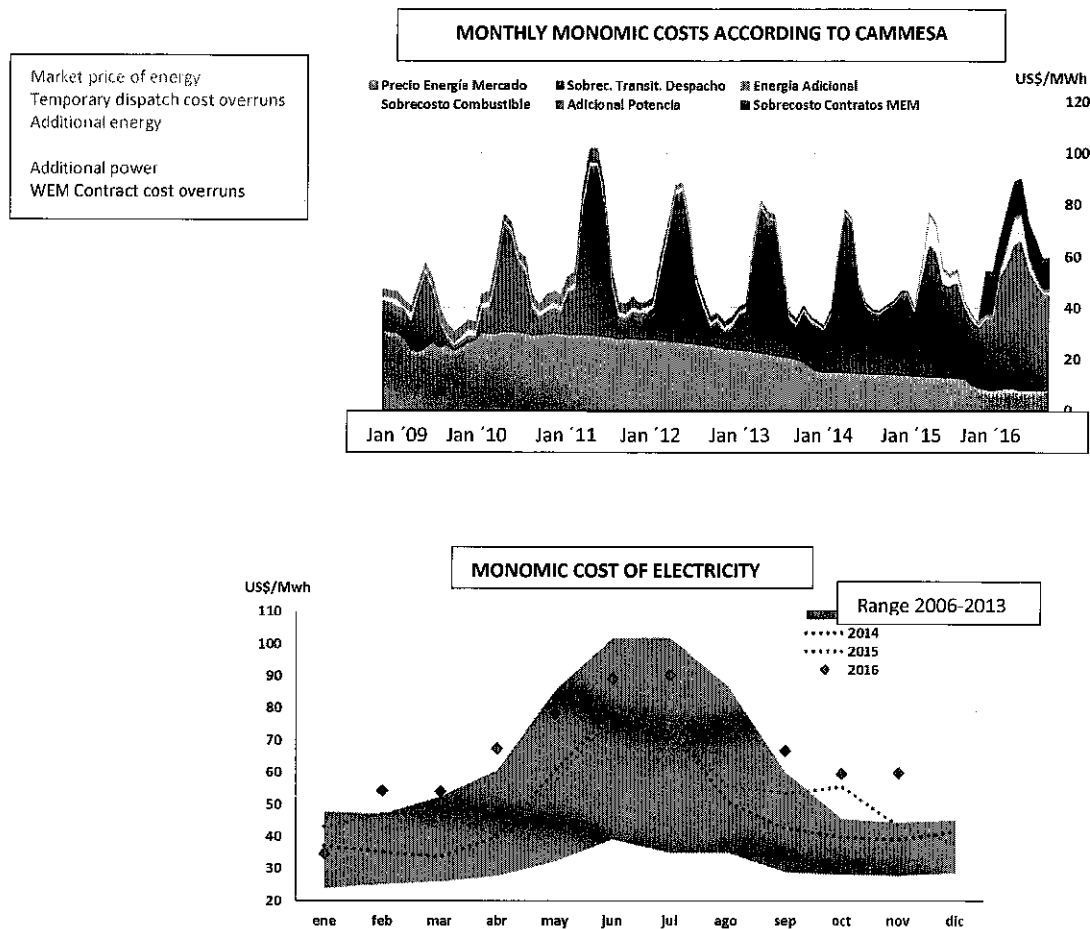
The technical unavailability of steam power plants improved after the winter of 2015, compared with the severe situation evidenced in previous winters that left 5,000 to 6,000 MW permanently out of service due to technical issues or insufficient logistics to supply plants with liquid fuel in the absence of natural gas. This unavailability was reduced during the summer of 2017, and we estimate that the units with unavailability total between 2,700 and 3,500 MW.



The Monomic Cost of generation of CAMMESA is transferred to the actual price only in part and in certain segments of the electricity market, despite the increases stipulated for the Seasonal Price of Energy in February 2016, although a significant portion of this cost is transferred to direct industrial consumers except for those supplied commercially by electric power Distributors.

CAMMESA adjusted its determination of the cost of fuel, and consequently currently includes the actual cost of gas imported from Bolivia as LNG and the price of local gas which increased in 2016. This adjustment by CAMMESA of the previous methodology that considered that all the imported gas had the same price as the local gas enabled to curb the

costs relating to steam power generation in 2016 by reducing the import price of fuel which has an impact on the Temporary Dispatch Cost Overruns.



It is possible that the recent rise in international prices of oil and fuel will generate a rise in the final cost of electricity for consumers as a result of the cost of fuel imports through tariff adjustments applied by the government throughout 2017 starting in February.

Combined Cycle plants account for most of the steam power generation, supplemented in part by ST (Steam Turbine) units (which showed a preference for fuel oil and coal consumption between 2014 and 2017), and GT (Gas Turbine) units. This growth in steam power dispatches and in fossil fuel consumption is expected to continue over the coming years, since the execution of projects to bring about a change in the fuel supply toward power generation using renewable energy sources will take several years and will require substantial investments to achieve major expansions in the electricity transmission capacity.

Resolution MinEyM SE 19-E/17 was published on January 27, 2017, and replaces Energy Secretariat Resolution SE 22/16. The new resolution adjusts the remuneration criteria to reasonable, foreseeable and efficient economic conditions through medium term commitments.

The Generating Agents under the framework of contracts governed by Resolutions 1281/2006, 220/2007, 21/2016, and any other type of WEM contract that has a differential system established or authorized by the competent authority of the WEM, are excluded from this system.

The main changes include the stipulation that remuneration for electricity will be based on Available Power and Generated Energy valued in USD, thus simplifying their calculation.

The new resolution became effective on February 1, 2017.

3. HIGHLIGHTS FOR FISCAL YEAR 2016

3.1 Electricity

Modesto Maranzana Power Plant

The objective of GMSA during fiscal year 2016 in terms of contracts executed under the framework of “Energía Plus” was to renew the contracts that expired during the period. This was achieved, and the cost increases evidenced during the year were transferred to the new prices.

Regarding the WEM Supply Contract executed with CAMMESA as per Res. SE 220, for 45MW, all the availability targets stipulated in the contract were fulfilled, as a result of which no significant penalties were generated during the year due to unavailability.

With regard to generation to meet the base demand, the availability targets stipulated in Res. SE 22/2016 were met, as a result of which the full Fixed Cost remuneration was obtained. As another favorable factor, in certain months the company obtained the additional remuneration for energy production established for achieving cumulative generation in excess of 50% of the generation capacity using natural gas throughout the year.

For open cycle units, average annual availability was 90% for MMARTG03, 90% for MMARTG04, and 90% for MMARTG05, achieving an average annual availability of 90% for the open cycle turbines as a whole, above the values for 2015, when average availability reached 85%.

For open cycle units, average annual availability was 90% for MMARTG03, 90% for MMARTG04, and 90% for MMARTG05, achieving an average annual availability of 90% for the open cycle turbines as a whole, above the values for 2015, when average availability reached 85%.

Lastly, the combined cycle achieved an average annual availability of 90% as a whole, a slight decrease with regard to the 93% achieved in 2015. This shows the high level of availability relative to the normal standards for this type of turbine.

Average annual dispatches were 37%, slightly lower than the 40% achieved in 2015.

Independencia Power Plant

During 2016, the WEM Supply Contract executed with CAMMESA as per Res. SE 220 operated normally, all the availability targets stipulated in the contract were fulfilled, as a result of which no significant penalties were generated during the year due to unavailability.

With regard to “Energía Plus” contracts, they were normally supplied.

Regarding the dispatches, the average annual dispatched power was 26%, compared to 41% in fiscal year 2015. The Company business is based on the sale of the Power Made Available, which is not affected by the dispatch factor.

The energy generated during 2016 by the unit was 264,452 MWh.

Riojana Power Plant

In fiscal year 2016, the unit operated with an average dispatched power of 4.5%, achieving an average availability of 85% throughout the year.

La Banda Power Plant

In fiscal year 2016 all the availability goals were met, achieving full compensation on fixed cost. The unit operated with an average dispatched power of 2%, achieving an average availability of 100%.

3.2 Maintenance

Modesto Maranzana Power Plant

The objective of the maintenance tasks carried out during the year was to maintain the availability of the combined cycle and open cycle units.

Joint tasks were performed with engineering staff with regard to the adaptation of the existing facilities. Additionally, missions to Bolivia were conducted as part of the plan to gain experience on handling Siemens equipment.

The maintenance plan encompassed all the units and ancillary equipment, and included the following salient tasks:

- Annual maintenance of turbo-generators (Audit of the GT3, GT4 Gas Turbines and GT5 units): these were carried out in April, June and July, as per the contract with PWPS. The tasks included checks carried out on all the instruments, alignment control of the turbine, and checks of all ancillary equipment.
- Repair of exhausts of units CC1 and CC2: carried out in May during the scheduled stoppage of the plant, borescope. The tasks were carried out by the company Gas Turbine Control.
- Complete maintenance of modules of the cooling tower.
- Maintenance of air compressors.
- Tasks of modernization were performed on fire prevention equipment on the CCs.

Other major projects carried out at the Power Plant included:

- Preventive maintenance of motorized valves of the steam cycle of the combined cycle units.
- Replacement of one of the battery banks.
- Replacement of different electric elements corresponding to control units of the different generation cycles.
- Electrical tests on the generators and on the block transformer of the combined cycle units.
- In the gas pipeline, several maintenance tasks were conducted on the facilities, in accordance with the improvement recommendations of supervisory bodies.

- Inlet air chiller of combined cycle units: general maintenance and cleaning of the condensation unit.
- PT and GG repairs were conducted in the plant's own repair shops with the collaboration of PWPS staff, with the aim of extending the authorization of machinery repairs, which translates into a significant saving in logistics costs.
- Reengineering of the water plant was conducted, adapting train 2.
- The complete repair of the GO purification system was conducted.

Advisory and Technical Assistance Services

The Company continued its workers' training plan, among which the following programs can be mentioned: PWPS turbine maintenance, pneumatic piping systems, use of special torque tools and several trainings in Safety and Environment to improve staff operations. Measurement and control tasks were conducted on UNR IV to comply with regulations in force. Participation in PWPS conference in USA to improve proactiveness in problem solving.

Independencia Power Plant

Maintenance works aimed at maintaining high availability of turbo generators, which reached 95%. A detailed plan was prepared, focusing on preventive actions on the turbo generators and ancillary equipment to ensure proper operation of the Plant, considering the procedures described in the manuals provided by the manufacturer.

The most relevant tasks conducted throughout the year are described below:

- **Turbo generators biannual maintenance:** it was performed during April, in compliance with PWPS maintenance program. The following tasks were conducted: inspection of turbines anchoring, turbines air inlet plenum, of secondary fans and of vacuum circuit of the lubrication system. Change of filters of liquid and gas fuels, demineralized water and oil container. Maintenance of gas shut-off valves and solenoid valves from the turbines air system. Complete checkup of turbines heaters. Weighing of CO2 cylinders and cleaning of oil exchangers and coolers.
- **Turbo generators annual maintenance:** it was performed during October and November, in compliance with PWPS maintenance program. Some of the tasks conducted were: cleaning, adjustment of terminal blocks and control of signs of dampness in low and medium voltage electrical connections boxes and cubicles of the turbo generators, calibration of measurement instruments which are essential for the operation, checkup of PT alignment, of collector box, functional checkup of the turbo generators fire protection system and of the measurement system for turbines and generators vibrations, inspection turbines air inlet plenum. Borescopic inspection. Pressure checkup of hydraulic accumulators and of load and adjustment of 24 VDC and 125 VDC battery banks terminals. Functional test of drainage solenoids and venting of the turbines fuel section. The output terminals of generators were cleaned, and samples of fluid in bars joints and of inert gas cubicle bars of generators were taken for analysis. Preventive maintenance was conducted on machinery switches. The turbo generators voltage transformers terminals were adjusted. Preventive oil change in generators. Samples of turbines and generators oil were taken for analysis. The checkup of turbines oil pumps coupling was performed.
- **Main transformers:** Hydran equipment, which monitor gas formation inside the transformers, were checked. Normal operation indicators. The primary and secondary terminals of transformers were adjusted. Cleaning of bushings, unloaders and tank lid with dielectric solvent.

Additionally, other related tasks were conducted, as described below:

- Preventive maintenance on the treatment plant and loading and unloading yard for liquid fuel.
- Preventive routes of electric engines and battery banks.
- Maintenance of gas compressors and annual maintenance of air compressors.
- Predictive maintenance of transformers, gas turbines and generators.
- Annual maintenance of the fire protection system diesel generator, electric pump and motor pumps.
- Coordination and cooperation for the maintenance of the water treatment plant.
- Terminals of voltage transformers, current transformers, switches and 132 Kv disconnectors were checked and adjusted.
- Terminals of medium voltage cells and ancillary transformers were cleaned and checked.
- Turbine control systems software was updated.
- Turbines water injection was adjusted in order to increase turbines useful lives, observing the required NOx emission levels.
- Preventive change of seal 4 ½ to turbines every 6,000 hours.
- Borescopies were conducted to PTs of turbo generators in accordance with PWPS recommendations.
- Hydrokinetic cleaning of rings and gas fuel injection hoses to turbines.
- Change of combustion chambers and injectors to turbines and cleaning of injectors with ultrasound.

It is important to highlight that the Company has entered into a long-term maintenance agreement with PWPS. As set forth in the agreement, PWPS must provide on-site technical assistance on a permanent basis, a remote monitoring system to follow up on the efficient performance of the turbines, 24-hour assistance from the engineering department in the USA, original spare parts in a timely manner and repairs for planned and unplanned maintenance.

Riojana Power Plant

Maintenance works throughout the year aimed at ensuring normal operations and avoiding premature aging of the equipment in the facilities by maintaining high availability levels of the turbo generators.

The maintenance plan included turbo generators as well as ancillary equipment. Among maintenance tasks, the following can be mentioned:

- TG 23: Control of the excitation system on the generator; it was necessary to replace the transformer as its useful life was over. Additionally, protection systems were adjusted and tested in order to increase TG availability in the case of variations produced in the transformer station. These tasks enhanced the reliability of the TG.
- TG 21: the generator was inspected to replace the insulation on the stator windings, changing from thermal insulation class B to class F. This repair will allow unrestricted operations.
- Preventive maintenance of TG 21 turbine, inspection of the main reduction gearbox and replacement of the joint of the exhaust box.
- TG 22: replacement of safe voltage batteries bank and charger. This new equipment has a useful life of over 10 years, thus allowing the reduction of maintenance-related costs and final disposal of hazardous waste.
- TG 21 and TG 23: Installation of platforms, ladders and lining in smokestacks. This improvement removes the costs of hiring the crane service to conduct NOx measurements.
- Paint renovation in fuel aerial tanks and performance of audits to maintain the qualifications as fuel storage company granted by the ES.
- Building repairs in maintenance shops, including technical offices and a new warehouse to store critical spare parts in a controlled environment.

With regard to safety, the land plots adjoining the plant were acquired, increasing the safe distance between fuel storage tanks and the neighborhood. Additionally, a 430 m long perimeter wall was built in the southern area in order to increase property security/safety.

La Banda Power Plant

Maintenance works throughout the year aimed at ensuring normal operations and avoiding premature aging of the equipment in the facilities by maintaining high availability levels of the turbo generators. The goal was to reach the two objectives at a reasonable cost.

Among the main tasks performed, the following can be mentioned:

- General inspection on TG 21, which included the review of hot parts of the turbine, inspection of bearings, replacement of air flows located in the third stage of the compressor, inspection and replacement of the main oil pump, alignment control, and replacement of the turbine rotor.
- Preventative maintenance tasks on the generator of TG 21, which consisted in inspection, cleaning of the rotor, replacement of wedges in the air gap, reinforcement of the stator insulation and change of bearings, excitation side.
- In addition, for TG 21, inspection was performed on the 500-HP electric cranking motor; the most relevant tasks were inside cleaning, reinforcement of coil insulation, replacement of bearings.
- Major maintenance on TG 22. Internal inspection of turbine and compressor, bearings, replacement of fifth stage turbine distributor due to its cracks. Control of eccentricity of hitching axes, replacement of turbine rotor prior to balancing at specialized workshops.
- Preventative maintenance tasks on the generator of TG 22, Removal of the rotor, control of hubcaps, inside cleaning, balancing. The main tasks performed on the stator were cleaning and reinforcement of insulation with epoxy paints. Inspection and cleaning of excitation motors.
- These works enabled to maintain the useful life of the turbo generators and to avoid unavailability for long periods.
- Reinforcement of cathodic protection of internal gas pipeline for CT La Banda through the addition of anodes and measuring points. Also, potential measurements are certified, in accordance with the standards set by ENARGAS. This improvement is for preventing corrosion of the pipes in the gas line, which results in safer operation.

3.3 The Environment

Corporate Environmental Management System

Modesto Maranzana Power Plant has an Integrated Management System in line with ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 standards. ISO 14001:2004 certification has been obtained at corporate level and covers the environmental management of all the power plants of the group (GROSA, CTR, GFSA, CTMM, CTRi., CTLB and CTI).

The corporate program implemented enables unified and coordinated actions to be carried out at all the power plants, applying the same criterion at each site to identify events that constitute a significant environmental impact, dangers and risks to which the companies are exposed, and to promote a solidarity, cooperative and integrated performance framework among sites, favoring their joint growth based on shared knowledge and expertise.

The System documentation standardizes the greatest possible amount of information, guaranteeing integrity and uniformity in systems maintenance distributed through a centralized management adjusted to the circumstances, and establishing common work guidelines relating to internal control, follow up and problem solving.

The Corporate Environmental System applied is supported by a work structure characterized by the periodic review of progress reports, analysis and planning as an essential management principle, and the continued strengthening of human

resources capacities. As a result, it has proven to be effective for facing the management challenges taken on to achieve the goals of the Organization in terms of growth in environmental performance.

The experience gained with this corporate system has enabled the exchange of resources and obtainment of synergies through shared experiences, based on talent integration and complementation, supporting a process of continual improvement and growth, resulting in notable benefits in terms of safer operating controls in response to process containment needs, optimal state of facilities in general, and staff involvement in the joint and organized accomplishment of the working objectives established. In this regard, it is worth highlighting the following actions:

- Training carried out according to original programs.
- Absence of environmental incidents.
- Outstanding orderliness and cleanliness at facilities.
- Effective treatment of corrective and preventive actions.
- Legal requirements addressed in proper time and form.
- Properly documented updated operating controls implemented with satisfactory results.
- Introduction of the concept of “Sustainability” in the management of environmental aspects associated with the activity, and broader consideration of these aspects to cover their life cycle to the greatest possible extent.
- Development of new projects to expand the generating capacities at certain plants belonging to the group, including ongoing construction of facilities at new Electric Power Plants under strict follow-up of legal environmental, documentation and field requirements.
- Continual improvement in the care and aesthetic design of available outdoor green areas, with specific expansions, major forestation projects and creation of exclusive outdoor areas with artificial lakes, planting of native flora and insertion of specific water fauna and bird life.
- Community integration and awareness of the activity through visits and guided tours to facilities for students from all levels of education.

During the period from October to November 2016 the Corporate Environmental System was audited by the certification agency “IRAM”, having obtained recertification for the plants.

3.4 Human Resources

During the year 2016, several of the processes the company has been working on in the Human Resources area were consolidated, including the Staff Performance Assessment process, the annual Training plan, Staff Screening processes and relationship with Labor Unions.

In terms of Performance Assessment, the commitment of all the management sectors involved was secured, achieving full feedback from individual employee assessments within their work teams. We continue with the in-depth analysis of the tasks and functions associated with each position in order to develop specific objectives per function to be upgraded every year.

In terms of Training, work was carried out throughout the year with the various Managers relating to the operating needs that may arise under the different projects, in order to develop the capacities of each employee. A plan was devised to monitor the effectiveness of this training and work progressively on modifications for future years, which will be applied throughout 2017.

With regard to Relationships with Labor Unions, we continue to work with the Argentine Federation of Energy Workers (Federación Argentina de Trabajadores de Luz y Fuerza) on a company Collective Bargaining Agreement to be used as a framework for all the company's power plants. This agreement is in line with the “Convenio 36/75” treaty which is effective nationwide for workers grouped under this union and envisages salient additional benefits for its members.

The projects for 2017 include the implementation of Digital Receipts to achieve agility in the distribution of receipts and various other communications to employees at every location. This will go hand in hand with the digitalization of all Human Resources documentation to provide easy access and enable its electronic distribution to the various sectors that may need it.

The projects currently underway that are relevant to the company include the “Internal Culture and Communication” survey and “CSR and Sustainability”. The former implies gaining knowledge of, and analyzing, the present culture of the organization, its interpersonal relations, and the formal communications between the Executive Committee, managers, heads and collaborators in every post, identifying their impact on the organizational environment and on the achievement of business goals. Additionally, the first Opinion Poll will be held under this project covering all the staff in the Group, and will survey their perceptions concerning significant aspects of the organizational culture and environment.

Another significant project is directed at analyzing the current status of Grupo Albanesi in terms of Corporate Social Responsibility (CSR) and Sustainable management, and has been designed according to the United Nations guidelines relating to corporate responsibility toward improved environmental management. Work has commenced toward the articulation of Grupo Albanesi’s CSR with its environmental management. The Group will start working with the companies Generación Rosario S.A. and Generación Mediterránea S.A., and will subsequently incorporate the rest of the companies in the group.

Other initiatives in this field include work destined to: describe and evaluate the different position of each organizational area, survey the development potential of collaborators in order to steer the development of future operative and administrative area heads.

3.5 Systems and Communications

During 2016, the Systems and Communications areas of the Group continued to provide maintenance, development, implementation, innovation and solutions relating to applications, technology, telecommunications, information and process security, guaranteeing a suitable service level and covering the Company’s business needs.

The area has policies and procedures in place that are in line with international standards and which are monitored continually to check compliance with sector-specific objectives and internal controls, and to ensure continual quality and improvement.

The projects and objectives achieved during 2016 are summarized below:

- Implementation of ERP SAP was completed in October. This entailed establishing a uniform standardized process model throughout the Grupo Albanesi, improving quality and incorporating the best practices in management processes and reporting.
- Implementation of Office 365 as the current office IT solution. Additionally, 98% of e-mail accounts were migrated to this new platform.
- Technological improvement of internal monitoring tools at the Headquarters Data center.
- New last generation telephone switchboard at one of the sites of the group.
- Restructuring of the internet linkage system, increasing band width at various sites and migrating links to optic fiber to provide greater robustness and service quality both internally and for visitors.
- Implementation and standardization of devices at all sites was completed, with the incorporation of Fortinet equipment (internationally approved firewall).

- Implementation of Business Intelligence (Tableau software) for technological update and improvement of management reports commenced.
- IT devices were updated throughout the company's sites.
- SSD disks were applied to terminals, achieving greater agility in data search time in devices.
- Incorporation of Documentation Digitalization in several administrative sectors of the group.

During 2017, the Systems areas will continue to invest in enhancing the productivity and efficiency of existing processes and in the incorporation of innovative technologies in order to guarantee data security, confidentiality, integrity and availability.

Projects for 2017 include the following:

- Implementation of Corporate Intranet.
- Restructuring and internal layout of network and power wiring at the GROSA plant.
- Conditioning of the two new power plants (Ezeiza and Albanesi Energía) with state of the art technology in Infrastructure, Communications and Hardware.
- Standardization of the AD at a corporate level to have a single active directory.
- Progress in the digitalization of documentation throughout the organization, including filters and advanced search engines.
- Corporate departmental printing, enabling printing at any site from any company location.
- Microsoft CRM as a solution for the company's commercial area.
- Incorporation of new devices for the company's Datacenter infrastructure.
- Implementation of Success Factors to enhance employee management.
- Incorporation of a legal portal for tracking Grupo Albanesi contracts.

3.6 Merger with takeover

GMSA (the absorbing and surviving company) and GFSA (absorbed company) initiated a merger process resulting in the absorption of the latter, and issued a consolidated statement of financial position for the merger at June 30, 2016, based on the special statement of financial position for the merger of each company.

The purpose of the merger is to streamline and optimize the management of the economic activities and of the operating, administrative and technical structures of the Participating Companies through a company restructuring, with the aim of achieving synergies and efficiencies by conducting operations through a sole operative entity.

Since the participating companies are electric power generators that operate as agents on the WEM, and share the same main activity, namely the generation and sale of electricity, the merger decision was based on the following aspects: a) the type of activity carried out by the companies, which enables their integration and complementation to create greater operating efficiencies; b) simplification of the corporate structure of the participating companies by consolidating their activities under a single company; c) the synergy that will be created through the unification of the various companies of the group will allow a more efficient control, management and administration of the energy business; d) attainment of a greater scale, thus increasing the financial capacity to take on new projects; e) optimization in the allocation of existing resources; f) the advantage of a centralized management, unifying business related policy and strategy decision making, thus eliminating cost multiplication (legal, accounting, administrative, financial and other costs); and g) development of greater career opportunities for the HR of the participating companies. These benefits will be obtained without incurring tax costs, since the transaction is reached by article 77 et. seq. of the Income Tax Law.

The merger process was carried out as follows:

Considering a consolidated statement of financial position for the merger at June 30, 2016, based on the special statements of financial position for the merger of each Company; on August 31, 2016 the preliminary merger commitment was executed, which establishes the merger of GFSA by takeover of GMSA, (the surviving Company) effective as from January 1, 2017.

On October 18, 2016, the Shareholders' Meetings of the Companies were held, at which the preliminary commitment – already approved by the Board of Directors- was approved. Additionally, the Shareholders' Meetings approved the dissolution of the absorbed company, the capital increase of GMSA as a result of the merger, and the transfer of the public offering of GFSA to GMSA.

On October 26, 2016, the mandatory notices of the merger envisaged by Art 83 of the CCL were published, thus opening the term for creditors to file objections. No objections were filed by creditors during the term envisaged for this; consequently, on November 15, 2016 the Final Merger Agreement was executed.

On November 22, 2016, the corresponding Merger proceeding was filed before the CNV. Once administrative approval has been obtained for the merger from this organism, it will be forwarded to the CCA for subsequent registration in the Commercial Court of Record.

The purpose of the merger is to streamline and optimize the management of the economic activities and of the operating, administrative and technical structures of the Participating Companies through a company restructuring, with the aim of achieving synergies and efficiencies by conducting operations through a sole operative entity.

3.7 Financial Position

During fiscal year 2016, GMSA set out to obtain funding for the development investment projects, seeking to improve the financial profile of GMSA.

On February 11, 2016, GMSA obtained a loan of USD 40 million from BAF Latam Trade Finance Funds B.V.

Of this loan, USD 19.9 million were destined to partially fund the project that involves the installation of a new 50 MW turbine at the La Rioja plant, and USD 20.1 million were allocated to the pre-settlement of the outstanding balance under the loan contract executed on May 4, 2011 between GISA, UBS Securities LLC (lender) and UBS AG Stamford Branch (administrative agent). The loan accrues an annual 10% fixed interest rate and matures on February 15, 2019.

On June 1, 2016 GMSA took out a loan with Credit Suisse International for USD 60 million, and destined the funds to a 50 MW expansion at the La Rioja plant and a 100 MW expansion at GM.

This loan accrues interest at a 10% fixed annual rate. After complying with the mandatory minimum permanence period in force at the time established by the Argentine Central Bank (BCRA), the loan was cancelled with the funds obtained from the issue of the International Bond.

Under the framework of the Program of Simple NOs for up to US\$ 100 million or the equivalent in other currencies, GMSA subscribed and issued Class V NOs for \$200 million. The final maturity is June 30, 2018 and the NOs accrue interest at the private banks BADLAR plus a 4% margin. The issue was paid-in in cash and in kind through a swap of GMSA Class IV NOs for \$75.1 million and GISA Class III NOs for \$55.5 million. The funds obtained were used to repurchase the outstanding balance of Class III NOs, make investments and contribute working capital.

On July 27, 2017, GMSA made a joint issue with CTR and GFSA of negotiable bonds (NOs) on the international market for USD 250 million maturing in 7 years. These NOs are secured by ASA and have obtained a B+ rating (Fitch Ratings / B3 (Moody's), and accrued interest at a fixed 9.625% rate.

This issue will allow the Group to fund investments in development works required for the installation of a nominal 460 MW capacity, and at the same time improves the financial profile of the debt. The funds obtained from this issue have been used to pre-cancel existing debts and release the associated surety, achieving a financing term that is line with the development projects and lowering the financial cost.

From the total amount of this issue, USD 173 million have been allocated to GMSA.

During the period hedging contracts were executed for the upcoming interest payments to be made on January 27, 2017.

The funds obtained from the issue of the International Bond were destined in part to finance development projects and to pre-cancel the financial loans detailed below, with the consequent release of sureties put up for each loan:

- Syndicated loan (ICBC)
- ICBC loan (GISA)
- Loans from the Banco de la Provincia de Córdoba
- Loan from the Banco Hipotecario
- Loan from the Nuevo Banco de la Rioja
- Loan from Banco Ciudad
- Loan from Banco Chubut
- Loan from Banco Supervielle
- Loan from Banco Macro

On December 1, 2016 GMSA obtained a loan from the Banco Chubut for USD 6 million. This loan is amortized monthly, with final maturity in 12 months, and accrues an annual interest of 6.25%.

The actions carried out during the fiscal year under review have enabled the execution of the plan for investments in development projects according to the established schedule, improving the financial profile of GMSA. The average maturities have been extended, lowering the financial cost and releasing the associated sureties.

The table that follows presents the Company's bank and financial debt at December 31, 2016:

	\$		
Financial Debt	Current	Non-Current	Total
International Bond	89,615,062	2,659,743,432	2,749,358,494
BAF Loan	3,840,614	631,249,936	635,090,550
Negotiable Obligations	84,703,205	139,283,447	223,986,652
CAMMESA	6,749,323	10,123,978	16,873,301
Other Bank loans	93,451,938	-	93,451,938
Finance leases	6,508,125	17,776,508	24,284,633
	284,868,267	3,458,177,301	3,743,045,568

Ratios:

	2016	2015
Credit Standing (Equity / Liabilities)	0.35	0.84
Indebtedness (Liabilities / Equity)	2.87	1.19
Current Liquidity (Current Assets/ Current liabilities)	4.44	1.02
Ratio of equity to assets (Equity / Total assets)	0.26	0.46
Ratio of fixed assets (Non-current assets/Total assets)	0.67	0.79
Return on assets or economic return (Gross profit / Total assets)	7.19%	12.87%
Return on equity or financial return (Net profit / Average equity)	8.05%	7.02%
Financial leverage (Return on equity / Return on assets)	1.12	0.55
Asset Turnover (Sales / Total assets)	0.28	0.61

These improved ratios stem from sound operating results and the constant work on the debt profile of all the companies in the Group, and displays the experience of the Group in the development, construction, operation and management of this type of project. The Company and its shareholders continue to work on different alternatives that will enable it to increase the revenue flow from its projects, with a capital structure that is better adjusted to the Group's growth.

Analysis of results:

Net sales for the fiscal year ended December 31, 2016 reached \$1,953.8 million, compared with \$933.0 million for fiscal year 2015, showing an increase of \$ 1,020.8 million (109%).

The table that follows presents a breakdown of sales by physical units:

Fiscal year ended December 31:

	2016	2015	Var.	Var. %
	GWh			
Sales per type of market				
Sales CAMMESA 220	423	169	254	150%
Sale of Energía Plus	709	817	(108)	(13%)
Sales Spot Market	327	290	37	13%
Sale of electricity Res. 95/529/482/22	324	379	(55)	(14%)
	1,783	1,655	(128)	8%

Below is a detail of sales to each market (in millions of Pesos):

Fiscal year ended December 31:

	2016	2015	Var.	Var. %
	(in millions of pesos)			
Sales per type of market				
Sales CAMMESA 220	793.2	167.0	626.2	375%
Sale of Energía Plus	764.8	566.7	198.1	35%
Sales Spot Market	289.4	150.2	139.2	93%
Sale of electricity Res. 95/529/482/22	106.5	44.6	61.9	139%
Services provided	-	4.5	(4.5)	(100%)
	1,953.8	933.0	1,020.8	109%

Results for the fiscal year ended December 31, 2015 and 2014 (in millions of pesos):

	Fiscal year ended December 31:			
	2016	2015	Var.	Var. %
Sale of energy	1,953.8	928.5	1,025.3	110%
Other sales	-	4.5	(4.5)	(100%)
Net sales	1,953.8	933.0	1,020.8	109%
Cost of electricity purchased	(599.8)	(285.0)	(314.8)	110%
Cost of gas and gasoil consumption at the plant	(532.5)	(307.6)	(224.8)	73%
Salaries and social security contributions	(69.7)	(32.5)	(37.1)	114%
Maintenance services	(98.1)	(42.8)	(55.3)	129%
Depreciation of PP&E	(115.5)	(46.0)	(69.5)	151%
Insurance	(16.5)	(12.0)	(4.5)	37%
Taxes, rates and contributions	(14.9)	(5.4)	(9.5)	174%
Other	(13.6)	(4.3)	(9.3)	215%
Cost of sales	(1,460.5)	(735.7)	(724.8)	99%
Gross income	493.3	197.3	296.1	150%
Salaries and social security contributions	(0.4)	(1.1)	0.7	(66%)
Taxes, rates and contributions	(0.3)	(0.4)	0.1	(37%)
Doubtful debt expenses	(2.0)	-	(2.0)	100%
Selling expenses	(2.7)	(1.5)	(1.2)	85%
Salaries and social security contributions	(1.2)	(5.2)	4.0	(77%)
Service fees and retributions	(24.4)	(15.8)	(8.6)	55%
Travel and entertainment expense	(3.2)	(2.1)	(1.1)	54%
Sundry	(6.1)	(3.4)	(2.5)	74%
Administrative expenses	(35.0)	(26.6)	(8.4)	32%
Other operating income	8.49	0.32	8.2	100%
Operating income	464.2	169.6	294.5	174%
Commercial interest	25.4	3.4	22.0	643%
Loan interest	(181.9)	(88.9)	(92.9)	105%
Tax interest	(8.9)	0.0	(8.9)	0%
Bank expenses and commissions	(8.2)	(2.6)	(5.7)	218%
Net exchange difference	(122.0)	(2.3)	(119.7)	5286%
Other financial results	17.4	(13.6)	3.0	(227%)
Financial and holding result, net:	(278.1)	(103.9)	(174.1)	168%
Income before tax	186.1	65.7	120.4	183%
Income tax	(86.7)	(24.2)	(62.5)	258%
Income for the year	99.4	41.4	58.0	140%

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	2016	2015	Var.	Var. %
Other comprehensive income for the year				
Revaluation of property, plant and equipment	725.85	350.78	375.1	107%
Impact on income tax	(254.0)	(122.8)	(131.3)	107%
Other comprehensive income for the year	471.8	228.0	243.80	107%
Total comprehensive income for the year	571.2	269.5	301.8	112%

Sales:

Net sales for the fiscal year ended December 31, 2016 reached \$1,953.8 million, compared with \$933.0 million for fiscal year 2015, showing an increase of \$ 1,020.8 million (109%).

During the fiscal year ended December 31, 2016, energy sales reached 1,783 GWh, a 8% increase compared with the sales of 1,655 GWh for fiscal year 2015.

The Company's main sources of income and their behavior during the fiscal year ended December 31, 2016 are described below compared with the previous fiscal year:

- (i) \$764.8 million from sales under Energía Plus, up 35% from the \$566.7 million sold in fiscal year 2015. This variation is explained by a favorable effect on the selling price of the higher exchange rate.
- (ii) \$793.2 million from energy sales on the spot market to CAMMESA under the framework of Resolution 220/07, representing a 375% increase with regard to the \$167.0 million in fiscal year 2015. The variation is explained by a price increase due to the exchange rate growth, an increment in the sales volume and the impact of the merger of GISA by GMSA.
- (iii) \$289.4 million from energy sales on the Spot Market, up 93% from sales of \$150.2 million in fiscal year 2015. This variation is attributed to the management of surplus volumes of electricity generation carried out by CAMMESA and the impact of the merger of GISA, GRISA and GLBSA.
- (iv) \$106.5 million from energy sold under Resolution 95/529/482, up 139% compared with the sales of \$44.6 million in fiscal year 2015. This variation is mainly explained by an increase in the remuneration paid for electricity by enforcement of Resolution 22/16, and the impact of the merger of GRISA and GLBSA by GMSA.

Cost of sales:

The overall cost of sales for the fiscal year ended December 31, 2016 was \$1,460.5 million, compared to \$735.7 million in fiscal year 2015, showing an increase of \$ 724.8 million (99%).

Below is a description of the main costs of sales incurred by the Company, in millions of pesos, and their behavior during the current fiscal year compared with the previous year:

- (i) \$599.8 million for purchases of electricity, reflecting a decrease from the cost of \$285.0 million in fiscal year 2015, due to the variation in the exchange rate and the merger.

- (ii) A cost of \$532.5 million for gas and gasoil consumption by the plant, up 73% from \$307.6 million for fiscal year 2015. This variation was attributed to greater dispatches by CAMMESA, higher consumption of gasoil, a higher exchange rate, and the merger.
- (iii) \$98.1 million for maintenance services, up 129% from \$42.8 million for fiscal year 2015. This variation was due to the change in the US dollar exchange rate and the merger.
- (iv) A charge of \$155.5 million for depreciation of PP&E, up 151% compared with a charge of \$46.0 million in fiscal year 2015. This variation stems mainly from the higher depreciation value of buildings, facilities and machinery as a result of their revaluation at December 31, 2015, and the impact of the merger of GISA, GRISA and GLBSA by GMSA
- (v) \$69.7 million in salaries and social security charges, which was 114% higher, compared with \$32.5 million in fiscal year 2015, due mainly to the wage increase granted, and the merger.
- (vi) \$16.5 million in insurance, up 37% from \$12.0 million in fiscal year 2015, as a result of the variation in the exchange rate y a la absorción de las compañías en GMSA.
- (vii) \$14.9 million in taxes, rates and contributions, up 174% from the \$ 5.4 million in the same period of fiscal year 2015. This variation obeyed to the absorptions of the companies into GMSA.

Gross profit:

The gross result for the fiscal year ended December 31, 2016 was a profit of \$493.3 million, up 150% compared with the profit of \$197.3 million in fiscal year 2015. This is attributed to a greater availability of the units, the exchange rate variation and the merger of GISA, GRISA and GLBSA by GMSA.

Selling cost:

The selling costs for the fiscal year ended December 31, 2016 reached \$2.7 million, compared with the \$1.5 million in fiscal year 2015. This is attributed to a greater in the allowance for doubtful.

Administrative expense:

The administrative expense for the fiscal year ended December 31, 2016 rose to \$35.0 million, up 32% (\$8.4 million) compared with \$26.6 million for fiscal year 2015.

The main components of the Company's administrative expenses are as follows:

- (i) \$24.4 million in service fees and retributions, reflecting an increase of 55% compared with \$15.8 million in the previous fiscal year. This is attributed to an increase in the costs of services and to the consolidation of services in GMSA.
- (ii) \$6.1 million in sundry expenses, up 74% from \$3.4 million in fiscal year 2015. The main variations were seen in the captions office expenses and taxes and rates.

- (iii) \$1.2 million in salaries, social security charges and employee benefits, which accounted for a 77% decrease compared with \$ 5.2 million for the year 2015, decrease mainly attributable to the staff of the power plants engaged in new projects

Operating result:

The operating result for the fiscal year ended December 31, 2016 was a gain of \$464.2 million, a 174% increase compared with the gain of \$169.6 million in fiscal year 2015.

Financial result:

The financial result for the fiscal year ended December 31, 2016 was a loss of \$278.1 million, compared with a loss of \$103.9 million for fiscal year 2015, which reflects an increase of 168%.

The most salient aspects of this variation are described below:

- (i) \$ 181.9 million of financial interest losses, up 105% compared with the \$ 88.9 million loss for the year 2015 as a result of an increase in the financial debt generated by the merger through absorption.
- (ii) \$ 122.0 million losses for net exchange differences, accounting for a 5286% increase from the \$2.3 million losses recorded in the previous fiscal year.

Result before tax:

In the fiscal year ended December 31, 2016, the Company reported a gain before tax of \$186.1 million, which compares with a gain of \$65.7 million in the previous fiscal year, reflecting an increase of 183%.

The income tax result was a loss of \$86.7 million for the current fiscal year, compared with a loss of \$24.2 million for fiscal year 2015.

Net Result for the year:

The net result for the year ended December 31, 2016 was a gain of \$99.4 million, compared with a gain of \$41.4 million in fiscal year 2015, reflecting an increase of 140%.

Other comprehensive income for the year:

The caption Other comprehensive income for the fiscal year ended December 31, 2016 reached \$471.8 million due to the Company's decision to re-appraise the items land, buildings, premises and machinery, under the caption Property, Plant and Equipment, as from June 30, 2014. The Company considers that the new revaluation model provides a more reliable value of its assets.

2. Equity structure presented comparatively with the previous fiscal years:
(in millions of pesos)

	12.31.16	12.31.15	12.31.14	12.31.13	12.31.12
Non-Current Assets	4,599.4	1,209.9	888.1	368.0	379.4
Current Assets	2,257.8	323.0	284.2	217.4	175.3
Total Assets	6,857.2	1,532.9	1,172.3	585.4	554.7
Shareholders' Equity	1,770.1	699.3	481.3	114.6	106.9
Total Shareholder's Equity	1,770.1	699.3	481.3	114.6	106.9
Non-Current Liabilities	4,578.9	516.2	310.6	171.0	21.2
Current Liabilities	508.2	317.4	380.4	299.8	426.6
Total Liabilities	5,087.1	833.6	691.0	470.8	447.8
Total Liabilities and Shareholders' Equity	6,857.2	1,532.9	1,172.3	585.4	554.7

3. Breakdown of results presented comparatively with the previous fiscal years:
(in millions of pesos)

	12.31.16	12.31.15	12.31.14	12.31.13	12.31.12
Operating income	464.2	169.6	136.8	107.3	112.7
Financial and holding results	(278.1)	(103.9)	(118.6)	(94.1)	(89.6)
Net result	186.1	65.7	18.3	13.1	23.1
Income tax	(86.7)	(24.2)	(10.4)	(5.5)	(9.7)
Net income	99.4	41.4	7.8	7.6	13.4
Other comprehensive income	471.8	228.0	358.9	-	-
Total comprehensive income	571.2	269.5	366.7	7.6	13.4

4. Cash flow structure presented comparatively with the previous fiscal years:
(in millions of pesos)

	12.31.16	12.31.15	12.31.14	12.31.13	12.31.12
Funds (applied) generated by operating activities (1)	(696.3)	104.2	130.8	58.9	136.3
Funds applied to investment activities	(1,311.5)	(17.8)	(2.9)	(10.6)	(11.3)
Funds generated by (applied to) financing activities	2,445.7	(99.3)	(109.0)	(39.7)	(132.2)
Increase/(Decrease) in cash and cash equivalents	437.9	(12.9)	18.8	8.7	(7.2)

(1) Includes advance payments to suppliers for the purchases of goods for \$868,976,879 (See Note 4.9).

4. OWNERSHIP STRUCTURE

Corporate capital

At December 31, 2016, the Company's capital was made up by 125,654,080 ordinary registered non-endorsable shares with a face value of \$ 1 and a right to one vote each.

During the fiscal year ended December 31, 2016, prior to the effective date of the merger described below, the Company had the following ownership structure:

• Albanesi S.A.	95 %	(119.371.376 shares)
• Armando Roberto Losón	3,877%	(4.884.482 shares)
• Holen S.A.	0,113%	(141.681 shares)
• Carlos Alfredo Bauzas	1%	(1.256.541 shares)

Following the merger with takeover process described in point 3.6 of this Annual Report, the Company, through the decision of the Extraordinary General Shareholders' Meeting held on October 18, 2016, and based on the approved swap ratio, made a capital increase from \$125,654,080 to \$138,172,150 through the issue of 12,518,070 new ordinary registered shares with a face value of \$1 each and a right to one vote per share. The Extraordinary General Shareholders' Meeting referred to approved the delegation to the Board of Directors of the Company, under the terms of article 188 of the Commercial Company Law, of the decision relating to the date of issue of the 12,518,070 new shares corresponding to the capital increase, and their delivery to the shareholders of the absorbed companies. To this end, the issue of the shares referred to was approved by resolution of the Minutes of the Board of Directors dated January 10, 2017, and the corresponding entry was recorded in Share Registry Book N° 1 belonging to the Company.

Organization of decision-making

As indicated in the various sections of Annex IV to Heading IV of the Rules of the National Securities' Commission attached to this Annual Report relating to the degree of compliance with the Code of Corporate Governance, the policies and strategies of the Company are defined by the Board of Directors to be executed by each sector under the supervision of the corresponding Management and ultimately of the Board of Directors.

Any decisions relating to the administration of the activities of the Company which are considered major and/or relevant in terms of their magnitude and/or of the amount involved are taken directly by the Board of Directors at a meeting summoned specifically to this end. When required in specific cases, the Shareholders' Meeting will hold an extraordinary meeting to decide matters assigned to it. During 2016, all decisions taken by these two bodies were carried unanimously.

Directors' fees

The decisions made by the Company relating to the fees of the members of the Board of Directors are in compliance with the limits and guidelines envisaged in Article 261 of Law N° 19.550, and Articles 1 to 7 of Chapter III, Heading II, of the Rules of the National Securities' Commission.

5. OUTLOOK FOR FISCAL YEAR 2017

5.1 Outlook for the Electricity Generation Market

The need to continue offering a high availability of the existing electric power generation units led the Government to issue invitations for tenders for new emergency steam power generation under the framework of Resolution 21/2016. A new successful bidding process was carried out, in which Grupo Albanesi was the main awardee, having been adjudicated 420 MW of a total granted under contracts that was close to 3,300 MW.

Subsequent bids for renewable energies will contribute a nominal power of 2,400 MW in the coming years. Also, there is investor interest in the incorporation of new large scale projects in a potential bidding process to be carried out by the Government following the reception of Expressions of Interest from potential investors under the recent Resolution 421/2016.

In this regard, the income obtained by power generating companies will require significant adjustment in order to cover their costs and investments, and to cover fuel supply costs in the case of steam power generators. In the past, the government has shown willingness to increase the remuneration for electricity generators relative to the prices paid in 2013 through Resolution 529/2014, and the Agreement to increase the availability of Steam Power Generation executed in 2014 by generators and the Energy Secretariat with a view to increasing the generation supply for the winter of 2015 through the settlement of financial claims held by generators, to be invested in the increase in power supply, and the adjustments envisaged by Resolution 482/2015 which modified the values in Resolution 529/2014 retroactively as from February 2015. Although these adjustments were not sufficient to grant the necessary additional liquidity to generators, it managed to preserve and materialize the economic value stemming from payments due from CAMMESA to the generators for past transactions, and enabled the availability of sufficient energy dispatches to meet the demand of the winter and summer of 2015.

The impact of the peso devaluation in December 2015 and the inflationary process throughout 2016 were overshadowed by the 380% increase in the Seasonal Price of Energy instructed by the Government following 12 years of virtually no price adjustments. The Government is likely to continue applying this adjustment of the Seasonal Price of Energy, in addition to the adjustments to the margins earned for electricity transmission and distribution services, in order to give the system greater financial equilibrium in terms of income and expenditures.

The new Ministry of Energy and Mining was very active throughout the year 2016 and appears to be implementing a similar methodology in 2017, with the aim of restoring the regulatory rules that legally govern the Electricity Sector.

To guarantee availability at generating units, the effective entry of committed units will be required if the economy resumes a path of growth in 2017 and 2018. To this end, the regulatory readjustment process partially implemented since February 2016 will need to be consolidated in order for the significant investor interest shown in 2016 and 2017 to materialize.

This will require a continued readjustment of the income obtained by generators in order for them to cover the cost of major and small scale maintenance at the different power plants, and the effective payment of the items committed by contract to secure the entry of the new generating units awarded through bidding processes to avoid forced restrictions on demand. The prolonged heat wave at the end of December 2013 and January 2014 in various cities of Argentina revealed the tense social situation that could result from the insufficient electric power supply not only in terms of distribution but in terms of wholesale generation. The current Government declared an Electricity Emergency until the end of 2017 with a view to readjusting the sector.

In view of this, the outlook is favorable for modern steam power generators located in regions with a high growth in demand, since their units will receive increasing dispatch requirements. The drop in international prices of fuel has narrowed the gap between the cost for generators and the income they will receive from the different consumers once the Government implements tariff adjustments. Consequently, it is likely that the current fuel supply by CAMMESA –

received in part from ENARSA- will be modified to encourage generators to seek their own sources of fuel supply and to execute spot contracts with industrial consumers and, eventually, with distributors.

The outlook for the Energy Sector is a gradual improvement. Fuel imports will be driven by the demand for electricity and will also depend on the hydroelectric power supply, but are expected to grow given the complicated and slower-than-expected expansion of the local oil and gas supply. Restrictions on international funding for Argentina in the past delayed the entry of new investments in electric power generating units, pushing up the value of the existing fleet and of projects currently underway. The absence of a greater hydroelectric or nuclear power supply over the next 6 to 8 years provides a favorable outlook for steam power plants in terms of energy dispatches in a context of growing demand for electricity once economic growth has been resumed in 2017, following the impact in 2016 of incipient tariff adjustments and the drop in GDP.

The withdrawal of implicit subsidies from electricity consumers implemented gradually by the new Government will face the challenge of a potential reversal of the international context of low international prices of oil and fuel in 2016, which has already caused a drop in the prices of imported gas and LNG. A recovery of the industrial activity will probably reactivate the interest of industrial consumers in purchasing electricity at the lowest possible cost, increasing the value of generating units capable of offering competitive prices once the electricity spot market has been normalized.

One indication of a favorable change in policy –at least in part- relating to the Electricity Sector is the guarantee that CAMMESA will hire new power and related energy through Resolution 220/2007, which the new Government has undertaken to respect, and the improved income for electricity generators established by Resolution 95/2013, with further tariff increases committed in 2014, 2015 and 2016.

Following years of deterioration of the different Energy Sector variables, the present scenario is auspicious despite the existing difficulties and the fact that the new Government is still to issue policies that introduce partial improvements to maintain the efficiency and financial health of the generating sector.

The policies announced in part by the new National Government seek to encourage private investment to maintain a suitable level of supply in order to meet the expected future demand, which will grow progressively in a country that shows strong growth momentum in electricity demand.

Resolution MinEyM SE 19-E/17 was published on January 27, 2017, and replaces Energy Secretariat Resolution SE 22/16. The new resolution adapts the remuneration criteria to reasonable, foreseeable and efficient economic conditions through medium term commitments.

The Generating Agents under the framework of contracts governed by Resolutions 1281/2006, 220/2007, 21/2016, and any other type of WEM contract that has a differential system established or authorized by the competent authority of the WEM, are excluded from this system

The main changes include the proviso that remuneration will be based on Available Power and Generated Energy valued in USD, thus simplifying the calculation.

The new resolution becomes effective on February 1, 2017.

5.2. Company Outlook for Fiscal Year 2016

Electricity

The Company expects that the various generating units will continue to operate normally in line with dispatches and fuel allocations defined by CAMMESA. The Company plans to carry out an exhaustive preventive maintenance plan on power generating units in 2017 to guarantee the high availability of its units.

The Company also expects to improve the usage factor and prices of contracts executed under Resolution 1281/06 (Energía Plus).

Advisory and Technical Assistance Services

Grupo Albanesi will continue its Engineering and Civil Works professional training program referred to previously in order to maintain the advisory and technical assistance services on the various expansion projects underway at the Group's power plants, and to provide advisory services and assistance in the operation of those power plants.

Absorption of companies following the merger

As of the effective date of the merger explained in point 3.6 of this Annual Report, the Frias Power Plant located in Frias, Santiago del Estero province, is incorporated into the power plants owned by the Company to comply with its activity. This power plant has a 60 MW turbine model FT-4000 from PW Power Systems. This turbine is dual, so it operates with both natural gas and diesel. The plant has two liquid fuel storage tanks that allow up to 6 days of operation without the need for refueling.

Financial Position

During the next fiscal year the Company will continue to optimize the structure of its financing to keep its level of indebtedness in line with its working capital and investment needs relating to the capacity expansion projects currently underway.

The main objectives of the Company are to continue reducing the cost of financing, and improve the profile of maturities to adjust it more accurately to the Group's cash flows. To this end, the company expects to continue making issues on the capital market and diversify sources of funding.

6. DISTRIBUTION OF RESULTS

In Compliance with the prevailing legal provisions, the Board of Directors of the Company informs that the result for the year is a profit of \$ 99,455,353, leading to a cumulative earnings at December 31, 2016 of \$ 3,580,661.

The General Shareholders' Meeting will deliberate and decide regarding the destination of the cumulative earnings indicated above.

7. ACKNOWLEDGEMENTS

The Board of Directors wishes to thank all the employees of the Company for the work carried out during the year under review, which has been essential to the achievement of its technical and economic results. Additionally, it wishes to expressly acknowledge the contribution of its clients and suppliers, and the banking entities and other collaborators that have worked toward a better conduct of the business throughout the year.

Autonomous City of Buenos Aires, March 10, 2017

THE BOARD OF DIRECTORS

Generación Mediterránea S.A.**RESPONSE STRUCTURE - EXHIBIT IV – Annual Report for the year ended 12.31.16**

Report on compliance with the Code of Corporate Governance

Report on compliance with the Code of Corporate Governance				
	Compliance		Noncompliance (1)	Report (2) or Explain (3)
	Total(1)	Partial(1)		
PRINCIPLE I. MAKE CLEAR THE RELATIONSHIP BETWEEN THE ISSUER, THE ECONOMIC GROUP THAT THE ISSUER HEADS AND/OR FORMS PART OF AND ITS RELATED PARTIES.				
Recommendation I.1: Ensuring the disclosure by the Governing Body of the policies applicable to the relationship between the Issuer and the Economic Group that the Issuer heads and/or forms part of and its related parties.	X			The acts and contracts the Company may perform and execute with a related party for a significant amount are approved by the Board of Directors. Further, if there are acts or contracts with a related party for significant amounts, they are reported as a Major Event to the National Securities Commission (CNV) and to the Buenos Aires Stock Exchange (BASE). All transactions between related parties are reported in the financial statements.
Recommendation I.2: Ensure the existence of mechanisms that prevent conflicts of interest.		X		Conflicts of interests are resolved by a decision of the Board of Directors by majority vote, as set forth in the bylaws, and the Director that might be involved in the conflict abstains from voting. The Policies and Procedures Manual of Human Resources and the Code of Ethics and Conduct were approved by Board Meeting Minutes dated April 25, 2016, and they are currently working on their implementation.
Recommendation I.3: Preventing the improper use of proprietary information.		X		The Company has a Code of Ethics and Conduct approved by Board Meeting Minutes dated April 25, 2016, in which the use and/or disclosure of relevant and/or confidential information is forbidden. The Company is currently working on the implementation of a procedure to prevent the use of insider information and the treatment of its disclosure.
PRINCIPLE II PROVIDE THE BASIS FOR A SOLID ADMINISTRATION AND SUPERVISION OF THE ISSUER				
Recommendation II 1: Ensure that the Governing Body assumes the administration and supervision of the Issuer				

and its strategic goals.				
II.1.1				
II.1.1.1	X			The Board of Directors approves the Company's general strategies and policies, entrusting the directors and managerial staff, where applicable, with the executive business management.
II.1.1.2	X			The Board of Directors approves the investment and financing policies.
II.1.1.3		X		The Policies and Procedures Manual of Human Resources and the Code of Ethics and Conduct as well as the Corporate Governance Code were approved by Board Meeting Minutes dated April 25, 2016, and they are currently working on their implementation.
II.1.1.4		X		Although the Company does not have a written policy in place, the Board of Directors approves the issues relating to the selection and remuneration of the senior managers. A special procedure has been implemented since 2014, headed by the Human Resources Division with the final approval from the Board of Directors, in relation to the assessment of senior managers and the whole staff. Further, within the framework of the formalization of this type of internal procedures, the Company approved by Board Meeting Minutes dated April 25, 2016 a Policies and Procedures Manual of Human Resources, which is currently under implementation.
II.1.1.5	X			The Board of Directors approves the policies on the assignment of responsibilities to senior managers.
II.1.1.6		X		The Board of Directors approves the supervision of the succession plans for senior managers. Further, within the framework of the formalization of this type of internal procedures, the Company approved by Board Meeting Minutes dated April 25, 2016 a Policies and Procedures Manual of Human Resources, which is currently under implementation.
II.1.1.7		X		The aspects referred to the social corporate responsibility were addressed in the Policies and Procedures Manual of Human Resources approved by Board Meeting Minutes dated April 25, 2016, which are currently under implementation. It should be noted that as set out by current regulations, the Annual Report on the Financial Statements includes the measures taken in relation to corporate social responsibility.

II.1.1.8		X		Although the Company does not have a written policy on comprehensive risk management, which is to be implemented in due course, the matters relating to this instance are currently submitted to the consideration of the Board of Directors.
II.1.1.9		X		Bearing in mind the professional qualities of the persons who have been or are members of the Board of Directors, the Company does not have a continuous training program for the directors and managerial executives. However, as part of the Company's usual management, the Board of Directors adopts actions for general and/or particular training and update according to the specific needs that may arise in the exercise of their functions and responsibilities under their charge. However, the Company through Board Meeting Minutes dated April 25, 2016 approved the Policies and Procedures Manual of Human Resources, which is currently under implementation.
II.1.2				There are no further policies implemented.
II.1.3		X		Although the Company does not have a specific policy, the Company has several mechanisms to provide information to its Directors and Managers well in advance, to keep them informed at the time of decision-making. These mechanisms basically include the drafting of the following reports in charge of the respective management divisions: i) report on operations, maintenance, the environment and safety of the plant, which is an integral part of the integrated management system adopted by the Company, and which details all the relevant events linked to the plant's activity; ii) monthly economic, financial and accounting reports, as well as reports on human resources, legal issues and information technology and systems. However, the Company worked on the establishment of regular procedures involving informative meetings on all these aspects to facilitate the Governing Body decision-making process. The Company will also continue evaluating the possibility of implementing the drafting of a formal policy establishing the procedures related to this issue.
II.1.4	X			For the different issues submitted to the consideration of the Board of Directors that in view of their magnitude require a specific analysis, presentations are made

				evaluating the different problems to be considered so that the level of risk to be assumed is acceptable to the Company. In addition, the Company worked on the establishment of regular procedures involving informative meetings on all the aspects mentioned in the preceding point, to facilitate the Governing Body decision-making process. The Company will also continue evaluating the possibility of implementing the drafting of a formal policy establishing the procedures related to this issue.
Recommendation II.2: Ensure an effective corporate Management Control				
II.2.1	X			The Board of Directors receives the monthly economic and financial report which shows the development of the budget and the business plan, and verifies compliance therewith based on information received.
II.2.2	X			Control by the Board of Directors is performed on a monthly basis. In this regard, considering the adoption by the Company of the integrated management system, the respective management division prepares the Operations, Maintenance, Environmental and Safety Report. It also prepares the Monthly Economic and Financial Report contemplating all the management aspects of the Issuer. A process is in place for the assessment of the senior managers and all employees; this assessment process is headed by the Human Rights Department and approved by the Board of Directors. The Company through Board Meeting Minutes dated April 25, 2016 approved the Policies and Procedures Manual of Human Resources, which addresses the performance evaluation. This manual is currently under implementation.
Recommendation II.3: Communicate the Governing Body's performance appraisal process and its impact.				

II.3.1	X			All members of the Board are fully in compliance with the provisions of articles 8 to 15 of the Company Bylaws, regarding the Board membership and performance. The Company does not have Regulations on the operation of the Board of Directors. However, it is working on certain guidelines to be incorporated to the Code of Corporate Governance which are expected to be approved in 2017.
II.3.2	X			The Board of Directors prepares and issues the Annual Report jointly with the annual financial statements. These documents include sufficient information to assess the results obtained by the Board of Directors in the administration of the Company, considering the objectives originally proposed, and this information is considered by the Meeting of Shareholders when they deal with and resolve the issues contemplated in Section 234, sub-sections 1 and 2, of the General Corporations Law, also taking into account all the information provided by the documents prepared for such purpose, as well as the additional reports that must be provided in compliance with applicable regulations on public offering and quotation of securities. The latest Meeting of Shareholders that dealt with this issue was held on April 20, 2016.
Recommendation II.4: The number of external and independent members in the Governing Body of the Issuer should be significant.				
II.4.1			X	On the basis of its ownership structure and as the Company does not make public offering of its shares, the Company does not consider it necessary to have independent Directors.
II.4.2			X	In conformity with the shareholders agreement entered into on April 26, 2012, as amended on March 30, 2015, between Armando R. Losón, Carlos Alfredo Bauzas and Hoken S.A., the Board of Directors of GEMSA, a company belonging to Grupo Albanesi, must be composed of at least five (5) and a maximum of nine (9) regular directors. The Board of Directors of GEMSA, currently composed of nine members in conformity with the shareholders agreement, have been designated according to the following

				procedure: (i) seven (7) members were designated by Armando R. Losón, including the Chairman; (ii) one (1) member by Carlos Alfredo Bauzas; and (iii) one (1) member by Holen S.A. The shareholders agreement also sets out the number of directors that each shareholder must designate when the Board of Directors of GEMSA is composed of a higher or lower number of directors, and those proportions should be observed also in the case of the designation of deputy directors.
Recommendation II.5: Requiring the existence of regulations and procedures intended to select and propose members of the Governing Body and senior management of the Issuer.				
II.5.1			X	Based on its current structure, the Company does not deem necessary to have an Appointments Committee.
II.5.1.1			X	Not applicable
II.5.1.2			X	Not applicable
II.5.1.3			X	Not applicable
II.5.1.4			X	Not applicable
II.5.1.5			X	Not applicable
II.5.2			X	Not applicable
II.5.2.1.			X	Not applicable
II.5.2.2			X	Not applicable
II.5.2.3			X	Not applicable
II.5.2.4			X	Not applicable
II.5.2.5			X	Not applicable
II.5.2.6			X	Not applicable
II.5.2.7			X	Not applicable
II.5.3			X	Not applicable
Recommendation II.6: Evaluating the convenience that the members of the Governing Body and/or syndics and/or members of the surveillance committee perform functions at several Issuers.			X	The Company does not set limits on the participation of the Governing Body and/or surveillance committee members in bodies of other issuers.
Recommendation II.7: Ensuring training and career development for the members of the Governing Body and the senior management of the Issuer.				
II.7.1		X		Bearing in mind the professional qualities

				of the persons who have been or are members of the Board of Directors, the Company does not have a continuous training program for the directors and managerial executives. However, as part of the Company's usual management, the Board of Directors adopts general and/or specific training and update actions according to the specific needs that may arise in the exercise of their functions and responsibilities. The Company through Board Meeting Minutes dated April 25, 2016 approved the Policies and Procedures Manual of Human Resources, which addresses the staff training plan for the Group, which is currently in the process of approval.
II.7.2	X			The Issuer recommends and encourages permanent training of its members through financing and registration in refresher courses and specific training courses given by universities and/or specific entities. The Company through Board Meeting Minutes dated April 25, 2016 approved the Policies and Procedures Manual of Human Resources, which addresses the policies and procedures for the professional training of all employees and hierarchical levels, which is currently in the process of approval.
PRINCIPLE III ENDORSE AN EFFECTIVE POLICY TO IDENTIFY, MEASURE, MANAGE AND COMMUNICATE CORPORATE RISK				
Recommendation III: The Governing Body must have a comprehensive corporate risk management policy and monitor its correct implementation.				
III.1	X			The Issuer has an INTEGRATED MANAGEMENT SYSTEM ("IMS") in conformity with ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 Standards, whereby all necessary issues for comprehensive management of the risks inherent in process quality, the environment and occupational health and safety are covered. The IMS permits identifying the tasks to be carried out for predictive and preventive maintenance, safety and the environment, establishing the procedures to be followed, control compliance therewith, and obtaining the

				records supporting the management tasks carried out.
III.2		X		In view of its functioning and control over this matter, the Company does not consider it necessary to have a Risk Management Committee. The main risk factors of the activity are related to maintenance, hygiene, safety and the environment and the IMS establishes the necessary measures to prevent and, as the case may be, mitigate those risks. The Integrated Management System policy is defined by Management and compliance with its provisions is ensured by the area that administers the IMS. Performance results are evaluated by the Board of Directors, with the participation of the Plant Management and the Energy Planning Management.
III.3	X			The Company has a specific area within the Energy Planning Management dedicated to the administration of the IMS.
III.4		X		The documentation for the management system (planning, procedures, instructions, records) is defined by the area that administers the IMS in coordination with the process sector. Its approval is Management's responsibility. The IMS is audited on an annual basis by entities authorized to re-validate its certification. At that moment, compliance with the procedures and the records supporting follow-up of the previously scheduled activities are controlled. The Electricity Regulatory Authority (ENRE) performs environmental audits periodically, verifying compliance with the Environmental Planning (EP) presented as required by regulations in effect for all power plants in the Wholesale Electric Market (WEM).
III.5	X			This control is specifically mentioned in the Annual Report, with a detail of the different compliance matters in the control of the Company's overall risk management. Likewise, the financial statements provide a detail of the points referred to the control of financial risks managed by the Company.
PRINCIPLE IV SAFEGUARD THE INTEGRITY OF FINANCIAL INFORMATION WITH INDEPENDENT AUDITS				
Recommendation IV: Guarantee independence and transparency in the				

functions entrusted to the Audit Committee and the External Auditor.				
IV.1			X	Not applicable because the Company does not have an Audit Committee.
IV.2	X			The Company has a specific Internal Audit area responsible for the evaluation and control of the Company's internal processes; this area reports to the Chairman of the Board.
IV.3			X	Not applicable.
IV.4		X		The Company does not have a rotation policy for the members of the Surveillance Committee. Price Waterhouse & Co. SRL has served as independent external auditor of the Company during the last few fiscal years. The Company will adjust the rotation of the External Auditor in due course, as required by current regulations.
PRINCIPLE V. OBSERVE THE RIGHTS OF SHAREHOLDERS				
Recommendation V.1: Ensure that the shareholders have access to the Issuer information.				
V.1.1			X	Considering that the Company does not make public offering of its shares, it is not necessary to promote periodical informative meetings with its shareholders; the Company's shareholders form part of the Board of Directors.
V.1.2		X		Through its Market Relationship Office, the Company answers consultations and keeps direct contact with investors. In Grupo Albanesi's website (www.albanesi.com.ar), the Company has a section with specific information for investors. That section provides detailed information about the Issuer, as required by the CNV for each issue of securities. The Company has developed a section in the website providing relevant information about the company (bylaws, economic group, composition of Governing Body, financial statements, Annual Report, among others) and allowing users in general to post queries.
Recommendation V.2: Promoting active participation of all the shareholders.				
V.2.1	X			The Company's Governing Body is in compliance with the regulations on the calls for Shareholders' Meetings. It should

				be noted that in the fiscal year 2016 all Shareholders' Meetings were unanimous, with shareholders representing 100% of capital in attendance, so it was not necessary to call for meetings under the terms of section 237 of Law 19550.
V.2.2			X	Although the Company does not have Regulations on the Internal Functioning of Shareholders' Meetings, the information to be considered by them is provided well in advance, inasmuch as the shareholders are also members of the Board of Directors. Further, during 2016, the Company worked on the analysis of the advisability of a formal policy establishing the procedures related to the provision of information to the Board of Directors, which will have a direct impact on shareholders because they form part of the Governing Body.
V.2.3	X			Minority shareholders have no restrictions on proposing matters to be dealt with at Shareholders' Meetings.
V.2.4			X	According to the Company's structure and considering that 100% of the shareholders are members of the Board of Directors, it is not deemed necessary to have a policy that encourages the participation of the shareholders in particular.
V.2.5			X	During the year ended December 31, 2015, new authorities were appointed, with the designation of the same Board members who were in office. In the year ended December 31, 2016, additional full directors were appointed who were aware of and in agreement with tasks and decisions adopted as to the Code of Corporate Governance to form part of the Board of another Albanesi Group Company which was absorbed by GEMSA.
Recommendation V.3: Ensure the principle of equality between share and vote.	X			The Company does not have different classes of shares. All of the shares that form part of capital are entitled to 1 vote per share.
Recommendation V.4: Establish mechanisms to protect all shareholders from takeovers.	X			The Company does not make public offering of its shares. Article 6 of the Corporate Bylaws specifically establishes the procedure to be followed for transfers of shares <i>inter vivos</i> , giving the non-selling shareholders the right of first refusal over the offered shares or the right to offer their shares for sale under the same conditions as the shares first offered.

Recommendation V.5: Encouraging the share dispersion of the Issuer.				Not applicable. The Issuer's share dispersion is 0% (it has no share dispersion) because its shares are not publicly offered to investors and therefore are not listed for trading on the market. The Issuer does not expect to increase its share dispersion in the future for it has not planned to publicly offer its capital stock to investors. During the last three years, the Issuer's share dispersion remained at 0%, for the reason stated above.
Recommendation V.6: Ensure that there is a transparent dividend policy.				
V.6.1		X		The Issuer does not have a specific policy for dividend distributions established by the bylaws and approved by the Shareholders' Meeting. It is established in article 19 of Bylaws that dividends must be paid in proportion to the shares paid up within the year in which dividends are approved. Evidence is left that the policy of Grupo Albanesi which permitted significant growth in the last few years is the reinvestment of profits in the development of new projects.
V.6.2			X	The Company does not have specific procedures for the formulation of a proposal for allocation of retained earnings. Retained earnings are considered by the General Meeting of Shareholders held to deal with the annual financial statements, according to the parameters established by article 19 of Bylaws and Law No. 19550 and other related provisions, as regards the percentages of liquid profits for the year to be allocated to each account, and the treatment of losses, if any.
PRINCIPLE VI. A DIRECT AND RESPONSIBLE RELATION SHOULD BE MAINTAINED WITH THE COMMUNITY				
Recommendation VI: Disclose to the community the matters related to the Issuer and provide a direct communications channel with the company.				
VI.1		X		The information concerning the Company merely consists of a general overview of the Company's business activities. The Company has a section in the website providing detailed information about the Issuer, as required by the CNV for each

				issue of securities. The Company has developed a section in the website providing relevant information about the company (bylaws, economic group, composition of Governing Body, financial statements, Annual Report, among others) and allowing users in general to post queries.
VI.2			X	The Company is developing internal processes to issue the respective Social Responsibility and Environmental Balance Sheet in the future pursuant to the recommended parameters.
PRINCIPLE VII. JUST AND RESPONSIBLE REMUNERATION				
Recommendation VII: Establishing clear remuneration policies for the members of the Governing Body and senior managers, with an emphasis on the limitations imposed under collective bargaining agreements or envisaged in the bylaws, on the existence or non-existence of profits.				
VII.1			X	Based on its usual operations, the Company does not deem necessary to form a Remunerations Committee.
VII.1.1			X	Not applicable
VII.1.2			X	Not applicable
VII.1.3			X	Not applicable
VII.1.4			X	Not applicable
VII.1.5			X	Not applicable
VII.2			X	Not applicable
VII.2.1			X	Not applicable
VII.2.2			X	Not applicable
VII.2.3			X	Not applicable
VII.2.4			X	Not applicable
VII.2.5			X	Not applicable
VII.2.6			X	Not applicable
VII.2.7			X	Not applicable
VII.3			X	Not applicable
VII.4		X		With the assistance of the Human Resources Division the Board of Directors

				defines, according to objective criteria, the fixed and variable remuneration of all employees, considering as one of the main elements the levels of remuneration established in other companies of similar importance in the industry, as well as the criteria for promotion and penalties at an internal level. As part of the process of formalization of the Corporate Governance policies, the Company is analyzing the best way to articulate the internal procedures to regulate, where appropriate, the other points considered in this recommendation.
PRINCIPLE VIII. ENCOURAGE BUSINESS ETHICS				
Recommendation VIII: Ensure ethical conduct at the Issuer.				
VIII.1		X		The issuer has a Corporate Code of Conduct, which was approved by Board Meeting Minutes dated April 25, 2016, which is currently under implementation. Among the main guidelines is performing daily activities with ethics and responsibly and the behaviors to be adopted in each case.
VIII.2		X		In accordance with the Code of Conduct mentioned in point VIII.1, in the event of Code infringement, the direct responsible party or responsible party at Human Resources should become involved. However, the Company is currently working on the implementation of the reception and evaluation of reports.
VIII.3		X		The issuer is currently working on the implementation of the reception and evaluation of reports.
PRINCIPLE IX: EXTEND THE SCOPE OF THE CODE				
Recommendation IX: Encouraging the incorporation of good governance practices in the bylaws.			X	The Company does not consider it necessary to include provisions related to good corporate governance practices in the wording of the Corporate Bylaws.

Legal information

Company Name: Generación Mediterránea S.A.

Legal domicile: Av. L.N. Alem 855, Floor 14, City of Buenos Aires.

Main business activity: Generation and sale of electric energy Development of energy projects, execution of projects, provision of advisory services, construction management and building of any nature, making of investments and financial transactions of any kind, except for those under Law No. 21526.

Registration with the Superintendency of Commercial Companies:

By-laws January 28, 1993

Last amendment: October 18, 2016 (in progress)

Registration number with the Superintendency of Commercial Companies: No. 644 of Book 112, Volume "A" of Corporations

Tax ID: No. 30-68243472-0

Expiration date of Company By-laws: January 28, 2092

Parent company: Albanesi S.A.

Legal address: Av. L.N. Alem 855, Floor 14, City of Buenos Aires

Main line of business of Parent Company: Investment and financial activities

Percentage of equity interest held by Parent Company: 95%

Percentage of voting rights of Parent Company: 95%

CAPITAL STATUS (Note 13)	
Class of shares	Subscribed, registered and paid-in
	\$
Ordinary, registered, non-endorsable shares of \$1 nominal value each and entitled to 1 vote per share.	125,654,080

Generación Mediterránea S.A.

Free translation from the original prepared in Spanish for publication in Argentina

Statement of financial position

At December 31, 2016, presented in comparative format

Stated in pesos

	Note	12.31.16	12.31.15
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	4,491,820,544	1,206,180,895
Investments in Companies	36	129,861	129,861
Other receivables	11	49,598,816	-
Trade receivables	10	57,883,839	3,558,538
Total non-current assets		4,599,433,060	1,209,869,294
CURRENT ASSETS			
Materials and spare parts	9	27,636,382	7,326,530
Other receivables	11	1,192,569,484	122,828,721
Financial assets at fair value through profit or loss		136,206,567	-
Income tax credit balance, net		-	1,601,673
Trade receivables	10	456,444,479	188,161,520
Cash and cash equivalents	12	444,954,591	3,094,280
Total current assets		2,257,811,503	323,012,724
Total Assets		6,857,244,563	1,532,882,018
SHAREHOLDERS' EQUITY			
Share Capital	13	125,654,080	76,200,073
Share premium		111,514,225	-
Legal reserve		4,968,948	2,439,117
Optional reserve		48,330,099	19,870,827
Special reserve		1,275,621	-
Retained earnings and accumulated losses		3,580,661	33,487,164
Technical revaluation reserve		1,474,799,111	567,352,214
TOTAL SHAREHOLDERS' EQUITY		1,770,122,745	699,349,395
LIABILITIES			
NON-CURRENT LIABILITIES			
Allowances and Provisions	21	9,135,552	9,949,496
Deferred tax liabilities, net	20	861,147,900	336,000,075
Loans	17	3,458,177,301	170,222,514
Trade payables	15	250,442,290	-
Total non-current liabilities		4,578,903,043	516,172,085
CURRENT LIABILITIES			
Other liabilities	16	2,752,893	145,000
Tax payables	19	17,221,490	2,918,969
Salaries and social security charges	18	3,748,321	3,652,084
Derivative financial instruments		2,175,000	-
Loans	17	284,868,267	118,295,977
Trade payables	15	197,452,804	192,348,508
Total current liabilities		508,218,775	317,360,538
Total Liabilities		5,087,121,818	833,532,623
Total Liabilities and Shareholders' Equity		6,857,244,563	1,532,882,018

The accompanying notes are an integral part of these financial statements.

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Statement of comprehensive income For the years ended December 31, 2016 and 2015 Stated in pesos

	Note	12.31.16	12.31.15
Sales revenue	22	1,953,797,882	932,988,647
Cost of sales	23	(1,460,459,949)	(735,654,543)
Gross income		493,337,933	197,334,104
Selling expenses	24	(2,687,526)	(1,456,348)
Administrative expenses	25	(34,929,332)	(26,562,722)
Other operating income and expenses	26	8,491,862	320,121
Operating income		464,212,937	169,635,155
Financial income	27	32,243,896	3,426,477
Financial costs	27	(205,688,327)	(91,472,150)
Other financial results	27	(104,613,126)	(15,899,310)
Financial results, net		(278,057,557)	(103,944,983)
Income before taxes		186,155,380	65,690,172
Income tax	20	(86,700,027)	(24,242,434)
Income for the year		99,455,353	41,447,738
Revaluation of property, plant and equipment		725,853,750	350,777,949
Impact on income tax		(254,048,813)	(122,772,282)
Other comprehensive income for the year		471,804,937	228,005,667
Total comprehensive income for the year		571,260,290	269,453,405
Earnings per share			
Basic and diluted earnings per share	28	0.7915	0.5439

The accompanying notes are an integral part of these financial statements.

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Statement of changes in equity For the years ended December 31, 2016 and 2015 Stated in pesos

	Share Capital (Note 13)	Share premium	Legal reserve	Optional reserve	Special reserve	Technical revaluation reserve	Unappropriated retained earnings	Total equity
Balances at December 31, 2014	76,200,073	-	2,049,604	36,348,487	-	352,385,973	14,312,602	481,296,739
Setting up of reserve as per Shareholders' Meeting dated April 14, 2015	-	-	-	-	-	-	-	-
- Setting up of legal reserve	-	-	389,513	-	-	-	(389,513)	-
- Distribution of dividends	-	-	-	-	-	-	(21,400,749)	(21,400,749)
- Reversal of optional reserve	-	-	-	(14,000,000)	-	-	14,000,000	-
- Setting up of optional reserve	-	-	-	6,522,340	-	-	(6,522,340)	-
Allocation of results as per the Board of Directors' Meeting Minutes dated September 7, 2015	-	-	-	-	-	-	-	-
- Distribution of dividends in advance	-	-	-	-	-	-	(21,000,000)	(21,000,000)
Reversal of optional reserve as per Shareholders' Meeting Minutes dated October 21, 2015	-	-	-	(9,000,000)	-	-	9,000,000	-
- Distribution of dividends	-	-	-	-	-	-	(9,000,000)	(9,000,000)
Other comprehensive income for the year	-	-	-	-	-	228,005,667	-	228,005,667
Reversal of technical revaluation reserve	-	-	-	-	-	(13,039,426)	13,039,426	-
Comprehensive income for the year	-	-	-	-	-	-	41,447,738	41,447,738
Balances at December 31, 2015:	76,200,073	-	2,439,117	19,870,827	-	567,352,214	33,487,164	699,349,395
Addition as a result of the merger through absorption - Shareholders' meeting held on October 15, 2015	49,454,007	111,514,225	457,444	2,128,288	1,275,621	481,086,393	(136,702,918)	509,213,060
Reversal of optional reserve as per Shareholders' Meeting Minutes dated March 16, 2016	-	-	-	(9,700,000)	-	-	9,700,000	-
- Distribution of dividends	-	-	-	-	-	-	(9,700,000)	(9,700,000)
Setting up of reserve as per Shareholders' Meeting Minutes dated April 20, 2016	-	-	-	-	-	-	-	-
- Setting up of legal reserve	-	-	2,072,387	-	-	-	(2,072,387)	-
- Setting up of optional reserve	-	-	-	36,030,984	-	-	(36,030,984)	-
Other comprehensive income for the year	-	-	-	-	-	471,804,937	-	471,804,937
Reversal of technical revaluation reserve	-	-	-	-	-	(45,444,433)	45,444,433	-
Comprehensive income for the year	-	-	-	-	-	-	99,455,353	99,455,353
Balances at December 31, 2016:	125,654,080	111,514,225	4,968,948	48,330,099	1,275,621	1,474,799,111	3,580,661	1,770,122,745

The accompanying notes are an integral part of these financial statements.

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Statement of Cash Flows For the years ended December 31, 2016 and 2015 Stated in pesos

	Notes	12.31.16	12.31.15
Cash flow provided by operating activities:			
Comprehensive income for the year		99,455,353	41,447,738
Adjustments to arrive at net cash flows provided by operating activities:			
Income tax		86,700,027	24,242,434
Interest accrued, net	27	165,289,814	85,449,479
Depreciation of property, plant and equipment	7 and 23	115,459,849	45,951,039
Net carrying value of property, plant and equipment		-	103,915
Changes in fair value of investments in companies		-	(129,579)
Income from changes in the fair value of financial instruments		(77,700,793)	-
Decrease in provision for contingencies	21	(813,944)	(631,915)
Increase in bad debt allowance	21	1,987,724	-
Current value		4,574,288	-
Exchange differences and other financial results		121,980,552	18,495,504
Changes in operating assets and liabilities:			
(Increase) Decrease in trade receivables		(159,080,460)	64,235,461
(Increase) in other receivables (1)		(1,109,247,476)	(124,130,777)
(Increase) in materials and spare parts		(14,039,800)	(2,001,575)
Increase (Decrease) in trade payables		125,494,366	(47,172,871)
(Decrease) in other liabilities		(55,577,045)	-
(Decrease) Increase in salaries and social security charges		(1,532,620)	1,800,347
Increase (Decrease) in tax payables		776,352	(3,450,485)
Net cash flow (used in) provided by operating activities		(696,273,813)	104,208,715
Cash flow provided by investing activities:			
Acquisition of property, plant and equipment	7	(1,134,281,933)	(17,758,222)
Collections of financial instruments		7,403,600	-
Acquisitions of bills of exchange		(25,148,121)	-
Subscription and redemption of mutual funds		(90,669,067)	-
Incorporation of cash by merger		(8,763,199)	-
Loans granted		(60,000,000)	-
Net cash flow (used in) investing activities		(1,311,458,720)	(17,758,222)
Cash flow provided by financing activities:			
Loans taken out	17	4,366,474,177	198,394,183
Payment of loans	17	(1,676,269,067)	(180,718,293)
Payment of interest	17	(244,529,704)	(65,634,463)
Payment of dividends		-	(51,400,749)
Net cash flow provided by (used in) financing activities		2,445,675,406	(99,359,322)
NET INCREASE (DECREASE) IN CASH		437,942,873	(12,908,829)
Cash and cash equivalents at the beginning of the year		(32,833,887)	2,256,707
Financial results of cash and cash equivalents		39,845,605	22,181,765
Cash, cash equivalents at year end	12	444,954,591	(32,833,887)
		437,942,873	(12,908,829)

The accompanying notes are an integral part of these financial statements.

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Statement of Cash Flows (Cont'd)

For the years ended December 31, 2016 and 2015

Stated in pesos

Material transactions not entailing changes in cash

Acquisition of property, plant and equipment not yet paid	7	(28,621,372)	(998,724)
Increase in technical revaluation		(725,853,750)	(350,777,949)
Interest and exchange differences capitalized in property, plant and equipment	7	(443,468,855)	-
Dividends paid		(9,700,000)	-
Addition of property, plant and equipment as a result of the merger	7	1,068,873,584	-
Addition of trade receivables as a result of the merger		120,098,598	-
Addition of other receivables as a result of the merger		108,259,299	-
Addition of materials and spare parts as a result of the merger		6,270,052	-
		1,210,961	-
Addition as a result of the merger of other financial assets at fair value through profit and loss			
Addition of trade payables as a result of the merger		(67,806,826)	-
Addition of other liabilities as a result of the merger		(58,184,938)	-
Addition of loans as a result of the merger		(490,716,207)	-
Addition of salaries and social security charges as a result of the merger		(1,628,857)	-
		(193,707,527)	-
Addition of tax payables as a result of the merger			

(1) Includes early payments to suppliers for the purchase of goods (see note 4.9),

The accompanying notes are an integral part of these financial statements.

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Notes to the Financial Statements

For the fiscal year ended December 31, 2016,

presented in a comparative format

Stated in pesos

NOTE 1: GENERAL INFORMATION

GMSA is a company engaged in the conventional thermal power generation and is controlled by Albanesi S.A., an investing and financing company, which holds 95% of its capital and votes.

ASA was established in 1994. Through its subsidiaries and related entities, the Company has invested in the energy market, in the power generation and commercialization segment, its main line of business to date.

Central Térmica Modesto Maranzana

GMSA is the owner of Central Térmica Modesto Maranzana ("the Power Plant"), located in the city of Río Cuarto, Province of Córdoba. The Power Plant originally had a combined cycle of operation with a capacity of 70 MW, in two blocks of 35 MW each, and each block with a Frame 5 Gas Turbine, a Generator and a Steam Turbine in a single axis system.

In October 2008, the Company completed the first stage of the project to extend the Power Plant. To this end, two new aero-derivative gas turbines FT8 SwiftPac 60 Pratt & Whitney Power System Inc. ("Pratt & Whitney") were installed and started-up. The units are made up of two aero-derivative gas turbines of 30 MW each, placed in such a manner that they both transmit their power to a single Generator, which offers great operative flexibility.

Continuing with its expansion process, the Company installed a third turbine FT8 SwiftPac 60 Pratt & Whitney of 60 MW in 2010, which became operative in September of that year and reached an installed capacity of 250 MW at the Power Plant.

To maintain a high level of availability of the PW turbines, GMSA signed a contract for long-term maintenance with PWPS (expiring on December 31, 2019) whereby PWPS provides technical assistance and ensures a stock of spare parts in the Company's repair shops.

The Power Plant is connected to the Argentine Grid (SADI) through EPEC's high voltage network.

The certifications ISO9001:2008, ISO14001:2004 and OHSAS 18001:2007 of the Integrated Management System of the Power Plant are effective. The documentation is correctly updated having adjusted it to the organization's demands and objectives for a sure and efficient performance. The staff has been trained according to the training needs identified for a correct performance of duties, and the controls and pre-emptive follow ups, undertaken, have been performed in due time and manner.

In November 2016, the first external audit for the maintenance of the Integrated Management System was made after the re-certification obtained in 2015, with satisfactory results

Generación Mediterránea S.A.

Free translation from the original prepared in Spanish for publication in Argentina
Notes to the Financial Statements (Cont'd)

NOTE 1: GENERAL INFORMATION (Cont'd)

Central Térmica Modesto Maranzana (Cont'd)

For 2017 we foresee, in the first six-month period, an internal audit under Standards in effect to date, migration of the Environmental Management System and Quality Management System to its new versions in 2015 and implementation of changes based on, mainly, training activities for staff, both in classroom or distance learning. In the second six-month period, annual external audit for the maintenance of the system (2nd in a three-year period of certifications) under version 2015 for Quality and Environment Systems.

On March 28, 2016, GMSA signed an agreement with Siemens Industrial Turbomachinery AB to carry out the project to enlarge the Power Plant by 100 MW from the existent 250 MW with the installation of two Siemens SGT-800 turbines of 50MW nominal each. This enlargement agreement falls within the scope of ES Resolution 220/07. An investment of USD 88 million is expected for this work. The commercial operation is expected to start in the second quarter of 2017. At the date of these financial statements, the Company has completed payment to Siemens Industrial Turbomachinery AB of USD 21.1 million, representing 50% for the purchase of two turbines, and a deferred payment agreement has been signed for the remaining 50% in 24 installments, the first one of which must be paid in August 2017. Turbines, generator, anchor bolts and chimneys are already at the power plant.

Furthermore, in September 2016, negotiations were completed in connection with transformers, civil works for the project, chillers assembly, cooling tower and other ancillary works. In addition, in November 2016, an agreement was signed with Siemens for the maintenance and supply of spare parts for USD 823 thousand payable in two installments of 50% each.

Group's companies merger process

GMSA (merging and continuing company) has been part of a merger process with the following companies which have been absorbed: GISA (merged company), GLBSA (merged company) and GRISA (merged company). On November 10, 2015, a final merger agreement was signed which established as effective date of the merger January 1, 2016. The merger was approved by the CNV on March 22, 2016 and registered with the Superintendency of Commercial Companies on May 18, 2016 (See Note 37.a).

As a result of the merger, the power plants owned by the merged companies have been transferred to GMSA. Below, is a detail of the most important information for each of the power plants mentioned:

Central Térmica Independencia (CTI) is located in the city of San Miguel de Tucumán, province of Tucumán. CTI was out of service and during 2011, GISA performed all necessary works and tasks to install 120MW with PWPS technology as well as refurbish the existent auxiliary facilities. On November 17, 2011, GISA obtained the authorization for the commercial operation of the new turbines.

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Notes to the Financial Statements (Cont'd)

NOTE 1: GENERAL INFORMATION (Cont'd)

Group's companies merger process (Cont'd)

For the purpose of maintaining a high level of availability, GISA signed a contract for long-term maintenance with PWPS (which was transferred to GMSA and expires on December 31, 2019) whereby PWPS provides technical assistance and ensures a stock of spare parts in the Company's repair shops.

CTI is connected to SADI through a transformer substation belonging to TRANSNOA S.A. located within the premises of the Power Plant.

Central Térmica Riojana (CTRi) has currently three power generation units Turbogrupos Fiat TG21 of 12MW, Turbogrupos John Brown TG22 of 16MW and Turbogrupos Fiat TG23 of 12MW, connected to SADI grid through the TRANSNOA S.A. transformer substation.

On July 20, 2015, GRISA signed an addendum with CAMMESA for the agreement within the scope of ES Resolution No. 220/067 to enlarge the installed capacity by 50MW.

On September 7, 2015, GRISA executed a contract with Siemens Industrial Turbomachinery AB, whereby it agreed to purchase a turbine Siemens SGT800 of 50 MW, for an amount of USD 19.3 million. The payment of the turbine Siemens SGT800 was completed in February 2016 and it arrived at the plant in June 2016. As for the rest of the equipment: the power transformer has been installed, as well as the gas compressor, water treatment plant, chillers and tanks, among other items. At the date of these financial statements, the turbine was in the process of start-up. The total investment of the project amounts to approximately USD 49.9 million. We estimate the start of commercial operations in March of 2017.

Central Térmica La Banda (CTLB) has currently two power generation units Turbogrupos Fiat TG21 of 16 MW and Turbogrupos Fiat TG22 of 16 MW, connected to SADI grid through the TRANSNOA S.A. transformer substation.

For CTI, CTLB and CTRi the certification ISO14001:2004 is effective of the System for Environmental Management of the Power Plant and its documentation has been duly updated. The staff has been trained according to the training needs identified for a correct performance of duties as well as protection of the environment, and the controls and pre-emptive follow ups, undertaken, have been performed in due time and manner. There were neither environmental incidents nor emergency situations derived from the development of the process and service activities.

In November 2016, the first external audit for the maintenance of the Environmental Management System was made after the re-certification obtained in 2015, with satisfactory results.

Generación Mediterránea S.A.

Free translation from the original prepared in Spanish for publication in Argentina
Notes to the Financial Statements (Cont'd)

NOTE 1: GENERAL INFORMATION (Cont'd)

Group's companies merger process (Cont'd)

For 2017 we foresee, in the first six-month period, an internal audit under version 2004 of the Standard, migration of the Environmental Management System to its new versions in 2015 and implementation of changes based on, mainly, training activities for staff, both in classroom or distance learning. In the second six-month period, an annual external audit was performed for the maintenance of the system (2nd in a three-year period of certification) under version 2015 in effect as from July 2017.

Furthermore, in 2016 GMSA (merging and continuing company) has been part of a merger process in which GFSA was merged. On November 15, 2016, a final merger agreement was signed which established as effective date of the merger January 1, 2017. The merger was approved by the CNV on March 2, 2017 and is still pending registration with the Superintendency of Commercial Companies (See Note 37.b)

Under the framework of Resolution No. 21/16, the Company presented projects to enlarge the power generation capacity by 250MW, which were awarded through a bidding process. At June 30, 2016, GMSA entered into with CAMMESA agreements under this Resolution for the projects of Central Térmica Ezeiza stages I and II 150 MW, and CTI stages I and II 100 MW, with rates stated in US dollars, under a take or pay clause, and effective for 10 years as from the date scheduled or date of commercial authorization, whichever occurs first.

Enlargement at Central Térmica Independencia

In relation to Resolution No. 21/16 previously described, an enlargement by 100 MW of the power generation capacity in CTI was started, through the installation of two Siemens SGT-800 turbines of 50 MW each. The estimated investment amounts to approximately USD 82.5 million. The enlargement will be completed in two stages, installing 50MW in each of them. We estimate that the commercial operation of the first stage will start in the third quarter of 2017 and in the first quarter of 2018 that of the second stage.

On April 30, 2016, a contract has been signed with Siemens Industrial Turbomachinery AB for the purchase of the first SGT-800 turbine of 50 MW. At December 31, 2016, 50% of the turbine has been paid, and the other 50% will be financed by Siemens in 24 installments. The total value of this turbine amounts to USD 20.4 million.

On August 9, 2016, a contract was signed with Siemens Industrial Turbomachinery AB for the purchase of a second SGT-800 turbine of 50 MW. In that month 5% was paid, a second payment of 5% will be made in January 2017, and in March 2017, the remaining 40% will be paid. In September 2016, a deferred payment agreement was entered into for the remaining 50% to be financed by Siemens. The value of the turbine amounts to USD 19.2 million.

In September 2016, negotiations were completed in connection with two transformers of 75 MVA, the civil works for the project and chiller equipment. In addition, in November 2016, the agreements for the assembly with Siemens for a total of USD 7.5 million and maintenance and provision of spare parts for USD 1.02 million.

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Free translation from the original prepared in Spanish for publication in Argentina
Notes to the Financial Statements (Cont'd)

NOTE 1: GENERAL INFORMATION (Cont'd)

Enlargement at Central Térmica Independencia (Cont'd)

This last will be paid 35% in June 2017, 35% in September 2017 and 30% in February 2018. Furthermore, in December 2016, the construction of a 132 Kv field was hired and a cooling tower was acquired.

Central Termica Ezeiza

In relation to Resolution No. 21/16 previously described, the building of a new plant in the Province of Buenos Aires (Central Térmica Ezeiza) with 150 MW of power generation capacity started, through the installation of three Siemens turbines SGT-800 of 50 MW each. The estimated investment amounts to USD 137.5 million.

The enlargement will be completed in two stages, by installing 100 MW in the first stage and the additional 50MW in the second stage. We estimate that the commercial operations of the first stage will start in the third quarter of 2017 and in the first quarter of 2018 that of the second stage.

On April 30, 2016, a contract has been signed with Siemens Industrial Turbomachinery AB for the purchase of two SGT-800 turbines of 50 MW. In September 2016, the payment of 50% was made for the first two turbines and the remaining 50% will be financed by Siemens in 24 installments. The total value of the turbines amounts to USD 20.4 million (each).

On August 9, 2016, a contract was signed with Siemens Industrial Turbomachinery AB for the purchase of a third SGT-800 turbine of 50 MW. In that month 5% was paid, a second payment of 5% will be made in January 2017, and in March 2017, the remaining 40% will be paid. In September 2016, a deferred payment agreement (DPA) was signed for the deferred payment of the remaining 50%, which will be financed by Siemens. The value of the turbine amounts to USD 19.2 million. In a similar manner, purchase agreements have been signed for three transformers of 75 MVA, Alfa Laval equipment and chillers, the construction of 132kv fields and the purchase of land in Ezeiza and civil works. In October 2016, two water tanks and one gasoil tank were acquired.

In November 2016, the agreements for the assembly with Siemens for a total of USD 9.3 million and maintenance and provision of spare parts for USD 1.6 million were signed. This last will be paid 35% in June 2017, 35% in September 2017 and 30% in February 2018.

In December 2016, the control room and the overhead travelling crane were built and soil movements works were performed among other civil works.

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Notes to the Financial Statements (Cont'd)

NOTE 2: REGULATORY ASPECTS RELATED TO THE COMPANY'S POWER GENERATION ACTIVITIES

The Company's revenue from electricity generation activity is derived from sales to Large Users on the Forward Market (MAT), basic and surplus demand (ES Resolution 26/16); from sales to CAMMESA under ES Resolution 220/07; and sales under ES Resolution 22/16. In addition, the excess electricity generated under the modalities of ES Resolutions 1281/06 and 220/07 is sold on the Spot Market, in accordance with the regulations in force in the WEM administered by CAMMESA.

a) Regulations on Energía Plus, Resolution 1281/06

The Energy Secretariat approved Resolution 1281/2006 which provides that the existing energy sold on the Spot Market will follow these priorities:

- (1) Demand lower than 300 KW;
- (2) Demand over 300 KW, with contracts; and
- (3) Demand over 300 KW, without contracts.

It also establishes certain restrictions on the sale of electric power and implements the "Energía Plus" service, which allows generating agents to offer the available additional generation. They must fulfill the following requirements: (i) they must be WEM agents whose generating units were authorized for operation after September 5, 2006 and (ii) they must have fuel supply and transportation contracts

As established by this resolution:

- Large Users with demand over 300 KW ("GU300") will be authorized to enter into contracts for their demand of electricity in the forward market with the generating agents existing in the WEM at the moment, only for the electricity consumption in 2005 ("Basic Demand").
- The electricity consumed by GU300 above their Basic Demand must be supplied by new generation (Energía Plus) and for a price agreed upon by the parties. This may not exceed 50% of the actual demand.
- New Agents entering the system must contract 50% of their total demand under the Energía Plus service, under the conditions described above.

As to the Energía Plus program, at December 31, 2016 almost all the nominal power of 135MW available was under contract. The average term of most of the Energía Plus contracts entered into between the Company and its customers ranges between 1 and 2 years. Sales under this modality are paid by customers directly to the Company.

Generación Mediterránea S.A.

Free translation from the original prepared in Spanish for publication in Argentina
Notes to the Financial Statements (Cont'd)

NOTE 2: REGULATORY ASPECTS RELATED TO THE COMPANY'S POWER GENERATION ACTIVITIES **(Cont'd)**

b) Supply Contract with WEM (Resolution 220/07).

In January 2007, the Energy Secretariat adopted Resolution No. 220/07 authorizing the execution of Supply Contracts between WEM and additional offers of available generation and associated energy submitted by generating, co-generating or self-generating agents which, at the date of publication of the said resolution are not WEM agents or do not have the generation facilities to be agreed under these commercially authorized offers, or are not interconnected with WEM at that date. In this regard, the execution of Supply Contracts was foreseen as another way to generate incentives for the development of additional energy projects.

These Supply Contracts are entered into between generating agents and CAMMESA, with a duration of 10 years or a shorter term that may exceptionally be established. The valuable consideration for availability of generation and energy shall be established in each contract based on the costs accepted by the Energy Secretariat. The contracts will also establish that the machines and power plants used to cover the Supply Contracts will generate energy as they are dispatched by CAMMESA.

Further, as envisaged with respect to the Supply Commitment Contracts and for the purpose of mitigating the collection risk of the generating agents, the payment obligations assumed by CAMMESA under those Supply Contracts will rank at least *pari passu* with the recognized operating costs of the thermal power generators.

The Company and CAMMESA entered into a Wholesale Electric Market (WEM) supply contract for 45 MW, for a term of 10 years counted as from October 2010. Sales under this modality are denominated in dollars and are paid by CAMMESA under a take or pay clause and the generated surplus is sold to the Spot Market, pursuant to regulations in effect in the WEM administered by CAMMESA.

This contract sets a 5-component remuneration: i) a fixed charge for the average monthly availability of contracted power, for a price of USD 16,133/MW per month; ii) a fixed charge that recognizes the costs of transportation plus other costs of the generating agents; iii) a variable charge associated with the energy actually provided under the contract, the objective of which is to remunerate operation and maintenance of the power plant (Gas 7.83 USD/MWh – Fuel oil 8.32 USD/MWh); iv) a variable charge for repayment of fuel costs, all of them at reference price; and v) a discount for penalties. These penalties are applied to the hours in which 92% of the agreed upon power has not been reached and are valued on a daily basis and according to the operating condition of the machine and the market situation.

GISA and CAMMESA entered into a Wholesale Electric Market (WEM) supply contract for 100 MW, for a term of 10 years counted as from November 2011. Sales under this modality are denominated in dollars and are paid by CAMMESA under a take or pay clause and the generated surplus is sold to the Spot Market, pursuant to regulations in effect in the WEM administered by CAMMESA.

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Notes to the Financial Statements (Cont'd)

NOTE 2: REGULATORY ASPECTS RELATED TO THE COMPANY'S POWER GENERATION ACTIVITIES **(Cont'd)**

b) Supply Contract with WEM (Resolution 220/07) (Cont'd)

This contract sets a 5-component remuneration: i) a fixed charge for the average monthly availability of contracted power, for a price of USD 17,155/MW per month; ii) a fixed charge that recognizes the costs of transportation plus other costs of the generating agents; iii) a variable charge associated with the energy actually provided under the contract, the objective of which is to remunerate operation and maintenance of the power plant (Gas 7.52 USD/MWh – Fuel oil 7.97 USD/MWh); iv) a variable charge for repayment of fuel costs, all of them at reference price; and v) a discount for penalties. These penalties are applied to the hours in which 92% of the agreed upon power has not been reached and are valued on a daily basis and according to the operating condition of the machine and the market situation.

For CTRI, GMSA and CAMMESA entered into a Wholesale Electric Market supply contract for 45 MW, for a term of 10 years counted as from the commercial operation expected for the first quarter of 2017. Sales under this modality are denominated in dollars and are paid by CAMMESA under a take or pay clause and the generated surplus is sold to the Spot Market, pursuant to regulations in effect in the WEM administered by CAMMESA.

This contract sets a 5-component remuneration: i) a fixed charge for the average monthly availability of contracted power, for a price of USD 16,790/MW per month; ii) a fixed charge that recognizes the costs of transportation plus other costs of the generating agents; iii) a variable charge associated with the energy actually provided under the contract, the objective of which is to remunerate operation and maintenance of the power plant (Gas 11.44 USD/MWh – Fuel oil 15.34 USD/MWh); iv) a variable charge for repayment of fuel costs, all of them at reference price; and v) a discount for penalties. These penalties are applied to the hours in which 92% of the agreed upon power has not been reached and are valued on a daily basis and according to the operating condition of the machine and the market situation.

c) Sales under ES Resolution 22/16

On March 22, 2013, the Energy Secretariat published ES Resolution 95/13 that aims at adapting the system for the remuneration of the power generation plants not subject to special regimes, such as Energía Plus and WEM Supply Contracts.

ES Resolution 529/14 was published on May 20, 2014, amending and extending application of ES Resolution 95/13. The main change is the increase in the remuneration payable to the generators, implemented through a price increase, as well as the creation of a new item, called "Remuneration for Non-recurring Maintenance".

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Notes to the Financial Statements (Cont'd)

NOTE 2: REGULATORY ASPECTS RELATED TO THE COMPANY'S POWER GENERATION ACTIVITIES **(Cont'd)**

c) Sales under ES Resolution 22/16 (Cont'd)

ES Resolution 529/14 establishes that from February 2014, commercial management and fuel dispatch will be centralized in the Dispatch Management Agency (CAMMESA). Costs related to operation will cease to be recognized as the contractual relationships between WEM Agents and their suppliers of fuel and inputs are terminated. ES Resolution 1281/06 (Energía Plus) is excluded from these regulations.

ES Resolution 482/15 was published on July 10, 2015, amending and extending application of ES Resolution 529/14. The main change is the increase in the remuneration payable to the generators, implemented through a price increase, as well as the creation of two new items, called "Resource for FONINVEMEM investments 2015-2018" and "Incentives for energy production and operational efficiency".

ES Resolution 22/16 was published on March 30, 2016, amending ES Resolution 482/15 already mentioned. The main change is the increase in the remuneration payable to the generators, implemented through a price increase.

The new resolution will allow increasing the operating results of the Company, generating an additional cash flow that will improve their working capital position. The resolution established its retrospective application as from February 2016. There is a 70% increase in the fixed charge paid for the available power and 40% increase in the variable cost for the power generated.

The remuneration schedule updated under Resolution 22/16 basically consists of the following items:

1. **Fixed cost:** This item adjusts the values recognized for Power Made Available. The price set as remuneration for the Power Made Available is based on the technology detailed below:

Power Plant	Classification	Fixed cost per Resolution 22 \$/MWhrp
GLB/GR	TG Units with Power (P) < 50 MW (small)	152.30
GM	CC Units with Power (P) < 150 MW (small)	101.20

This price may be increased by a percentage established by Resolution 22/16. This percentage will be determined on the basis of the monthly availability or the historical availability, according to the time of year and the technology for generation. The Resolution states that this seasonal percentage can reach up to 110% of the fixed cost determined according to the same Resolution.

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Notes to the Financial Statements (Cont'd)

NOTE 2: REGULATORY ASPECTS RELATED TO THE COMPANY'S POWER GENERATION ACTIVITIES **(Cont'd)**

c) Sales under ES Resolution 22/16 (Cont'd)

2. Variable cost: this cost is paid on the basis of the power generated and the fuel used. The recognized prices rose from 33.10 \$/MWh to 46.30 \$/MWh for the generation of Natural Gas, and from 57.90 \$/MWh to 81.10 \$/MWh for Gas Oil.
3. Additional remuneration is determined based on total generation and has two components: one that is charged directly at 13.70 \$/MWh, and another that is allocated to a trust for new investments, charged at 5.90 \$/MWh.
4. Remuneration for non-recurring maintenance, valued at 39.50 \$/MWh for combined cycle and 41.50 \$/MWh (formerly, 24.70 \$/MWh and 28.20 \$/MWh, respectively), determined monthly on the basis of the electricity generated. The accumulated funds can be used for performing non-recurring maintenance works.
5. New charge called "2015-2018 Resource for FONINVEMEM investments" valued at 15.80 \$/MWh, and determined monthly, based on generated power. This accumulated funds will be used for new investments in electric power generation. As a WEM agent and as part of that agreement to increase available thermal power generation, this recognition will enable the Company to participate in the new investments that will be made to diversify the electric power generation plants at a national level.
6. A new schedule of "Incentives to energy production and operating efficiency applicable to thermal power generation":
 - Additional remuneration based on production: An additional remuneration may be received based on the volume of energy produced during the year, according to the type of fuel used. This increase to be applied to variable costs will be of 15% for liquid fuel and 10% for gas/coal, when they reach an accumulated value of 25% and 50% of 92% annual generation, respectively.
 - Additional remuneration based on efficiency: An additional remuneration may be received based on the achievement of goals for fuel consumption. On a quarterly basis, actual consumption will be compared with reference consumption for each type of machine and fuel. The difference percentage will be valued at the variable cost of operation and maintenance associated with the pertinent fuel, and recognized as additional remuneration.

MinEyM ES Resolution 19-E/17 was published on January 27, 2017, replacing ES Resolution 22/16. This resolution adapts certain remuneration criteria to economic conditions which are reasonable, foreseeable and efficient, through medium-term commitments.

The Generating Agents are excluded from this system in the framework of contracts regulated by Resolution No. 1281/2006, 220/2007, 21/2016 as well as any other type of WEM contract having a differential remuneration established or authorized by WEM competent authority.

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Notes to the Financial Statements (Cont'd)

NOTE 2: REGULATORY ASPECTS RELATED TO THE COMPANY'S POWER GENERATION ACTIVITIES **(Cont'd)**

c) Sales under ES Resolution 22/16 (Cont'd)

Among the main changes, the remuneration will be based on the Available Power and Energy generated, valued in US Dollars, simplifying their calculation.

It will be effective as from February 1, 2017.

The remuneration schedule updated under Resolution SE19-E/17 basically consists of the following items:

1. Remuneration per power: this is proportional to the available monthly power and a price in USD/MW-month that varies according to different conditions.
 - MINIMUM price of power per technology and scale.
 - BASE price according to the Offered Guaranteed Power. Valued as from February 2017 until October 2017 at 6,000 USD/MW-month and as from November 2017 onwards, 7,000 USD/MW-month.
 - ADDITIONAL price with maximum in accordance with additional availability Offered and allocated. Valued as from February 2017 until October 2017 at 1,000 USD/MW-month and as from November 2017 onwards, 2,000 USD/MW-month.
2. Remuneration per Energy: It is comprised by:
 - 2.1 Energy generated: It is the remuneration received for the energy effectively generated, valued according to the type of fuel at 5USD/MWh for Natural Gas and 8 USD/MWh for Gas Oil or Fuel Oil.
 - 2.2 Energy operated: The generators received an additional remuneration of 2 USD/Mwh, irrespective of the type of fuel, for the Energy Operated, represented by the integration of hourly powers in the period.
 - 2.3 Additional remuneration incentive for efficiency:
 - 2.3.1 Additional remuneration variable costs efficient thermal power generation: The generator will receive an additional remuneration if the fuel consumption objectives are accomplished.
 - 2.3.2 Additional remuneration for thermal power generators of little use: An additional remuneration is established according to the frequency of starts based on the energy generated.
 - 2.3.2.1 This price will be valued at 2.6 USD/MWh. It will be multiplied by the energy generated during the pertinent month, by the Use Factor (which is defined as the use factor of the nominal power recorded over the last twelve-month period. It will have a value of 0.5 for thermal units with FU < 30% and 1.0 for those with FU < 15%. For the rest of the cases it will be 0.
 - 2.3.2.2 This price will be valued at 2.6 USD/MWh. It will be multiplied by the energy generated during the pertinent month, by the Start Factor (which is determined based on the starts recorded over the last twelve-month period. It will have a value of 0 for <= 74, 0.1 between 75 and 149 and 0.2 for more than 150 starts).

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Notes to the Financial Statements (Cont'd)

NOTE 3: BASIS FOR PRESENTATION

These financial statements have been prepared in accordance with FACPCE Technical Pronouncement No. 26, No. 29 and its amendments which adopt the IFRS issued by the IASB and IFRIC Interpretations. All IFRS effective as of the date of preparation of these financial statements have been applied.

The presentation in the statement of financial position makes a distinction between current and non-current assets and liabilities. Current assets and liabilities are those which are expected to be recovered or settled within the twelve months after the end of the reporting period. In addition, the Company reports on the cash flows from operating activities using the indirect method. The fiscal year commences on January 1 and ends December 31 of each year. Economic and financial results are presented on the basis of the fiscal year.

These financial statements are stated in pesos. They have been prepared under the historical cost convention, modified by the measurement of certain financial assets at fair value through profit or loss.

The preparation of these financial statements in accordance with IFRS requires making estimates and assessments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of issue of these financial statements, as well as the income and expenses recorded in the fiscal year. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 6.

These financial statements were approved for issuance by the Company's Board of Directors on March 10, 2017.

Comparative information

Balances at December 31, 2015 disclosed for comparative purposes arise from financial statements at that date. Certain reclassifications have been included in the financial statement figures presented for comparative purposes to conform them to the current year presentation.

A final merger agreement was entered into on November 10, 2015 establishing a merger between GISA, GLBSA and GRISA through absorption into GMSA effective as from January 1, 2016. The increase in the variations is mainly due to this condition. The information is not comparative.

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Notes to the Financial Statements (Cont'd)

NOTE 3: BASIS FOR PRESENTATION (Cont'd)

Financial reporting in hyperinflationary economies

IAS 29 "Financial Reporting in hyperinflationary economies" requires that the financial statements of an entity that reports in the currency of a hyperinflationary economy should be stated in terms of the measuring unit current at the closing of the reporting period, irrespective of whether they are based on the historical cost or current cost methods. To this end, in general terms, non-monetary items include inflation from the acquisition date of the item or the restatement date, as applicable. To determine whether there is a hyperinflationary economy, the standard provides a series of factors to be taken into account, among others, a cumulative inflation rate over three years that is approaching, or exceeds, 100%.

Considering the inconsistencies in the inflation data published, the inflation downward trend, and the fact that the rest of the indicators do not give rise to a definite conclusion, Management understands that there is no sufficient evidence to conclude that Argentina is a hyperinflationary economy at December 31, 2016. Therefore, no restatement criteria have been applied to the financial information established in IAS 29 in the current year.

However, over the last years, some macroeconomic variables affecting the Company's business, like salaries and input prices, have changed significantly. This situation must be considered when assessing and interpreting the Company's financial situation and results disclosed in these financial statements.

NOTE 4: ACCOUNTING POLICIES

The main accounting policies used in the preparation of these financial statements are explained below. These accounting policies have been applied consistently for all the fiscal years presented, unless otherwise indicated.

4.1 Changes in the accounting policies

Fair value measurements

The Company measures certain non-financial assets, such as land, buildings, facilities and machinery classified as property, plant and equipment, at fair value at the end of the reporting year.

External appraisers have participated in the valuation of those assets. Their participation was decided by the Board of Directors, using as selection criteria attributes such as the knowledge of market, reputation, independence and other professional standards. After discussions with the Company's external appraisers, the Board of Directors determined the policies and procedures they should follow, the valuation techniques they should apply and the input data they should use in each case.

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Notes to the Financial Statements (Cont'd)

NOTE 4: ACCOUNTING POLICIES (Cont'd)

4.1 Changes in the accounting policies (Cont'd)

Fair value measurements (Cont'd)

The criterion for determining the fair value has been established for the land item, based on its market price. Fair value has been established for buildings, facilities and machinery, based on their depreciated replacement value to brand new.

At the end of each reporting year, the Board of Directors analyzes the changes in the fair value of assets that must be measured or determined on a recurrent and non-recurrent basis, according to the Company's accounting policies. For the purposes of this analysis, the main input data used in the last valuation of contracts, rate issues and other relevant documents are verified, and the changes in fair value of each asset are compared to relevant external sources to determine whether those changes are reasonable.

4.1.1 New standards, modifications and interpretations effective and not early adopted by the Company

IFRS 16 "Leases" was issued on January 13, 2016 by the IASB and supersedes the current guidelines of the IAS 17. This standard defines a lease as a contract, or part of a contract, that conveys the right to use an asset (underlying assets) for a period of time in exchange for consideration.

Under this standard, a liability must be recognized for lease arrangements to show future lease payments and a right-of-use asset in almost all cases. This is a significant change compared with IAS 17, which required that lessee make a distinction between a financial lease (disclosed in the statement of financial position) and an operating lease (without impact on the statement of financial position). IFRS 16 contains an optional exception for some short-term leases and leases of low-value assets; however, this exception can only be applied by lessees. It is effective for fiscal years beginning on or after January 1, 2019.

IAS 7 "Statement of cash flows": In February 2016, IASB published an amendment whereby an entity is required to disclose information for users to understand the changes in liabilities generated by financing activities. This includes the changes in cash flows, such as the uses of funds and loan amortization; and the changes not involving cash outflows, such as acquisitions, sales and unrealized exchange differences. It applies for annual periods beginning on or after January 1, 2017.

IAS 12 "Income tax": In February 2016, IASB published certain amendments to clarify the requirements on recognition of deferred tax assets for unrealized losses. The amendments explain how to recognize deferred tax when an asset is measured at fair value and that fair value is below the tax base of the asset. The amendments also explain other issues related to the recognition of deferred tax assets. The amendments will be effective as from January 1, 2017.

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Notes to the Financial Statements (Cont'd)

NOTE 4: ACCOUNTING POLICIES (Cont'd)

4.1 Changes in the accounting policies (Cont'd)

4.1.1 New standards, modifications and interpretations effective and not early adopted by the Company (Cont'd)

IFRS 2 Share-based payments: In June 2016, an amendment was published which clarifies the measurement basis for cash-settled share-based payments and the accounting for amendments that change a compensation from cash-settled to equity-settled. It sets forth an exception for IFRS 2 as to requiring that the compensation be treated as fully settled with equity instruments when the employer is compelled to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authorities. It is applicable for all annual periods commencing on or after January 1, 2018.

IFRS 15 "Revenue from Contracts with Customers": it was issued in May 2014 and its effective date was subsequently amended in September 2015 for annual reporting periods beginning on or after 1 January 2018. It addresses revenue recognition principles and establishes the information requirements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. The basic principle implies revenue recognition that represents the transfer of goods or services undertaken with customers in exchange for an amount that reflects the consideration to which the entity expects to be entitled. At the date of these financial statements, the Company is analyzing the impact of its application.

The Company is assessing the impact of these new standards and amendments.

4.2 Revenue recognition

a) Sale of energy

Revenue is calculated at fair value of the consideration received or to be collected, considering the estimated amount of discounts, thus determining net amounts.

The criteria for revenue recognition from the main activity of the Company is to recognize revenue from the electricity generation activity through the accrual method, comprising the energy and power made available and the energy generated.

Ordinary revenue was recognized when each and all of the following conditions were satisfied:

- a. the entity has transferred to the buyer the significant risks and rewards;
- b. the amount of revenue was measured reliably;
- c. it is probable that the economic benefits associated with the transaction will flow to the entity;
- d. the costs incurred or to be incurred in respect of the transaction were measured reliably.

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Notes to the Financial Statements (Cont'd)

NOTE 4: ACCOUNTING POLICIES (Cont'd)

4.2 Revenue recognition (Cont'd)

b) Sale of services

Service revenue is recognized in the period in which services are provided, on the basis of the degree of compliance with them.

c) Interest income

Interest income is recognized applying the effective interest rate method. Interest is recorded on a temporary basis, with reference to the outstanding principal and the applicable effective rate.

Such income is recognized when it is likely that the entity will receive the economic benefits associated with the transaction and the transaction amount can be measured reliably.

4.3 Effects of the foreign exchange rate fluctuations

a) Functional and presentation currency

These financial statements are presented in pesos (legal currency in Argentina for all the companies domiciled in this country), which is also the Company's functional currency. The functional currency is the currency of the primary economic environment in which the Company operates.

The Company has evaluated and concluded that there is no sufficient evidence to consider Argentina as a hyperinflationary economy at the date of these financial statements (see Note 3)

When the conditions set forth by IAS 29 to consider Argentina as a hyperinflationary economy occur, the respective financial statements are to be restated as from the date of the latest restatement (March 1, 2003), or the latest revaluation of the assets that were revalued during transition to IFRS.

b) Transactions and balances

Transactions in foreign currency are translated into the functional and presentation currency using the exchange rates prevailing at the date of the transaction or of revaluation, when the items are remeasured. Gains and losses generated by foreign exchange differences resulting from each transaction and by the translation of monetary items stated in foreign currency at year end are recognized in the statement of comprehensive income, except for the amounts that are capitalized.

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Notes to the Financial Statements (Cont'd)

NOTE 4: ACCOUNTING POLICIES (Cont'd)

4.3 Effects of the foreign exchange rate fluctuations (Cont'd)

c) Transactions and balances (Cont'd)

The exchange rates used are: buying exchange rate for monetary assets, selling exchange rate for monetary liabilities, each of them prevailing at year end, as released by Banco Nación, and one-off exchange rate for transactions in foreign currency.

4.4 Property, plant and equipment

In general terms, property, plant and equipment, excluding land, buildings, facilities and machinery, are recognized at cost net of accumulated depreciation, and/or accumulated impairment losses, if any.

Depreciation of property, plant and equipment begins when it is available for use. Repair and maintenance expenses of property, plant and equipment are recognized in the statement of comprehensive income as incurred.

Works in progress are valued based on the degree of progress. Works in progress are stated at cost less impairment losses, if any. Depreciation of these assets begins when they are available for use.

Facilities, machinery and buildings are measured at fair value less accumulated depreciation and impairment losses, if any, recognized at the revaluation date. Land is measured at fair value and is not depreciated. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value. In addition, at each reporting date, the Company compares the carrying amount of lands, buildings and machinery with their recoverable values, calculated in the manner described below.

If an asset's carrying amount is increased as a result of a revaluation, the increase shall be recognized in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss. If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognized in profit or loss. However, the decrease shall be recognized in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

At the time of sale of the revalued assets, any revaluation surplus related to this asset is transferred to retained earnings. However, a portion of the revaluation reserve will be transferred to retained earnings as the asset is used by the company. In such a case, the amount of the surplus transferred would be the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

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Notes to the Financial Statements (Cont'd)

NOTE 4: ACCOUNTING POLICIES (Cont'd)

4.4 Property, plant and equipment (Cont'd)

According to IAS 23 "Borrowing costs", financial costs must be capitalized in the cost of an asset when it is in the process of production, construction, assembly or finishing, and those processes are not interrupted due to their long-term nature; the term for production, construction, assembly or finishing does not exceed the period technically required; the activities needed for the asset to be ready for its intended use or sale are not substantially complete; and the asset is not in condition to be used in the production of other assets or placed into service, according to the purpose of its production, construction, assembly or finishing. Financial costs capitalized in the book value of property, plant and equipment during the year ended December 31, 2016 amounted to \$ \$451,344,185. The average capitalization rate used for the year was 22%.

Subsequently to initial recognition, costs are included in the carrying amount of that asset or recognized as a separate asset, as applicable, only when it is probable that the future economic benefits associated to those assets will flow to the Company and their cost can be determined reliably. In the case of replacements, the carrying amounts of the replaced part is derecognized from accounting. Other repair and maintenance costs are recognized as an expense in the period in which they are incurred.

Had land, buildings, facilities and machinery been measured applying the cost model, the carrying amounts would have been the following:

	12.31.16
Cost	2,496,874,368
Accumulated depreciation	(287,674,526)
Net book value	2,209,199,842

4.5 Impairment of non-financial assets

For assets subject to depreciation, an impairment test is performed whenever facts or circumstances suggest that the carrying amount may not be recoverable. An impairment loss is recognized for the amount in which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is the higher of the fair value less costs to sell or value in use. The value in use is the total amount of the net discounted cash flows expected to be derived from the use of the assets and from their eventual disposal. To this purpose, the assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset are considered, among other elements. To assess impairment losses, assets are grouped at the lowest level for which cash flows can be identified separately (cash-generating units).

The possible reversal of impairment losses of non-financial assets is reviewed at every date that financial information is presented.

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NOTE 4: ACCOUNTING POLICIES (Cont'd)

4.5 Impairment of non-financial assets (Cont'd)

The Company has not recorded impairment losses in any of the reporting periods.

The Company has concluded that the carrying amount of land, buildings, facilities and machinery has not exceeded their recoverable value at December 31, 2016.

4.6 Non-financial assets

4.6.1 Classification

The Company classifies its financial assets in the following categories: assets subsequently measured at fair value and assets measured at amortized cost. This classification depends on whether the financial asset is an investment in a debt or equity instrument. To be measured at amortized cost, the two conditions described below must be met. The remaining financial assets are measured at fair value. IFRS 9 "Financial instruments" requires that all the investments in equity instruments are measured at fair value.

a) Financial assets at amortized cost

Financial assets are measured at amortized cost if both the following conditions are met:

- The objective of the Company's business model is to maintain the assets to obtain contractual cash flows;
- Contractual conditions of the financial asset give rise on specified dates to cash flows that are only payments of the principal and interest on the outstanding principal amount.

b) Financial assets at fair value

If any of the above conditions is not met, the financial assets are measured at fair value through profit or loss.

All the investments in equity instruments are measured at fair value. For investments not held for trading, the Company may irrevocably opt on initial recognition to present the changes in the fair value in other comprehensive income. The Company's decision was to recognize the changes in fair value in income.

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Notes to the Financial Statements (Cont'd)

NOTE 4: ACCOUNTING POLICIES (Cont'd)

4.6 Non-financial assets (Cont'd)

4.6.2 Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade date, when the Company undertakes to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from investments have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Financial assets are initially recognized at fair value plus transaction costs directly attributable to their acquisition, for all financial assets not carried at fair value through profit or loss.

4.6.3 Impairment of financial assets

Financial assets at amortized cost

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets may have suffered impairment losses. A financial asset or a group of financial assets is impaired, and an impairment loss is incurred if, and only if, there is objective evidence of the impairment of value as a result of one or more events that have occurred after the initial recognition of the asset, and such an event (or events) causing the loss has (have) an impact on the estimated future cash flows from the financial asset or group of financial assets, which may be reliably estimated.

The Company uses the following criteria for determining whether there is objective evidence of an impairment loss:

- Significant financial difficulties of the debtor;
- Noncompliance with contractual covenants, such as arrears in the payment of principal or interest;
- and likelihood that the debtor might file for insolvency proceedings or other type of reorganization proceeding.

The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding future credit losses expected and that have not yet occurred), discounted at the original effective interest rate of financial assets. The carrying amount of the asset is written down and the amount of the impairment loss is recognized in the statement of comprehensive income. If the financial asset bears a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate under the contract. As a useful measure, the Company may calculate the value of impairment based on the fair value of the financial asset using an observable market price.

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Notes to the Financial Statements (Cont'd)

NOTE 4: ACCOUNTING POLICIES (Cont'd)

4.6 Non-financial assets (Cont'd)

4.6.3 Impairment of financial assets (Cont'd)

Financial assets at amortized cost (Cont'd)

If in future fiscal years the amount of the impairment loss declines and that decline may be objectively associated with an event subsequent to the recognition of impairment (such as the improvement in a debtor's credit rating), the reversal of the impairment loss previously recorded is recognized in the statement of comprehensive income.

4.6.4 Offsetting of financial instruments

Financial assets and liabilities are offset, and presented net on the statement of financial position when there is a legally enforceable right to offset the recognized amounts, and an intention to settle the net amount, or to simultaneously realize the asset and settle the liability.

4.7 Materials and spare parts

Materials and spare parts are valued at the lower of acquisition cost or net realizable value.

Since materials and spare parts are not for sale, their value is calculated based on the purchase price, import duties (if any) and other taxes (non-refundable taxes by the tax authorities), transportation, storage and other costs directly attributable to the purchase of those assets.

Cost is determined applying the weighted average cost method.

The Company classified materials and spare parts into current and non-current depending on their final allocation and the term during which they are expected to be used, whether for maintenance or improvement of present assets. The non-current portion of materials and spare parts is disclosed under Property, plant and equipment.

The value of inventories as a whole does not exceed their recoverable value at the end of each fiscal year.

4.8 Trade receivables and other receivables

Trade receivables are amounts due by customers for sales of energy made by the Company in the ordinary course of business. If collection is expected within one year or less, receivables are classified under current assets. Otherwise, they are classified as non-current assets.

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Notes to the Financial Statements (Cont'd)

NOTE 4: ACCOUNTING POLICIES (Cont'd)

4.8 Trade receivables and other receivables (Cont'd)

Trade and other receivables are recognized at fair value and subsequently measured at amortized cost, using the effective interest rate method and, when significant, adjusted at time value of money and also considering the receivables from the WEM documented by CAMMESA in the form of Sale Settlements with Maturity Dates to be Determined, which have been recorded based on the best estimate of the receivables to be recovered.

The Company sets up bad debt allowances when there is objective evidence that the Company will not be able to collect all amounts due to it according to the original terms of the receivables, basing itself on an individual analysis of the recoverability of the credit portfolio.

4.9 Advances to suppliers

The Company has adopted as accounting policy to disclose advances to suppliers under other current receivables, until the assets are received. Advances to suppliers made in foreign currency are recorded under the cost model, and are not subject to revaluation or recognition of the effects of the exchange rate.

At December 31, 2016, the Company recorded a balance of advance to suppliers of \$868,976,879.

4.10 Cash and cash equivalents

Cash and cash equivalents include cash on hand, sight deposits in banks and other short-term highly liquid investments originally falling due within three months or less and subject to low material risk of changes in value. Bank overdrafts, if any, are disclosed under cash and cash equivalents in the cash flow statement since they are part of the Company's cash management.

4.11 Trade and other payables

Trade payables are payment obligations for goods or services purchased from suppliers in the ordinary course of business. Trade payables are classified as current liabilities if payments fall due within one year or less. Otherwise, they are classified as non-current liabilities.

Trade and other payables are initially recognized at fair value and subsequently valued at amortized cost applying the effective interest rate method.

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Notes to the Financial Statements (Cont'd)

NOTE 4: ACCOUNTING POLICIES (Cont'd)

4.12 Loans

Loans are initially recognized at fair value, less direct transaction costs incurred. Subsequently, they are measured at amortized cost and any difference between the funds obtained (net of direct transaction costs) and the amount payable at maturity is recognized under profit or loss during the term of the loan using the effective interest method.

4.13 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, if any, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Other borrowing costs are recognized as expenses in the period in which they are incurred.

4.14 Income tax and minimum notional income tax

a) Current and deferred income taxes

The income tax charge for the year comprises current and deferred taxes. Income tax is recognized in income.

The current income tax expense is calculated as established by the tax laws enacted or to be enacted at the closing balance sheet date. Management regularly assesses the positions on the tax returns regarding situations where the applicable tax regulation is subject to interpretation and, if necessary, sets out provisions based on the amounts payable to the tax authorities.

Deferred tax is recognized according to the liability method, for the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the statement of financial position. However, deferred tax liabilities are not recognized if they come from the initial recognition of goodwill or an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit.

Deferred tax assets are recognized only to the extent that taxable profits are likely to be obtained in the future to be able to offset the temporary differences.

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Notes to the Financial Statements (Cont'd)

NOTE 4: ACCOUNTING POLICIES (Cont'd)

4.14 Income tax and minimum notional income tax (Cont'd)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset recognized amounts and if deferred tax assets and liabilities derive from income tax levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Current and deferred tax assets and liabilities have not been discounted and are stated at nominal value.

b) Minimum notional income tax

The Company determines the minimum notional income tax by applying the current 1% rate on computable assets at year end. This tax is supplementary to income tax; the Company tax liability is to agree in each fiscal year with the higher of the two taxes. If in a given fiscal year, however, minimum notional income tax exceeds income tax, the surplus will be computable as a payment on account of income tax accrued during the next ten fiscal years.

The Company has recognized the tax on minimum notional income paid in prior years as a credit, considering that it will be offset against future years' taxable profits.

Minimum notional income tax assets and liabilities have not been discounted and are stated at nominal value.

4.15 Allowances and Provisions

Allowances and provisions were recognized in the cases in which, considering a present obligation in charge of the Company, whether legal or constructive, arising from a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate could be made of its amount.

The amount recorded as allowances and provisions was the best estimate of the resource outflow necessary to settle the present obligation, at the end of the reporting period, considering the pertinent risks and uncertainties. When a provision is measured using the estimated cash outflow for settling the present obligation, the amount recorded represents the present value of that cash flow.

The following have been set up:

a) Allowances deducted from assets:

The allowance for bad debts has been set up based on a historical analysis of accounts receivable to assess the recoverability of the credit portfolio.

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Notes to the Financial Statements (Cont'd)

NOTE 4: ACCOUNTING POLICIES (Cont'd)

4.15 Allowances and Provisions (Cont'd)

b) Provisions carried under liabilities:

These provisions have been set up to cover potential contingent situations that could give rise to future obligations of payment. In estimating the amounts and probabilities of occurrence, the opinion of the Company's legal advisors has been considered.

4.16 Balances with related parties

Debts and receivables with related parties have been valued based on the terms agreed upon between the parties.

4.17 Leases

Leases where the lessor retains a significant portion of the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to income on a straight-line basis over the period of the lease.

The Company leases some items of property, plant and equipment. Leases where the Company retains a significant portion of the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Lease liabilities, net of financial costs, are disclosed under current and non-current loans based on their maturity dates. The interest element of the finance cost is charged to income over the lease period so as to produce a constant periodic rate of interest on the outstanding debt in each period. The asset acquired through a financial lease is depreciated over the useful life of the asset and the lease period, whichever is shorter.

4.18 Equity accounts

Movements in this item have been accounted for in accordance with the pertinent decisions of shareholders' meetings and legal or regulatory provisions.

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Notes to the Financial Statements (Cont'd)

NOTE 4: ACCOUNTING POLICIES (Cont'd)

4.18 Equity accounts (Cont'd)

a) Share Capital

Share capital represents the capital issued, composed of the contributions that were committed and/or made by the shareholders and represented by shares that comprise outstanding shares at nominal value. Ordinary shares are classified under equity.

b) Legal reserve

As established by Law 19550 on Commercial Companies, 5% of the profit reported in the statement of comprehensive income for the year, net of prior year adjustments, transfers of other comprehensive income to unappropriated retained earnings and prior year accumulated losses, is to be allocated to the legal reserve, until it reaches 20% of the corporate capital.

c) Optional reserve

Corresponds to the allocation decided by the Company's Shareholders' Meeting whereby a specific amount is applied to meet the needs for funds required by the projects and situations relating to the Company policy.

d) Unappropriated retained earnings

Retained earnings comprise accumulated profits or losses without a specific appropriation; positive earnings can be distributable by the decision of the shareholders' meeting, as long as they are not subject to legal restrictions. These earnings comprise prior year earnings that were not distributed and prior year adjustments derived from application of the accounting standards. In case of existence of accumulated losses to be absorbed at the end of the year under consideration by the shareholders' meeting, the following order for appropriation of balances must be followed:

- (i) Reserved profits
 - Optional reserves
 - Reserves provided by By-laws
 - Legal reserve
- (ii) Capital contributions
- (iii) Additional paid-in capital
- (iv) Other equity instruments (where possible from a legal and corporate viewpoint)
- (v) Capital Adjustment

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Notes to the Financial Statements (Cont'd)

NOTE 4: ACCOUNTING POLICIES (Cont'd)

4.18 Equity accounts (Cont'd)

e) Distribution of dividends

The distribution of dividends among the shareholders of the Company is recognized as a liability in the financial statements for the year in which dividends are approved by the meeting of shareholders.

f) Special Reserve

It relates to the positive difference between the initial balance of unappropriated retained earnings disclosed in the financial statements of the first closing for the year of IFRS application to GISA merged company due to merger and the closing balance of unappropriated retained earnings at the closing of the last year under prior accounting standards.

This reserve may not be reversed to perform distributions in cash or in kind among the shareholders or owners of the entity and may only be reversed for capitalization or to absorb possible losses of the account "Unappropriated retained earnings/losses", a decision to be taken by the Shareholders' Meeting which considers the financial statements at year end.

NOTE 5: FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

Financial risk management is encompassed within the global policies of the Company, which are focused on the uncertainty of the financial markets and are aimed at minimizing the potential adverse effects on its financial yield. Financial risks are the risks associated with financial instruments to which the Company is exposed during or at the end of each fiscal year. Financial risks comprise market risk (including the foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. At December 31, 2016, the Company has used derivative instruments to cover financial risks, specifically exposure to the exchange rate risk.

Financial risk management is controlled by the Finance Division of the Company, which identifies, assesses and covers the financial risks. The financial risk management policies and systems are reviewed regularly to reflect the changes in the market conditions and in the Company's business activities.

This section includes a description of the main financial risks and uncertainties that could have a material adverse effect on the Company's strategy, performance, results of operations and financial condition.

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Notes to the Financial Statements (Cont'd)

NOTE 5: FINANCIAL RISK MANAGEMENT (Cont'd)

5.1 Financial risk factors (Cont'd)

a) Market risk

Foreign exchange risk

Sales made under Resolution 1281/06 (Energía Plus) and under Resolution 220/07 are denominated in United States dollars. The financial debt is mainly stated in US dollars. For this reason, the Company monitors the changes in the exchange rate to define the foreign exchange hedging strategy. For example, at the end of September 2016, the interest amount of the international bond payable on January 27, 2017 was hedged.

The following table shows the Company's exposure to the foreign exchange risk associated with the assets and liabilities denominated in a currency other than the functional currency of the Company.

Captions	Type and amount of foreign currency		Exchange rate at closing (1)	Amount recorded at 12.31.16	Amount recorded at 12.31.15
				\$	
CURRENT ASSETS					
Cash and cash equivalents					
Cash	USD	6,664	15.790	105,226	30,975
Banks	USD	145,200	15.790	2,292,705	204
Trade receivables					
Trade receivables - Energía Plus	USD	6,649,515	15.790	104,995,841	75,295,980
Trade receivables - Resolution 220/07	USD	3,670,093	15.790	57,950,769	12,424,255
Trade receivables- Tank rental	USD	641,404	15.790	10,127,762	-
Total Current Assets				175,472,303	87,751,414
TOTAL ASSETS				175,472,303	87,751,414
LIABILITIES					
CURRENT LIABILITIES					
Trade payables					
Related parties	USD	6,778,928	15.840	107,378,222	22,931,520
Suppliers	USD	5,241,060	15.890	83,280,447	10,515,626
Loans					
Foreign loan	USD	11,762,594	15.890	186,907,614	-
Total current liabilities				377,566,283	33,447,146
NON-CURRENT LIABILITIES					
Trade payables					
Suppliers	USD	15,761,000	15.890	250,442,290	-
Loans					
Foreign loan	USD	207,110,973	15.890	3,290,993,368	-
Total current liabilities				3,541,435,658	-
TOTAL LIABILITIES				3,919,001,941	33,447,146

(1) Banco Nación exchange rates prevailing at year end. An average exchange rate is applied to intercompany balances

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Notes to the Financial Statements (Cont'd)

NOTE 5: FINANCIAL RISK MANAGEMENT (Cont'd)

5.1 Financial risk factors (Cont'd)

a) Market risk (Cont'd)

The Company considers that, if all variables remain constant, a devaluation of 1% of each foreign currency against the Argentine peso would increase the net income/(loss) for the year as follows:

Currency	Argentine Pesos	
	12.31.16	12.31.15
US Dollars	(37,435,296)	543,030
Increase in income for the year	(37,435,296)	543,030

Price risk

Company revenue rely, to a lesser extent, on sales made under Resolution 22/16. Company revenue may suffer the impact of any material amendment or repeal of any terms of the Resolution and such repeal or amendment may cause a minor adverse effect on its business, financial position and results of operations.

If for any reason not attributable to the Company, the Company is no longer eligible to participate in the Energía Plus Program (ES Resolution 1281/06) and/or Resolution 220/07, or if these resolutions are repealed or substantially amended, and the Company is obliged to sell all the power generated in the Spot Market or the sales price was limited, the results of Generación Mediterránea S.A. could be adversely affected.

Interest rate risk

Interest rate risk arises from the Company's debt at floating rate. Indebtedness at floating rate exposes the Company to interest rate risk on their cash flows. At December 31, 2016, least of its outstanding loans had been taken out at floating rates, mainly based on BADLAR and, to a lesser extent, at Private Banks Adjusted BADLAR interest rate (plus an applicable margin in both cases).

The Company analyzes its exposure to interest rate risk in a dynamic manner. Hypothetical situations are simulated considering the positions relating to refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the Company estimates the impact on profit or loss of a definite variation in interest rates. Simulation is only made in relation to obligations representing the main positions that accrue interest.

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Notes to the Financial Statements (Cont'd)

NOTE 5: FINANCIAL RISK MANAGEMENT (Cont'd)

5.1 Financial risk factors (Cont'd)

a) Market risk (Cont'd)

The following table shows the Company's loans broken down by interest rate:

	12.31.16	12.31.15
Fixed rate:		
Less than 1 year	93,455,683	56,427,339
Between 2 and 3 years	604,897,002	-
More than 3 years	2,686,096,366	-
	<u>3,384,449,051</u>	<u>56,427,339</u>
Floating rate:		
Less than 1 year	191,412,584	61,868,638
Between 1 and 2 years	153,587,756	158,749,014
Between 2 and 3 years	13,455,141	9,999,912
More than 3 years	141,036	1,473,588
	<u>358,596,517</u>	<u>232,091,152</u>
	<u><u>3,743,045,568</u></u>	<u><u>288,518,491</u></u>

Based on simulations run with all the other variables remaining constant, an increase of 1% in the variable interest rates would (decrease) / increase the income for the year, as follows:

	12.31.16	12.31.15
Floating rate:	3,585,965	2,320,912
Decrease in income for the year	<u><u>3,585,965</u></u>	<u><u>2,320,912</u></u>

b) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, and from the exposure to credit of customers, including the outstanding balances of accounts receivable and arranged transactions.

The commercial area assesses the credit standing of private customers, taking into account their financial position, past experience and other factors, and sets credit limits, which are regularly monitored.

Considering the low amount of accounts receivable in arrears during the year ended December 31, 2016, the impact on revenue was minimal.

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Notes to the Financial Statements (Cont'd)

NOTE 5: FINANCIAL RISK MANAGEMENT (Cont'd)

5.1 Financial risk factors (Cont'd)

b) Credit risk (Cont'd)

The electricity generators with sales to the spot market, per Resolution 22/16, and with contracts under Resolution 220/07 collect through CAMMESA the payments for making available the power and energy supplied to the system. In the case of base energy, there is a growing deficit between the payments received by CAMMESA and the receivables of the electricity generating companies with CAMMESA. This is because the price collected from CAMMESA for the electric energy sold in the spot market is regulated by the National Government and is lower than the marginal cost of electricity generation for which CAMMESA has to reimburse the generators. The National Government has been covering this deficit with reimbursable contributions from the treasury. In the current year, as from the consumption of September, CAMMESA has paid on time, according to the conditions set in the contracts.

c) Liquidity risk

The Management of the Company monitors the updated projections on liquidity requirements to ensure that the Company has enough cash to cover the operational needs while maintaining an adequate level of credit facilities available. In this way, the Company is expected to meet its commitments assumed as a result of the financial debt arising from any credit facility. The projections take into account payment plans of the Company's debts, compliance with external regulatory requirements and legal requirements.

Temporary cash surpluses are prudently managed until they are used for debt servicing purposes and investment in enlargement projects currently in progress. The Company has worked in the medium and long term financing structure, having, in addition, available credit lines and loans to guarantee compliance with commitments.

The following table shows an analysis of the Company's financial liabilities classified according to the due dates, considering the remaining period from the respective balance sheet date to their contractual due date. The amounts shown in the table are the non-discounted contractual cash flows.

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Notes to the Financial Statements (Cont'd)

NOTE 5: FINANCIAL RISK MANAGEMENT (Cont'd)

5.1 Financial risk factors (Cont'd)

c) Liquidity risk (Cont'd)

At December 31, 2016	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	More than 2 years	Total
Trade and other payables	186,909,151	10,543,653	158,169,060	92,273,230	447,895,094
Loans	243,230,642	423,136,742	508,034,953	4,539,260,894	5,713,663,231
Total	430,139,793	433,680,395	666,204,013	4,631,534,124	6,161,558,325

At December 31, 2015	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	More than 2 years	Total
Trade and other payables	192,247,650	245,858	-	-	192,493,508
Loans	91,016,919	124,481,805	180,302,747	12,326,180	408,127,651
Total	283,264,569	124,727,663	180,302,747	12,326,180	600,621,159

5.2 Management of capital risk

The objectives of the Company when it administers capital are to secure the correct operation of the Company, to encourage its growth, to meet the financial commitments taken on and produce yields to its shareholders, keeping an optimum capital structure.

Consistently with the industry, the Company monitors its capital based on the Consolidated Debt to Adjusted EBITDA ratio. This ratio is calculated dividing the net loans by EBITDA. Net borrowings correspond to total borrowings (including current and non-current borrowings) less cash and cash equivalents. Adjusted EBITDA is defined as operating income less operating expenses (including selling and administrative expenses, provided that they are included under operating expenses) plus amortization, depreciation and any other non-cash expenses (provided that they are included under operating expenses).

In the year ended December 31, 2016, the Company has taken out long-term debts mainly through the issue of the international bond. This issue has improved the debt profile, extending the expiration term and lowering the financial costs, and, in turn, the financing of projects for the enlargement of generation capacity for 400 MW currently in progress. This explains the rise in the consolidated debt ratio on EBITDA at the end of the current year. Consolidated debt to adjusted EBITDA ratios at Saturday, December 31, 2016 and 2015 were as follows:

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Notes to the Financial Statements (Cont'd)

NOTE 5: FINANCIAL RISK MANAGEMENT (Cont'd)

5.2 Management of capital risk (Cont'd)

	12.31.16	12.31.15
Total Loans	3,743,045,568	288,518,491
Less: Cash and cash equivalents	(444,954,591)	(3,094,280)
Net debt	3,298,090,977	285,424,211
EBITDA	579,672,786	215,266,073
Net debt/ EBITDA	5.690	1.324

NOTE 6: CRITICAL ESTIMATES AND JUDGMENTS

The preparation of financial statements requires Company Management to make estimates and assumptions concerning the future, apply critical judgments and establish premises that affect application of the accounting policies and the reported amounts of assets, liabilities, income and expenses.

These estimates and judgments are continually evaluated and are based on historical experience and other factors that are believed to be reasonable under the circumstances. Actual future results may differ from those estimates and assessments made at the date these financial statements were prepared. The estimates that have a significant risk of causing an adjustment to the carrying amounts of assets and liabilities within the next fiscal year are detailed below:

a) Impairment of assets

Long-lived assets are tested for impairment at the lowest level for which there are separately identifiable cash flows (cash-generating units or CGUs).

Electricity production plants of the Company constitute a cash generating unit, already representing the lowest level of separation of assets that generate independent cash flows.

Assets that are subject to amortization are tested for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable.

In evaluating whether there is any indication that the cash generating unit could be affected, internal and external sources of information are analyzed. Specific events and circumstances are considered, which in general include the discount rate used in the projections of cash flows of each of the CGU and the business condition in terms of market and economic factors, such as the cost of raw materials, the regulatory framework of the energy industry, projected capital expenditure and the evolution of energy demand.

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Notes to the Financial Statements (Cont'd)

NOTE 6: CRITICAL ESTIMATES AND JUDGMENTS (Cont'd)

a) Impairment of assets (Cont'd)

An impairment loss is recognized when the asset's carrying value exceeds its recoverable value. The recoverable value is the higher of an asset's fair value less costs to sell and value in use. Any impairment loss will be distributed (to reduce the carrying value of the assets of the CGU) as follows:

- First, to reduce the carrying value of goodwill allocated to the cash generating unit, and
- to the other assets of the unit (or group of units), prorated on the basis of the carrying amount of each asset in the unit (or group of units), taking into account not to reduce the carrying amount of the asset below the higher of its fair value less costs to sell and value in use or zero.
- the impairment loss amount that cannot be distributed to the asset in question, will be distributed on a pro rata basis among the other assets that form part of the CGU.

Judgment is required from Management at the time of estimating the future cash flows. Actual cash flows and values may vary significantly from the foreseen future cash flows and the related values obtained through discount techniques

See Note 33 on the treatment the Company gives to maintenance of turbo generators.

b) Current and deferred income tax / Minimum notional income tax

The Company recognizes income taxes applying the deferred tax method. Consequently, the deferred tax assets and liabilities are recognized according to the future tax consequences attributable to the differences between the carrying amount of existing assets and liabilities and the respective tax bases. Deferred tax assets and liabilities are valued at the approved tax rates that should theoretically be applied on the taxable income in the years in which the temporary differences are expected to be settled. A high degree of judgment is required to determine the provision for income tax since Management regularly assesses the positions on the tax returns regarding situations where the applicable tax regulation is subject to interpretation and, if necessary, sets out provisions based on the amounts payable to the tax authorities. When the final outcome of these matters is different from the initially recognized amounts, such differences will have an impact on income tax and deferred taxes in the fiscal year in which they are determined.

There are many transactions and calculations for which the last determination of taxes is uncertain. The Company early recognizes tax liabilities based on estimates as to whether additional taxes must be paid in the future. When the final tax result differs from the amounts initially recognized, any such differences will have an impact on the current and deferred income tax assets and liabilities in the period in which such determination was made.

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Notes to the Financial Statements (Cont'd)

NOTE 6: CRITICAL ESTIMATES AND JUDGMENTS (Cont'd)

b) Current and deferred income tax / Minimum notional income tax

Deferred tax assets are reviewed at every reporting date and reduced according to the probability that a sufficient tax base might be available to allow recovering these assets in whole or in part. Deferred assets and liabilities are not discounted. In assessing the realization of the deferred tax assets, Management considers it probable that any or all of the deferred tax assets are not realized.

The realization of the deferred tax assets depends upon the generation of future taxable profits in the periods in which the temporary differences are deductible. Management considers the scheduled reversal of the deferred tax liabilities, the projected future taxable profits and the tax planning strategies in making this assessment.

c) Allowances and Provisions

Provisions have been set up to cover contingencies arising in the ordinary course of business and other sundry risks that could create obligations for the Company. In estimating the amounts and probabilities of occurrence, the opinion of the Company's legal advisors has been considered.

At the date of issue of these financial statements, the Company Management understands that there are no elements which may determine the existence of other contingencies that could materialize and have a negative impact on these financial statements.

d) Allowance for bad debts

The allowance for bad debts has been set up based on a historical analysis of accounts receivable to assess the recoverability of the credit portfolio.

The allowance for bad debts was \$ 2,732,633 and \$744,909 at December 31, 2016 and 2015, respectively.

For more information on the balances of the allowance for bad debts, see Note 21 to our financial statements.

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Notes to the Financial Statements (Cont'd)

NOTE 7 (Cont'd): PROPERTY, PLANT AND EQUIPMENT

Type of asset	Original values						Depreciation				Net book value at end of the year			
	At beginning of year	Addition as a result of the merger	Increases	Transfers /Deletions	Technical revaluation	At year end	Accumulated at beginning of year	Addition as a result of the merger	Deletions	For the year (1)	Technical revaluation	Accumulated at end of year	At 12.31.16	At 12.31.15
Land	6,777,099	69,989,522	74,851,255	-	33,151,279	184,769,155	-	-	-	-	-	-	184,769,155	6,777,099
Buildings	34,134,301	21,867,932	221,858	-	36,090,708	92,314,799	-	-	-	1,697,608	1,697,608	-	92,314,799	34,134,301
Facilities	67,422,515	97,110,297	1,349,862	-	72,883,525	238,766,199	-	-	-	9,485,890	9,485,890	-	238,766,199	67,422,515
Machinery	1,082,551,284	860,414,836	45,799,674	489,202,960	469,878,470	2,947,847,599	-	-	-	102,665,897	102,665,897	-	2,947,847,599	1,082,551,284
Works in progress - Extension of Plant	-	14,169,181	1,462,328,325	(489,202,960)	-	987,294,546	-	-	-	-	-	-	987,294,546	-
Computer and office equipment	4,114,330	1,456,252	1,902,912	-	-	7,473,494	2,237,526	555,777	-	961,167	-	3,754,470	3,719,024	1,876,804
Vehicles	1,845,997	467,496	4,199,438	-	-	6,512,931	578,576	175,847	-	649,287	-	1,403,710	5,109,222	1,267,421
Spare parts and materials	12,151,471	4,129,692	15,718,837	-	-	32,000,000	-	-	-	-	-	-	32,000,000	12,151,471
At 12.31.2016	1,208,996,997	1,069,605,208	1,606,372,161	-	612,004,357	4,496,978,723	2,816,102	731,624	-	115,459,849	(113,849,395)	5,158,180	4,491,820,544	-
At 12.31.2015	907,605,470	-	18,756,946	(861,937)	283,496,518	1,208,996,997	24,354,335	-	(207,841)	45,951,039	(67,281,431)	2,816,102	-	1,260,180,895
At 12.31.2014	474,821,596	-	4,520,534	(92,446)	428,355,786	907,605,407	113,487,479	-	(92,446)	34,770,152	(123,810,850)	24,354,335	883,251,135	-

(1) Depreciation charges for the fiscal year ended December 31, 2016 and December 31, 2015 were allocated to the cost of sale, including \$69,914,512 and \$20,060,656, respectively, corresponding to a higher value of technical revaluation.

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Notes to the Financial Statements (Cont'd)

NOTE 8: FINANCIAL INSTRUMENTS

At December 31, 2016	Financial assets/ liabilities at amortized cost	At fair value through profit or loss	Non-financial assets/ liabilities	Total
Assets				
Trade receivables and other receivables	657,410,861	129,861	1,099,085,757	1,756,626,479
Financial assets at fair value through profit or loss	-	136,206,567	-	136,206,567
Cash and cash equivalents	84,736,840	360,217,751	-	444,954,591
Non-financial assets	-	-	4,519,456,926	4,519,456,926
Total	742,147,701	496,554,179	5,618,542,683	6,857,244,563
Liabilities				
Trade and other payables	450,647,987	-	-	450,647,987
Derivative financial instruments	-	2,175,000	-	2,175,000
Loans (finance leases excluded)	3,718,760,935	-	-	3,718,760,935
Financial leases	24,284,633	-	-	24,284,633
Non-financial liabilities	-	-	891,253,263	891,253,263
Total	4,193,693,555	2,175,000	891,253,263	5,087,121,818
At December 31, 2015	Financial assets/ liabilities at amortized cost	At fair value through profit or loss	Non-financial assets/ liabilities	Total
Assets				
Trade receivables and other receivables	304,641,203	129,861	9,907,576	314,678,640
Current income tax, net	-	-	1,601,673	1,601,673
Cash and cash equivalents	3,094,280	-	-	3,094,280
Non-financial assets	-	-	1,213,507,425	1,213,507,425
Total	307,735,483	129,861	1,225,016,674	1,532,882,018
Liabilities				
Trade and other payables	192,493,508	-	-	192,493,508
Loans (finance leases excluded)	286,291,052	-	-	286,291,052
Financial leases	2,227,439	-	-	2,227,439
Non-financial liabilities	-	-	352,520,624	352,520,624
Total	481,011,999	-	352,520,624	833,532,623

The categories of financial instruments were determined based on IFRS 9.

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NOTE 8: FINANCIAL INSTRUMENTS (Cont'd)

Below are presented the revenues, expenses, profits and losses arising from each financial instrument category:

At December 31, 2016	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Financial liabilities at amortized cost	Total
Interest earned	32,243,896	-	-	32,243,896
Interest paid	-	-	(197,533,710)	(197,533,710)
Exchange difference, net	24,547,156	-	(146,527,708)	(121,980,552)
Other financial costs	-	77,700,793	(68,487,984)	9,212,809
Total	56,791,052	77,700,793	(412,549,402)	(278,057,557)

At December 31, 2015	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Financial liabilities at amortized cost	Total
Interest earned	3,426,477	-	-	3,426,477
Interest paid	-	-	(88,875,956)	(88,875,956)
Exchange difference, net	7,465,164	-	(9,729,937)	(2,264,773)
Other financial costs	(12,458,031)	-	(3,772,700)	(16,230,731)
Total	(1,566,390)	-	(102,378,593)	(103,944,983)

Fair value estimate

The Company classifies fair value measurements of financial instruments using a three-level hierarchy, which gives priority to the inputs used in making such measurements: Fair value hierarchies:

- Level 1: (unadjusted) quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e., prices) or indirectly (i.e. deriving from prices);
- Level 3: Inputs on the assets or liabilities not based on observable market inputs (i.e. unobservable inputs).

The following table shows the Company's financial assets measured at fair value at December 31, 2016 and 2015. The Company does not have financial liabilities measured at fair value at those dates.

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NOTE 8: FINANCIAL INSTRUMENTS (Cont'd)

At December 31, 2016	Level 1	Level 2	Level 3	Total
Assets				
<i>Investments in Companies</i>				
Shares	-	-	129,861	129,861
<i>Financial assets at fair value through profit or loss</i>				
Mutual funds	136,206,567	-	-	136,206,567
<i>Cash and cash equivalents</i>				
Mutual funds	360,217,751	-	-	360,217,751
<i>Property, Plant, and equipment</i>	-	-	3,463,697,752	3,463,697,752
Liabilities				
<i>Derivative financial instruments</i>				
Derivatives	(2,175,000)	-	-	(2,175,000)
Total	494,249,318	-	3,463,827,613	3,958,076,931

At December 31, 2015	Level 1	Level 2	Level 3	Total
Assets				
<i>Investments in Companies</i>	-	-	-	-
Shares	-	-	129,861	129,861
<i>Property, Plant, and equipment</i>	-	-	1,190,885,199	1,190,885,199
Total	-	-	1,191,015,060	1,191,015,060

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on the Company's specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. No financial instruments should be included in Level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. These instruments are included in Level 3. This is the case of the revaluation of certain categories of property, plant and equipment.

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NOTE 8: FINANCIAL INSTRUMENTS (Cont'd)

Specific valuation techniques used to determine the fair value of property, plant and equipment include:

- a) For the determination of the fair value of property and land, market quotations have been used requested from expert external appraisers. The values obtained, in the case of property, include the current status of assets.
- b) For determining the fair value of machinery and facilities, an external appraiser has been hired who has used the replacement cost method, determining the components that form part of the power plants and obtaining values from new suppliers in the industry, adding the cost of freight, insurance, assembly and other general expenses. Depreciation was computed according to the consumed useful life of assets, for the case of facilities, the depreciation factor was 47% and 50% at December 31, 2016 and 2015 respectively and for machinery it was 60% and 57% at December 31, 2016 and 2015.

This valuation method is classified according to IFRS 13 as level 3 fair value hierarchy.

The fair value determination of property, plant and equipment is significantly affected by the dollar exchange rate. This situation, valuation processes and results are discussed and approved by the Board of the Companies at least once a year.

NOTE 9: MATERIALS AND SPARE PARTS

	<u>12.31.16</u>	<u>12.31.15</u>
Current materials and spare parts	27,636,382	7,326,530
	<u>27,636,382</u>	<u>7,326,530</u>

The cost of materials and spare parts recognized as an expense and included in cost of sales amounted to \$ 27,636,382, and \$ 7,326,530 in the year ended on December 31, 2016 and 2015, respectively.

NOTE 10: TRADE RECEIVABLES

<u>Non-current</u>	<u>Note</u>	<u>12.31.16</u>	<u>12.31.15</u>
Trade receivables		864,183	-
ES Resolution No. 712/04 - FONINVEMEN		-	1,036,175
Generators Agreement 2008-2011		-	2,522,363
ES Resolution No. 95/13		8,291,195	-
ES Resolution No. 529/14	35	48,728,461	-
		<u>57,883,839</u>	<u>3,558,538</u>
 <u>Current</u>			
Trade receivables		240,945,298	64,939,539
ES Resolution No. 95/13		-	5,807,901
ES Resolution No. 529/14		-	18,781,019
Energy sold to be billed		213,643,533	91,702,633
Balances with related parties	29	4,588,281	7,675,337
Allowance for bad debts	21	(2,732,633)	(744,909)
		<u>456,444,479</u>	<u>188,161,520</u>

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Notes to the Financial Statements (Cont'd)

NOTE 10: TRADE RECEIVABLES(Cont'd)

The carrying amount of current trade receivables approximates their fair value since they fall due in the short term.

Other long-term trade receivables are measured at present value applying a market rate. The amount thus obtained does not differ from its fair value.

Variations in the allowance for trade receivables are as follows:

	<u>12.31.16</u>	<u>12.31.15</u>
Balance at the beginning of year	744,909	744,909
Impairment allowance	1,987,724	-
Balance at the end of year	<u>2,732,633</u>	<u>744,909</u>

The maximum credit risk exposure at the balance sheet date is the carrying amount of each type of trade and other receivables. The Company does not maintain any guarantee as collection security.

NOTE 11: OTHER RECEIVABLES

<u>Non-current</u>	<u>Note</u>	<u>12.31.16</u>	<u>12.31.15</u>
Turnover tax credit balance		34,486,530	-
Loans to Directors		15,112,286	-
		<u>49,598,816</u>	<u>-</u>
 <u>Current</u>			
Balances with related parties	29	143,082,543	105,844,040
Turnover tax withholdings and credit balance		7,010,469	7,520,422
Minimum notional income tax credit		-	483,825
Social security withholdings		685,405	352,108
Value added tax		163,820,964	-
Tax Law 25413		-	1,551,221
Pre-paid leases		-	92,249
Insurance to be accrued		1,086,929	6,339,576
Advances to suppliers		868,976,879	-
Sundry		7,906,295	645,280
		<u>1,192,569,484</u>	<u>122,828,721</u>

The carrying amount of other current receivables approximates their fair value due to their short-term maturity.

Other long-term receivables are measured at present value applying a market rate. The amount thus obtained does not differ from its fair value.

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Notes to the Financial Statements (Cont'd)

NOTE 12: CASH AND CASH EQUIVALENTS

	12.31.16	12.31.15
Cash	317,866	128,425
Banks in local currency	63,525,280	290,760
Banks in foreign currency	2,292,705	240
Mutual funds	360,217,751	-
Checks to be deposited	18,600,989	2,675,095
Cash and cash equivalents (bank overdrafts excluded)	444,954,591	3,094,280

For the purposes of the cash flow statement, cash, cash equivalents and bank overdraft facilities include:

	Note	12.31.16	12.31.15
Cash and cash equivalents		444,954,591	3,094,280
Bank overdraft	17	-	(35,928,167)
Cash and cash equivalents (bank overdrafts included)		444,954,591	(32,833,887)

NOTE 13: SHARE CAPITAL

Subscribed capital at December 31, 2016 amounts to \$125,654,080

At the Extraordinary Meeting of Shareholders held on October 15, 2015 which approved the merger through absorption of GMSA (the merging company), GISA, GLBSA and GRISA (the merged companies), a capital increase was resolved considering the respective swap ratio as from the effective merger date (January 1, 2016) in the amount of \$49,454,007, taking the share capital to \$125,654,080 and delegating to the Board, pursuant to Section 188 of the General Companies Law No. 19550, the issuance date of the shares mentioned. In this sense, on January 11, 2016, the Board approved the issue of 49,454,007 ordinary, registered non-endorsable shares of \$1 par value each and entitled to one voting right per share, corresponding to the above-mentioned capital increase. At present, this capital increase has been duly registered (see Note 37.a).

Also, the Ordinary and Extraordinary Shareholders' Meeting held on October 18, 2016 approved the merger through absorption of GMSA (the continuing company) and GFSA (merged company) within the framework of the merger process; a GMSA capital increase was decided from \$125,654,080 to \$138,172,150 by issuing 12,518,070 new ordinary registered non-endorsable shares of GMSA, of \$1 par value each and entitled to 1 (one) voting right per share, considering the respective swap ratio, as from the effective merger date (January 1, 2017), delegating to the Board of Directors the power to decide when the new shares will be issued. In this sense, on January 10, 2017, the Board approved the issue of 12,518,070 ordinary, registered non-endorsable shares of \$1 par value each and entitled to one voting right per share, corresponding to the above-mentioned capital increase. Furthermore, as a result of that capital increase, it was resolved to approve the amendment to section 5 of corporate bylaws (see Note 41.a).

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Notes to the Financial Statements (Cont'd)

NOTE 14: DISTRIBUTION OF SHARE CAPITAL

Dividends

As established by Law No. 25063 enacted in December 1998, dividends that are distributed or that the Company receives from its subsidiaries, in cash or in kind, in excess of the taxable profits accumulated at the end of the fiscal year immediately preceding the payment or distribution date, shall be subject to a 35% income tax withholding, as a sole and final payment. For the purposes of this tax, accumulated taxable profits are the balances of taxable profits accumulated at December 31, 1997, less the dividends paid plus the taxable profits determined as from January 1, 1998.

As established by Law 19550 on Commercial Companies, 5% of the profit reported in the statement of comprehensive income for the year, net of prior year adjustments, transfers of other comprehensive income to unappropriated retained earnings and prior year accumulated losses, is to be allocated to the legal reserve, until it reaches 20% of the corporate capital.

Based on these financial statements, the Company may distribute dividends.

NOTE 15: TRADE PAYABLES

<u>Non Current</u>	Note	12.31.16	12.31.15
Suppliers		250,442,290	-
		250,442,290	-
<u>Current</u>			
Suppliers		78,989,288	119,415,644
Balances with related parties	29	107,919,863	61,842,658
Suppliers - purchases not yet billed		10,543,653	11,090,206
		197,452,804	192,348,508

The carrying amount of current trade payables approximates their fair value due to their short-term maturity.

NOTE 16: OTHER LIABILITIES

<u>Non Current</u>	Note	12.31.16	12.31.15
Provision for directors' fees		-	5,538,530
Advances to directors		-	(5,538,530)
		-	-
<u>Current</u>			
Balances with related parties	29	2,752,893	-
Dividends payable	29	-	145,000
		2,752,893	145,000

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NOTE 17: LOANS

<u>Non-current</u>	<u>12.31.16</u>	<u>12.31.15</u>
International bond	2,659,743,432	-
Debt under BAF loan	631,249,936	-
Syndicated Loan	-	19,256,078
Negotiable obligations	139,283,447	129,593,922
CAMMESA	10,123,978	-
Other bank debts	-	20,385,195
Finance lease debts	17,776,508	987,319
	3,458,177,301	170,222,514
<u>Current</u>	<u>12.31.16</u>	<u>12.31.15</u>
International bond	89,615,062	-
Debt under BAF loan	3,840,614	-
Syndicated Loan	-	38,344,293
Negotiable obligations	84,703,205	10,706,567
CAMMESA	6,749,323	-
Other bank debts	93,451,938	32,076,830
Bank overdraft	-	35,928,167
Finance lease debts	6,508,125	1,240,120
	284,868,267	118,295,977

At December 31, 2016, total debt is \$ 3,743 million. The following table shows our total debt at that date.

	Original principal	Balance as of December 31, 2016 (Pesos)	Interest rate (%)	Currency	Date of issuance	Maturity date
Loan agreement						
BAF	USD 40,000,000	635,090,550	10%	USD	February 11, 2016	February 15, 2017
Subtotal		635,090,550				
 Debt securities						
International Bond	USD 173,000,000	2,749,358,494	9.625%	USD	July 27, 2016	July 17, 2023
Class IV NO	\$ 25,439,600	26,178,849	BADLAR + 6.5%	ARS	July 17, 2015	July 17, 2017
Class V NO	\$ 200,000,000	197,807,803	BADLAR + 4%	ARS	June 30, 2016	June 30, 2018
Subtotal		2,973,345,146				
 Other liabilities						
CAMMESA		16,873,301				
Chubut's Loan	USD 6,000,000	93,451,938	LIBOR + 5%	USD	December 1, 2016	December 1, 2017
Finance lease		24,284,633				
Subtotal		134,609,872				
Total		3,743,045,568				

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Notes to the Financial Statements (Cont'd)

NOTE 17: LOANS (Cont'd)

a) International issuance of negotiable obligations

On July 7, 2016, GMSA, GFSA and CTR got authorization from the CNV, under Resolution No. 18110, for the co-issuance in the domestic and international markets of guaranteed and unsubordinated ordinary Negotiable Obligations, not convertible into shares. Negotiable Obligations were issued on July 27, 2016 for USD 250 million, falling due within 7 years. All of the Negotiable Obligations are unconditionally guaranteed by ASA.

The Negotiable Obligations are rated B+ (Fitch ratings) / B3 (Moody's).

This issuance allows for the financing of the investments related to the Company's expansion plans, as a result of the ES having awarded the Wholesale Demand Contracts through Resolution 115/2016 dated June 14, 2016, and also the Group's projects under development, which in the aggregate represent works for installing 460 nominal MW. In addition, it allows for improving the Group's financial profile with the early repayment of existing loans, obtaining a term for financing in accordance with the projects under financing and also a considerable decrease in related costs, which implies greater financial efficiency and release of guarantees.

International Negotiable Obligation:

Principal: Nominal value: USD 250,000,000; nominal value assigned to GMSA: USD 173,000,000.

Interest: Accrues interest at a fixed rate of 9.625%

Payment term and method: Interest on the International Negotiable Obligation shall be paid semi-annually in arrears, on the following dates: January 27 and July 27 of each year, commencing on January 27, 2017 and ending on the due date.

Principal on the Negotiable Obligations shall be amortized in a lump sum payment at maturity, that is, on July 27, 2023.

In the year, hedge contracts were executed for the following interest payment in January 2017.

The balance of the International Bond at December 31, 2016 amounts to \$ 2,749,358,494.

As a result of the issue of International Bonds, the Company has undertaken standard commitments for this type of issue, whose specific conditions are detailed in the pertinent public prospectus.

At the date of these financial statements, the Company is complying with all the commitments undertaken in its indebtedness.

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Notes to the Financial Statements (Cont'd)

NOTE 17: LOANS (Cont'd)

a) International issuance of negotiable obligations (Cont'd)

With the proceeds from the issue of the International Bond, a prepayment of the following financial loans has been made, with the settlement of the pertinent guarantees:

- Loans from Banco de la Provincia de Córdoba
- Loan from Banco Hipotecario
- Loan from ICBC (GISA)
- Loan from Nuevo Banco de la Rioja
- Loan from Banco Ciudad
- Loan from Banco Chubut
- Loan from Banco Supervielle
- Loan from Banco Macro
- Syndicated Loan

b) Loan from Credit Suisse Internacional

On June 1, 2016, GMSA entered into a loan agreement with Credit Suisse International, which disbursed a line of credit for a total amount of USD 60,000,000, divided into two disbursements made on June 2, 2016 and June 23, 2016. The loan will be applied to finance investments for 50 MW and 100 MW enlargements at GR and GM, respectively.

Principal: nominal value: USD 60,000,000.

Interest: LIBO rate + 9.625%.

Repayment: Interest will be paid quarterly as from the following date: September 02, 2016 Principal will be settled in 17 (seventeen) quarterly installments as from June 2017, the last installment becoming due on June 3, 2021.

At December 31, 2016, upon compliance with the minimum period of permanence required by BCRA regulations in force, the Company made an early repayment of the loan balance and the guarantees were released.

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Notes to the Financial Statements (Cont'd)

NOTE 17: LOANS (Cont'd)

c) Loan from BAF Latam Trade Finance Funds B.V.

On February 11, 2016, GMSA, on its own and as the continuing company of GISA and GRISA as a result of the merger through absorption duly informed on November 10, 2015 entered into a loan agreement with BAF Latam Trade Finance Funds B.V. which granted a credit line for a total amount of USD 40,000,000 to be used for (i) financing of the project for the installation of a new turbine of 50 MW in its power plant in La Rioja USD 19,867,305 including the cancellation of the price balance owed to Siemens Industrial Turbomachinery AB for the import of a gas turbine SGT800; (ii) the prepayment of the balance of USD 20,132,695 of the loan agreement entered into on May 4, 2011, between GISA (debtor), UBS Securities LLC (moneylender) and UBS AG Stamford Branch (administrative agent).

The most relevant provisions are the following:

Principal: nominal value: USD 40,000,000

Interest: annual fixed rate of 10%.

Repayment: interest will be paid on a quarterly basis, as from the following date: May 15, 2016. Principal will be fully repaid by the due date: February 15, 2019.

The balance of the loan at December 31, 2016 amounts to \$ 635,090,550. The remaining loan principal balance at the date of issuance of the financial statements is USD 40,000,000.

At the date of these financial statements, the Company complies with all the covenants related to financial ratios (minimum equity requirements, EBITDA ratio on interest expenses, leverage ratio and capitalization ratio).

d) Negotiable obligations

With the purpose of improving the financial profile of the company, on October 17, 2012 GMSA, through Resolution 16942, was granted authorization from the CNV for: (i) incorporation of GMSA to the public offering system; and (ii) creation of a global program to issue simple (non-convertible) negotiable obligations for a total nominal value outstanding of up to USD 100,000,000 (one hundred million US dollars) or its equivalent in other currencies, in one or more classes or series.

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Notes to the Financial Statements (Cont'd)

NOTE 17: LOANS (Cont'd)

d) Negotiable obligations (Cont'd)

At December 31, 2016 there are Class IV and Class V (GMSA) negotiable obligations outstanding, issued by the Company for the amounts and under the following conditions:

Class IV Negotiable Obligations (GMSA):

Principal: Nominal value: \$ 130,000,000

Interest: (i) from the date of issuance and liquidation until nine (9) months have elapsed from the date of issuance and liquidation, inclusive, the loan will accrue interest at a fixed rate of 28%; (ii) from the beginning of the tenth (10) month, counted as from the date of issuance and liquidation, until the date on which the principal is fully settled (not inclusive), interest will accrue at an annual floating rate equal to the sum of: (a) private banks BADLAR rate plus (b) 6.50%.

Repayment terms and conditions: interest on Class IV Negotiable Obligations will be paid on a quarterly basis, in arrears, on the following dates: October 15, 2015; January 15, 2016; April 15, 2016; July 15, 2016; October 17, 2016; January 16, 2017; April 17, 2017 and July 17, 2017.

Principal on Class IV Negotiable Obligations shall be amortized in 3 quarterly installments, the first two equivalent to 33% of nominal value of the negotiable obligations and the last installment to 34% of nominal value, payable on January 16, 2017, April 17, 2017 and July 17, 2017, respectively.

The funds obtained through the issuance of Class IV Negotiable Obligations were allocated to the partial pre-payment of principal on Class III Negotiable Obligations for an amount of \$ 87,824,000. The remaining amount was allocated to investments and working capital. This enabled improving the Company's financial profile.

On June 30, 2016, Class V Negotiable Obligations were issued, a portion in cash and the remainder through a voluntary swap of Class IV (GMSA) and Class III (GISA) Negotiable Obligations, improving the Company's working capital and indebtedness profile (term and rate). The amount repaid of Class IV Negotiable Obligations totaled \$75,141,860, with an outstanding principal balance of \$54,858,140.

Subsequently, the Company repurchased a portion of the issue in the secondary market. The balance due for this Negotiable Obligation at December 31, 2016 amounts to \$ 26,178,849.

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NOTE 17: LOANS (Cont'd)

d) Negotiable obligations (Cont'd)

Class V Negotiable Obligations:

Principal: Nominal value: \$200,000,000

Interest: Private Banks BADLAR rate plus 4%

Term and repayment: interest on Class V Negotiable Obligations will be paid on a quarterly basis, past due, in the following dates: September 30, 2016, December 30, 2016, March 30, 2017, June 30, 2017, September 30, 2017, December 30, 2017, March 30, 2018 and June 30, 2018.

Principal on Class V Negotiable Obligations shall be amortized in 3 quarterly installments, the first two equivalent to 30% of nominal value of the negotiable obligations and the last installment to 40% of nominal value, payable on December 30, 2017, March 30, 2018 and June 30, 2018, respectively.

The amount was paid in in cash and in kind, through the swap of GMSA Class IV Negotiable Obligations of \$75,141,860 and GISA Class III Negotiable Obligations for \$55,446,986. The proceeds from the issuance of Class V negotiable obligations were applied to the repurchase of the remaining balance of Class III negotiable obligations, investments and working capital. The swaps and subsequent repurchase of GISA Class III Negotiable Obligations improved the Company's financial profile.

The balance of the NO at December 31, 2016 amounts to \$197,807,803.

On February 9, 2017, NO Class VI and Class VII were bid and they were settled on February 16 (See Note 41.c).

e) Loan from CAMMESA (GRISA)

At December 31, 2016 the Company holds financial debts with CAMMESA for \$ 16,873,301, guaranteed by the assignment of 100% of the present and future credit rights for the sale of energy in the Spot market of the WEM, upon implementation of a trust agreement in accordance with Law No. 24441.

This debt was incurred to finance the program for repairing the gas turbines, and for the control systems of turbines and generators, improving the protection system, adapting the natural gas feeding system and other ancillary works.

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Notes to the Financial Statements (Cont'd)

NOTE 17: LOANS (Cont'd)

e) Loan from CAMMESA (GRISA) (Cont'd)

This loan has a repayment period set in 48 monthly and consecutive installments, to which interest must be added applying the rate equivalent to the average return obtained by the Dispatch Management Agency (CAMMESA) on financial placements in the WEM. At the closing date of these financial statements, 18 installments, equivalent to \$ 10,123,978, had been paid.

The balance of the loan at December 31, 2016 amounts to \$16,873,301.

f) Loan CAMMESA (CTMM)

On August 9, 2016, the Company signed a new mutuum agreement with CAMMESA whereby the financing of the execution of several maintenance works in the MMARCC01 and MMARCC02 units was formalized for an amount of up to USD 6,888,920 plus VAT. The most important tasks to be performed include the Overhaul, the replacement of DB20 Brown Boveri switches, the replacement of the CC (EX2000 through EX2100e DFE), and the reengineering of the fire protection network.

In November 2016, the Company made the first filing for \$ 7,355,080 through a note to CAMMESA for the accumulated amount paid until October 2016 inclusive. At January 2, 2017, the total amount of disbursements received from CAMMESA amounts to \$7,360,000.

The due dates of Company loans and their exposure to interest rates are as follow:

	<u>12.31.16</u>	<u>12.31.15</u>
Fixed rate:		
Less than 1 year	93,455,683	56,427,339
Between 2 and 3 years	604,897,002	-
More than 3 years	2,686,096,366	-
	<u>3,384,449,051</u>	<u>56,427,339</u>
Floating rate:		
Less than 1 year	191,412,584	61,868,638
Between 1 and 2 years	153,587,756	158,749,014
Between 2 and 3 years	13,455,141	9,999,912
More than 3 years	141,036	1,473,588
	<u>358,596,517</u>	<u>232,091,152</u>
	<u>3,743,045,568</u>	<u>288,518,491</u>

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NOTE 17: LOANS (Cont'd)

Company loans are denominated in the following currencies:

	12.31.16	12.31.15
Argentine Pesos	265,144,586	288,518,491
US Dollars	3,477,900,982	-
	3,743,045,568	288,518,491

The evolution of Company's loans during the year was the following:

	12.31.16	12.31.15
Loans at beginning of year	288,518,491	238,233,943
Addition as a result of the merger	490,716,207	-
Loans received	4,395,095,549	199,392,907
Loans paid	(1,676,269,067)	(180,718,293)
Accrued interest	389,336,905	67,153,477
Interest paid	(244,529,704)	(65,634,463)
Exchange difference	318,280,979	-
Bank overdraft	(61,236,231)	27,342,283
Capitalized expenses/present values	(156,867,561)	2,748,637
Loans at year end	3,743,045,568	288,518,491

NOTE 18: Salaries and social security charges

<u>Current</u>	12.31.16	12.31.15
Social Security charges payable	1,207,496	1,334,154
Salaries payable	18,076	2,108
Vacation accrual	2,522,749	1,496,046
Income tax withholdings to be deposited	-	819,776
	3,748,321	3,652,084

NOTE 19: TAX PAYABLES

<u>Current</u>	12.31.16	12.31.15
National Fund of Electric Energy	271,417	667,509
Income tax withholdings to be deposited	2,204,596	195,193
Turnover tax withholdings to be deposited	3,683,175	180,380
Payment-in-installment plan	-	630,480
Value added tax	-	1,245,407
Minimum notional income tax provision, net of prepayments	8,447,082	-
Accrual of income tax withholdings	1,092,782	-
Others	1,522,438	-
	17,221,490	2,918,969

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NOTE 20: INCOME TAX - DEFERRED TAX

The analysis of deferred tax assets and liabilities is as following:

	12.31.16	12.31.15
Deferred tax assets:		
Deferred tax assets to be recovered over 12 months	64,656,951	216,652
	<u>64,656,951</u>	<u>216,652</u>
Deferred tax liabilities:		
Deferred tax liabilities to be settled over 12 months	(740,342,103)	(336,216,727)
	<u>(740,342,103)</u>	<u>(336,216,727)</u>
Addition as a result of the merger	(185,462,747)	-
Deferred tax liabilities (net)	<u>(861,147,900)</u>	<u>(336,000,075)</u>

The gross movements of the deferred tax account has been as follows:

	12.31.16	12.31.15
Balances at beginning of year	(336,000,075)	(210,148,983)
Addition as a result of the merger	(185,462,747)	-
Charge to income statement	(85,636,265)	(3,078,810)
Charge to technical revaluation reserve	(254,048,813)	(122,772,282)
Balances at year end	<u>(861,147,900)</u>	<u>(336,000,075)</u>

The movements of deferred tax assets and liabilities, without considering the offsetting of balances referred to the same tax jurisdiction, were as follows:

	Trade receivables and other receivables	Property, plant and equipment	Loans	Tax Payables	Other Liabilities	Tax loss	Mutual funds' valuation
Balances as of December 31, 2015	216,652	(346,704,722)	712,012	-	9,770,983	-	-
Addition as a result of the merger	(958,460)	(265,157,942)	1,084,228	159,395	78,120	79,331,912	-
Charge to income statement	(1,933,907)	(135,732,919)	-	-	(4,302,713)	66,374,205	(10,040,931)
Charge to technical revaluation reserve	-	(254,048,813)	-	-	-	-	-
Balances as of December 31, 2016	<u>(2,675,715)</u>	<u>(1,001,644,396)</u>	<u>1,801,240</u>	<u>159,395</u>	<u>5,546,390</u>	<u>145,706,117</u>	<u>(10,040,931)</u>

Deferred tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through the future taxable profits is probable.

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Notes to the Financial Statements (Cont'd)

NOTE 20: INCOME TAX - DEFERRED TAX (Cont'd)

The income tax charge is broken down as follows:

	<u>12.31.16</u>	<u>12.31.15</u>
Current taxes	-	(21,435,679)
Deferred tax	(85,636,258)	(3,078,810)
Provision understated in the prior year	(1,063,769)	272,055
Income tax	<u>(86,700,027)</u>	<u>(24,242,434)</u>

Below is a reconciliation between income tax charged to earnings and tax resulting from applying the current income tax rate to the accounting profit before taxes:

	<u>12.31.16</u>	<u>12.31.15</u>
Income before tax	186,155,380	65,690,172
Current tax rate	35%	35%
Net income/loss at the tax rate	(65,154,383)	(22,991,558)
Other permanent differences	(8,660,820)	(1,522,931)
Variation of tax loss carry-forwards	(12,884,824)	272,055
Total income tax charge	<u>(86,700,027)</u>	<u>(24,242,434)</u>

NOTE 21: PROVISIONS

	<u>For trade receivables</u>	<u>For contingencies</u>
Balances as of December 31, 2015	744,909	9,949,496
Increases(1)	1,987,724	-
Decreases	-	(813,944)
Balances as of December 31, 2016	<u>2,732,633</u>	<u>9,135,552</u>

Provisions cover contingencies arising in the ordinary course of business and other sundry risks that could create obligations for the Company. In estimating the amounts and probabilities of occurrence, the opinion of the Company's legal advisors has been considered.

(1) The increase in provision was allocated to selling expenses.

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NOTE 22: SALES REVENUE

	<u>12.31.16</u>	<u>12.31.15</u>
Sale of electricity Res. 95/529/482	106,469,694	44,608,228
Sale of electricity market sport	289,356,272	150,224,817
Sale of electricity plus	764,763,473	566,683,070
Electric electricity Res. 20	793,208,443	166,987,362
Services provided	-	4,485,170
	<u>1,953,797,882</u>	<u>932,988,647</u>

NOTE 23: COST OF SALES

	<u>12.31.16</u>	<u>12.31.15</u>
Cost of purchase of electric energy	(599,787,678)	(285,018,329)
Cost of gas and gasoil consumption at the plant	(532,466,304)	(307,610,241)
Fees and compensation for services	(4,873,877)	-
Salaries and social security contributions	(65,068,417)	(31,260,801)
Other employee benefits	(4,614,227)	(1,252,277)
Taxes, rates and contributions	(14,883,655)	(5,428,491)
Maintenance services	(98,105,821)	(42,780,604)
Depreciation of Property, plant and equipment	(115,459,849)	(45,951,039)
Per diem, travel and representation expenses	(1,053,703)	(3,146,987)
Insurance	(16,515,300)	(12,049,440)
Communication expenses	(2,824,439)	(635,939)
Sundry	(4,806,679)	(520,395)
	<u>(1,460,459,949)</u>	<u>(735,654,543)</u>

NOTE 24: SELLING EXPENSES

	<u>12.31.16</u>	<u>12.31.15</u>
Salaries and social security contributions	(376,515)	(1,103,322)
Taxes, rates and contributions	(323,287)	(353,026)
Bad debts	(1,987,724)	-
	<u>(2,687,526)</u>	<u>(1,456,348)</u>

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NOTE 25: ADMINISTRATIVE EXPENSES

	<u>12.31.16</u>	<u>12.31.15</u>
Fees and compensation for services	(24,424,174)	(15,791,591)
Salaries and social security contributions	(1,204,801)	(4,413,290)
Other employee benefits	(27,755)	(834,852)
Taxes, rates and contributions	(1,071,666)	(1,329,887)
Per diem, travel and representation expenses	(3,236,644)	(2,097,991)
Insurance	(486,430)	(103,361)
Office expenses	(2,222,545)	(1,220,758)
Communication expenses	(60,901)	(423,959)
Rentals	(967,513)	(120,000)
Sundry	(1,226,903)	(227,033)
	<u>(34,929,332)</u>	<u>(26,562,722)</u>

NOTE 26: OTHER OPERATING INCOME

	<u>12.31.16</u>	<u>12.31.15</u>
Recovery of provision for contingencies	6,742,280	-
Sundry	1,749,582	320,121
	<u>8,491,862</u>	<u>320,121</u>

NOTE 27: FINANCIAL RESULTS

	<u>12.31.16</u>	<u>12.31.15</u>
<u>Financial income</u>		
Commercial interest	25,445,201	3,426,477
Loan granted interest	6,798,695	-
Total financial income	<u>32,243,896</u>	<u>3,426,477</u>

	<u>12.31.16</u>	<u>12.31.15</u>
<u>Financial costs</u>		
Interest on loan and others	(188,657,645)	(88,875,956)
Commercial interest and other	(8,876,065)	-
Commercial interest and other	(8,154,617)	(2,596,194)
Total financial expenses	<u>(205,688,327)</u>	<u>(91,472,150)</u>

<u>Other financial results</u>		
Exchange difference, net	(121,980,552)	(2,264,773)
Changes in the fair value of financial instruments	77,700,793	-
Other financial results	(60,333,367)	(13,634,537)
Total other financial results	<u>(104,613,126)</u>	<u>(15,899,310)</u>
Total financial results, net	<u>(278,057,557)</u>	<u>(103,944,983)</u>

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NOTE 28: EARNINGS PER SHARE

Basic

The basic earnings per share are calculated by dividing the income attributable to the holders of the Company's equity instruments by the weighted average number of ordinary shares outstanding during the fiscal year.

	<u>12.31.16</u>	<u>12.31.15</u>
Income for the year	99,455,353	41,447,738
Weighted average of outstanding ordinary shares	125,654,080	76,200,073
Basic earnings per share	0.7915	0.5439

There are no differences in the calculation of the basic earnings per share and the diluted earnings per share, as there are no preferred shares or negotiable obligations convertible into ordinary shares.

NOTE 29: TRANSACTIONS AND BALANCES BETWEEN RELATED PARTIES

	<u>Income / (Loss)</u>	
	<u>\$</u>	
	<u>12.31.16</u>	<u>12.31.15</u>
<i>a) Sales of energy</i>		
Other related parties:		
Solalban Energía S.A.	71,021,713	23,146,088
GISA	-	460,156
RGA	43,986,717	17,178,470
	<u>115,008,460</u>	<u>40,784,714</u>
<i>b) Purchase of gas and energy</i>		
Other related parties:		
Solalban Energía S.A.	(126,875)	(665,799)
GISA	-	(1,225,958)
RGA (*)	(769,055,961)	(141,581,802)
	<u>(769,182,836)</u>	<u>(143,473,559)</u>
<i>c) Administrative services</i>		
Other related parties:		
RGA	(30,014,052)	(3,244,833)
	<u>(30,014,052)</u>	<u>(3,244,833)</u>

(*) Correspond to gas purchases, which are partly assigned to CAMMESA within the framework of the Natural Gas Dispatch Procedure for power generation.

(1) Company merged with GMSA as from January 1, 2016 under a merger through absorption.

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NOTE 29: TRANSACTIONS AND BALANCES BETWEEN RELATED PARTIES (Cont'd)

d) Rental

	12.31.16	12.31.15
Other related parties:		
RGA	(981,000)	(120,000)
	(981,000)	(120,000)

e) Other purchases and services received

	Income / (Loss)	
	\$	
	12.31.16	12.31.15
Other related parties:		
Solalban Energía S.A.	-	(798,978)
GISA	-	(396,694)
BDD	(241,462)	(43,231)
AJSA	(27,241,634)	(3,076,956)
ASA	(921,843)	-
	(28,404,940)	(4,315,859)

f) Expenses reimbursement

	12.31.16	12.31.15
Other related parties:		
RGA	(5,575,569)	(18,503)
GROSA	6,825,502	927,830
GISA (1)	-	2,690,035
CTR	11,095,382	1,977,937
GFSA	6,683,989	263,002
GLBSA (1)	-	248,490
GRISA (1)	-	278,918
AESA	226,276	-
	19,255,579	6,367,709

g) Financial expenses recovery

	12.31.16	12.31.15
Other related parties:		
RGA	(3,515,702)	-
	(3,515,702)	-

h) Purchase of spare parts

	12.31.16	12.31.15
Other related parties:		
GROSA	(43,559)	-
GFSA	(10,572,050)	-
	(10,615,610)	-

(1) Company merged with GMSA as from January 1, 2016 under a merger through absorption.

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NOTE 29: TRANSACTIONS AND BALANCES BETWEEN RELATED PARTIES (Cont'd)

i) Services provided

	12.31.16	12.31.15
<u>Other related parties:</u>		
CTR	-	1,500,000
GFSA	-	1,000,000
GRISA(1)	-	1,985,170
	-	4,485,170

j) Loan granted interest

	12.31.16	12.31.15
<u>Other related parties:</u>		
AISA	6,798,695	-
	6,798,695	-

k) Remuneration of key managerial staff

The senior management includes directors (executive and non-executive). Their fees at December 31, 2016 and 2015 amounted to \$8,163,695 and \$3,940,548, respectively.

	12.31.16	12.31.15
Salaries	(8,163,695)	3,940,548
	(8,163,695)	3,940,548

l) Balances at the date of the statement of financial position

	12.31.16	12.31.15
<u>Current trade receivables with other related parties</u>		
GRISA(1)	-	2,402,056
GROSA	2,773,281	2,773,281
CTR	1,815,000	1,500,000
GFSA	-	1,000,000
	4,588,281	7,675,337

(1) Company merged with GMSA as from January 1, 2016 under a merger through absorption.

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NOTE 29: TRANSACTIONS AND BALANCES BETWEEN RELATED PARTIES (Cont'd)

<u>Other current receivables with other related parties</u>	<u>12.31.16</u>	<u>12.31.15</u>
ASA	60,162,259	48,094,040
AISA	66,798,695	-
GRISA(1)	-	57,750,000
CTR	8,061,229	-
GROSA	8,060,360	-
	<u>143,082,543</u>	<u>105,844,040</u>

<u>Current trade payables with other related parties</u>		
RGA	94,027,202	60,412,349
AJSA	13,351,020	1,214,771
Solalban Energía S.A.	541,641	215,538
	<u>107,919,863</u>	<u>61,842,658</u>

Other current debts with other related parties

GFSA	2,752,893	-
Minority interest	-	145,000
	<u>2,752,893</u>	<u>145,000</u>

(1) Company merged with GMSA as from January 1, 2016 under a merger through absorption.

m) Loans granted

	<u>12.31.16</u>	<u>12.31.15</u>
Loan granted to Albanesi Inversora S.A.		
Loans at beginning	-	-
Loans granted	60,000,000	-
Loans charged		
Accrued interest	6,798,695	-
Loans at closing	<u>66,798,695</u>	<u>-</u>

The loans are governed by the following terms and conditions:

Entity	Amount	Interest rate	Conditions
At 12.31.2016			
AISA	60,000,000	BADLAR + 3%	Expiration: 1 year, automatically renewable up to 5 years
TOTAL	<u>60,000,000</u>		

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NOTE 29: TRANSACTIONS AND BALANCES BETWEEN RELATED PARTIES (Cont'd)

m) Loans granted (Cont'd)

	12.31.16	12.31.15
Loans granted to Directors		
Loans at beginning	-	-
Loans granted	15,112,286	-
Loans charged	-	-
Accrued interest	-	-
Loans at closing	15,112,286	-

Entity	Amount	Interest rate	Conditions
At 12.31.2016			
Directors	15,112,286	BADLAR + 3%	Expiration: 3 years
TOTAL	15,112,286		

Receivables from related parties arise mainly from transactions of services provided and fall due in the month following the transaction date. No provisions have been recorded for these receivables from related parties in any of the periods covered by these financial statements. Trade payables with related parties arise mainly from transactions of purchases of gas and fall due in the month following the transaction date. Transactions with related parties are conducted in conditions similar to those carried out with independent parties.

NOTE 30: WORKING CAPITAL

The Company reports at December 31, 2016 a surplus in working capital of \$1,749,592,728 (calculated as current assets less current liabilities), which means an improvement of \$1,743,940,542, compared to the surplus in working capital at the end of the year ended December 31, 2015 (\$5,652,186 at 12/31/2015).

EBITDA at December 31, 2016 amounted to \$579,672,786, as expected; this shows the accomplishment of the objectives and efficiency of the operations conducted by the Company.

NOTE 31: RESTRICTED ASSETS AND OTHER COMMITMENTS

31.1 Syndicated loan

With the issuance of the international bond the syndicated loan was repaid with Industrial and Commercial Bank of China, Banco Itaú, Banco Ciudad, Banco Hipotecario, Banco de la Nación Argentina, Banco Chubut and Banco de Córdoba, and therefore, the surety granted by ASA and the contracts assigned in guarantee to comply in due time and manner with all the payment obligations undertaken by GMSA under the syndicated loan were released.

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NOTE 31: RESTRICTED ASSETS AND OTHER COMMITMENTS (Cont'd)

31.2 Other commitments

Certain contractual obligations in connection with the supply of electricity to great customers of the Forward Market at December 31, 2016 and the periods to fulfill those obligations are detailed below. These commitments arise from supply contracts (energy and power) entered into between the Company and large customers of the Forward Market under ES regulations set forth by Resolution No. 1281/06 (Energía Plus). They are contracts denominated in United States dollars, entered into with private customers.

	Total	Up to 1 year	From 1 to 3 years
<i>Sale Commitments ⁽¹⁾</i>			
Electric energy and power - Plus	567,108,385	556,092,732	11,015,653

- (1) Commitments are denominated in pesos and have been valued considering estimated market prices, based on the particular conditions of each contract. They reflect the valuation of the contracts with private customers in force at December 31, 2016, under ES Resolution 1281/06.

31.3 Loan BAF Latam Trade Finance Funds B.V.

On February 11, 2015, BAF Latam Trade Finance Funds B.V. became a subordinated beneficiary of the guarantee package provided to UBS AG Stamford Branch under the Contract of Assignment of Fiduciary Rights and Trust for Guarantee Purposes originally executed on May 4, 2011 as collateral for due and proper compliance with all of the payment obligations assumed under the UBS AG Loan. After repayment of the UBS AG Loan in full during February 2016, BAF Latam Trade Finance Funds B.V. became the only beneficiary of all the assets and rights assigned as collateral under that contract, with Banco de Servicios y Transacciones S.A. acting as trustee and Generación Mediterránea, as trustor.

The rights assigned under the contract are detailed below:

- All Company rights under the project documents.
- All Company rights pertaining to the Company to collect and receive all payments in cash or in kind, for any item, due to the Company by the debtors under present and future Electricity Sales Transactions carried out on the Energía Plus market.
- All Company rights to collect and receive all payments in cash or in kind, for any item, due by the Company to any insurance company, at this date or at a future date.
- Fiduciary ownership of the Real Estate Property existing at this date and any real estate property incorporated thereafter.
- Fiduciary ownership of the Company assets.
- The right to make any claims and file any actions arising from the breach of the obligation to pay.
- Any collection right related to the rights assigned in these paragraphs.
- Each and every right available and/or that may become available to ASA in relation to the Company arising from an irrevocable capital contribution.
- All the funds existing in the Company's account that have been received by the Company in relation to the assigned rights.

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NOTE 32: DOCUMENTATION STORAGE

On August 14, 2014, the CNV adopted General Resolution No. 629 that introduces amendments to its regulations involving storage and preservation of corporate books, accounting records and business documents. It is informed that the Company has sent for storage its work papers and non-sensitive information for the not yet statute-barred fiscal years to the following supplier:

Entity responsible for warehousing of information - Domicile
Iron Mountain Argentina S.A. – Av. Amancio Alcorta 2482, C.A.B.A.
Iron Mountain Argentina S.A. – San Miguel de Tucumán 601, Spigazzini, Ezeiza.

A detail of the documentation sent for preservation is available at the registered office of that entity, as well as the documentation referred to by article 5, clause a.3), Section I of Chapter V of Title II of the REGULATIONS (N.T. 2013 and their amendments).

NOTE 33: LONG-TERM MAINTENANCE CONTRACT

GMSA and PWPS entered into a global service agreement (Long Term Service Agreement), for the power plants CTMM and CTI. As established in the contract, PWPS must offer an annual site audit, site monitoring - through a technician, on a permanent basis - services, workforce, original spare parts and repairs for planned and unplanned maintenance and efficient performance of the turbines. In addition, the power plant has its own repair shop with stock of spare parts. GMSA entered into an equipment lease agreement whereby PWPS must make available to GMSA under EXW conditions replacement equipment (Gas Generator/Power Turbine) for 72 hours, in case of unplanned placing of equipment out of service. PWPS thus guarantees availability of not less than ninety five percent (95%) to the Power Plant for a contractual year. In addition, the Power Plant has its own repair shop with tools and stocks of spare parts to perform on-site repairs without having to send the equipment to the shop in the USA. The gas turbine equipment can be sent by plane, thus reducing the transportation time.

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Notes to the Financial Statements (Cont'd)

NOTE 33: LONG-TERM MAINTENANCE CONTRACT (Cont'd)

GMSA signed with Siemens SA and Siemens Industrial Turbomachinery AB a global service and spare part agreement for the power plants CTRi, CTMM, CTI and CTE. As set forth in the agreements, Siemens must provide on-site technical assistance on a permanent basis, a remote monitoring system to follow up on the performance of the turbines, 24-hour assistance from the engineering department, original spare parts in a timely manner and repairs for planned and corrective maintenance. In addition, the agreement establishes that Siemens will make available for GMSA for CTRi, CTMM, CTI and CTE replacement equipment (engine gas generator) if necessary. Siemens thus guarantees an average availability of not less than ninety six percent (96%) on average to the Power Plants for each biannual measurement period. In addition, the Power Plants have their own repair shop with tools and spare parts in stock to make on-site repairs. Compliance with the energy sale agreement with CAMMESA under Resolution No. 220/07 (for power plants CTRi and CTMM) and Resolution No. 21/16 (for plants CTI and CTE) is thus guaranteed.

Compliance with the energy sale agreements is thus guaranteed.

NOTE 34: SEGMENT REPORTING

The information on operating segments is presented in accordance with the internal information furnished to the chief operating decision maker (CODM). The Board of Directors of the Company has been identified as the highest authority in decision-making, responsible for allocating resources and assessing the performance of the operating segments.

Management has determined the operating segment based on reports reviewed by the Board of Directors and used for strategic decision making. The Board of Directors considers that the business consists of two segments: the sale of electric power and the provision of services.

The Company did not provide engineering services to third parties during the current year.

The information used by the Board of Directors for decision-making is based primarily on operating indicators of the business. Considering that the adjustments between the prior accounting standards and IFRS refer to non-operating items, such information is not substantially affected by the application of the new standards. Below is a description of the results per business segment for year ended December 31, 2016 and 2015, stated in pesos:

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Notes to the Financial Statements (Cont'd)

NOTE 34: SEGMENT REPORTING (Cont'd)

At 12.31.16	Energy	Services	Total
Sales revenue	1,953,797,882	-	1,953,77,882
Cost of sales	(1,460,459,949)	-	(1,460,459,949)
Gross income	493,337,933	-	493,337,933
Selling expenses	(2,687,526)	-	(2,687,526)
Administrative expenses	(34,929,332)	-	(34,929,332)
Other operating income	8,491,862	-	8,491,862
Operating income	464,212,937	-	464,212,937
Financial income	32,243,896	-	32,243,896
Financial costs	(205,688,327)	-	(205,688,327)
Other financial results	(104,613,126)	-	(104,613,126)
Financial results, net	(278,057,557)	-	(278,057,557)
Income before taxes	186,155,380	-	186,155,380
Income tax	(86,700,027)	-	(86,700,027)
Income for the year	99,455,353	-	99,455,353
At 12.31.15	Energy	Services	Total
Sales revenue	931,003,896	1,985,170	932,988,647
Cost of sales	(734,066,407)	(1,588,136)	(735,654,543)
Gross income	196,937,070	397,034	197,334,104
Selling expenses	(1,451,079)	(5,269)	(1,456,348)
Administrative expenses	(26,562,722)	-	(26,562,722)
Other operating income	320,221	-	320,221
Operating income	169,243,390	(5,269)	169,635,155
Financial income	3,426,477	-	3,426,477
Financial costs	(91,472,150)	-	(91,472,150)
Other financial results	(15,899,310)	-	(15,899,310)
Financial results, net	(103,944,983)	-	(103,944,983)
Income before taxes	65,298,407	391,765	65,690,172
Income tax	(24,105,316)	(137,118)	(24,242,434)
Income for the year	41,193,091	254,647	41,447,738

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NOTE 35: PRESENTATION TO CAMMESA

On June 19, 2015 the Company submitted to CAMMESA a request for recognition of the remuneration for maintenance and investments, as set forth by Resolution No. 529/14 for CTMM. Since the effective date of that Resolution, in February 2014 and until June 2015, the Company has generated a total of 540,614MWh, equivalent to the amount of \$14,268,553.

On August 26, 2015 the Company made a new presentation to CAMMESA updating the amount in the request mentioned in the preceding paragraph under Resolution 529/14.

On September 7, 2015, the Company provided, at the request of CAMMESA, further information and an update of the amounts to be invested, including a brief description of the work to be performed to accomplish the objectives in each case and a work schedule.

On January 27, 2016, the Energy Secretariat partially accepted the request sent by the Company, as mentioned in the preceding paragraphs, and authorized financing for up to USD 6,888,920, plus VAT. This financing will be repaid applying the accumulated receivables in favor of the Company and the receivables to which the Company is entitled by application of the Remuneration for Non-Recurring Maintenance.

On June 10, 2016 the Company submitted to CAMMESA a request for recognition of the remuneration for maintenance and investments, as set forth by Resolution No. 529/14 for CTLB and CTRI. Since the effective date of that Resolution, in February 2014 and until April 2016 inclusive, GLB has generated a total of 60,166MWh, equivalent to the amount of and GR generated a total of 51,564MWh, equivalent to the amount of \$3,068,853. In addition, a note about non-recurring maintenance was filed with CAMMESA by both CTLB and CTRI, for a total amount of USD 953,000 plus VAT. The technical team from CAMMESA completed the visits to the power plants and issued a report on CTLB and CTRI which is under economic assessment.

On August 9, 2016, the Company signed a new mutuum agreement with CAMMESA whereby the financing of the execution of several maintenance works in the MMARCC01 and MMARCC02 units was formalized for an amount of up to USD 6,888,920 plus VAT. The most important tasks to be performed include the Overhaul, the replacement of DB20 Brown Boveri switches due to obsolescence, the replacement of the CC excitation system (EX2000 through EX2100e DFE), and the reengineering of the fire protection network.

On December 2, 2016, a new works plan for CTMM was filed with CAMMESA. It details the following schedule:

	Total 2015		Total 2016		Total 2017		Total 2018	
USD without VAT	311,142	5%	195,007	3%	5,242,017	76%	1,140,754	17%

In November 2016, the Company made the first filing for \$ 7,355,080 for the accumulated amount paid until October 2016 inclusive. At the date of these financial statements, CAMMESA disbursed \$7,360,000.

The Company reports an accumulated balance for non-recurring maintenance of \$48,728,461 at December 31, 2016.

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NOTE 36: INVESTMENTS IN COMPANIES

To increase the thermal power generation capacity, the Argentine Government created in 2004 the FONINVEMEM, a fund administered by CAMMESA to make investments in thermal power generation. To finance the FONINVEMEM, the Energy Secretariat invited all WEM agents that held LVFVD due by the WEM, to express their decision to invest (or not) in the FONINVEMEM 65% of their receivables generated between January 2004 and December 2006.

The Company holds an equity interest of 0.0282% equivalent to 141 shares in Termoeléctrica José de San Martín S.A. and Termoeléctrica Manuel Belgrano S.A., which engage in equipment purchases, construction, operation and maintenance of the respective power plants. The fair value of the unlisted ordinary shares in Termoeléctrica José de San Martín S.A. and Termoeléctrica Manuel Belgrano S.A. has been estimated using a model of discounted cash flows based on dividends at December 31, 2016.

NOTE 37: MERGER

a) GMSA – GISA – GLBSA – GRISA MERGER THROUGH ABSORPTION

On August 31, 2015, GMSA entered into a preliminary merger agreement (the “Preliminary Merger Agreement”) whereby it started the merger through absorption process with the related companies GISA, GLBSA and GRISA (the “Corporate Reorganization”).

The Corporate Reorganization allows to enhance and optimize the performance of the economic activities and the operating, administrative and technical structures of the Participating Companies to achieve synergies and operating efficiency through only one operating unit. Considering that the participating companies are electric power generating agents in the WEM and that their main line of business is the generation and sale of electric power, the Merger will be beneficial for the following reasons: a) the type of business activity of the Participating Companies, which enables integration and complementation for greater operating efficiencies; b) a simplification of the participating companies' corporate structure by consolidating the companies' activities in only one entity; c) the synergy of the union of the different Group companies will make the exercise of control, management and administration of the energy business more effective; d) the obtainment of a larger scale, permitting increasing the financial ability to develop new projects; e) a better allocation of existing resources; f) benefiting from a centralized administration, unifying the political and strategic decision-making processes in relation to the business, thus eliminating multiple costs (legal, accounting, administrative, financial and other costs); and g) the creation of more career opportunities for the employees of the participating companies. Furthermore, the above-mentioned benefits will be obtained without incurring tax costs, as the Corporate Reorganization will be tax free under the terms of Section 77 and following provisions of the Income Tax Law No. 26839.

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NOTE 37: MERGER (Cont'd)

a) GMSA – GISA – GLBSA – GRISA MERGER THROUGH ABSORPTION (Cont'd)

As a result of the merger and as approved in the Preliminary Merger Agreement and Final Merger Agreement, as from the effective date of merger (January 1, 2016): (a) the equities of all merged companies (GISA, GLBSA and GRISA) were fully transferred to GMSA, thus acquiring the ownership of all rights and obligations of GISA, GLBSA and GRISA, subject to the registration of the final merger agreement in the Public Registry under the Superintendency of Commercial Companies (IGJ); (b) GISA, GLBSA and GRISA were dissolved without liquidation, being absorbed by GMSA; (c) GMSA capital stock increased from \$ 76,200,073 to \$ 125,654,080, amending the bylaws of the continuing company.

On March 22, 2016, the CNV through Resolution No. 18003 approved the described merger through absorption within the terms of Section 82 of the General Companies Law No. 19550 and ordered that the file be sent to the IGJ for its registration, which was performed on May 18, 2016.

b) GMSA – GFSA MERGER THROUGH ABSORPTION

On August 31, 2016, GMSA entered into a preliminary merger agreement (the “GMSA-GFSA Preliminary Merger Agreement”) whereby it started a process for the merger through absorption of GFSA (the “GMSA-GFSA Corporate Reorganization”).

The GMSA-GFSA Corporate Reorganization will allow to enhance and optimize the performance of the economic activities and the operating, administrative and technical structures of the participating companies to achieve synergies and operating efficiency through only one operating unit. Considering that the participating companies are electric power generating agents in the WEM and that their main line of business is the generation and sale of electric power, the Merger will be beneficial for the following reasons: a) the type of business activity of the participating companies, which enables integration and complementation for greater operating efficiencies; b) a simplification of the participating companies' corporate structure by consolidating the companies' activities in only one entity; c) the synergy of the union of the different Group companies will make the exercise of control, management and administration of the energy business more effective; d) the obtainment of a larger scale, permitting to increase the financial ability to develop new projects; e) a better allocation of existing resources; f) benefiting from a centralized administration, unifying the political and strategic decision-making processes in relation to the business, thus eliminating multiple costs (legal, accounting, administrative, financial and other costs); and g) the creation of more career opportunities for the employees of the participating companies. Furthermore, the above-mentioned benefits will be obtained without incurring tax costs, as the GMSA-GFSA Corporate Reorganization will be tax free under the terms of Section 77 and following provisions of the Income Tax Law No. 26839.

On October 18, 2016, GMSA held an Ordinary and Extraordinary Meeting of Shareholders and GFSA an Extraordinary Meeting of Shareholders, in both cases by virtue of the merger of GFSA into GMSA, at which the shareholders approved the corporate reorganization referred to above, as well as the respective documentation.

At GFSA Meeting of Shareholders the following was also approved: (i) The early dissolution without liquidation of GFSA as a result of the merger, and its deregistration as a corporation in due course; (ii) the transfer to GMSA so that the latter may assume the obligations arising under the Class II and Class III Negotiable Obligations issued by GFSA under the Program for the Issuance of Ordinary Negotiable Obligations (Not Convertible into Shares) for an amount of up to USD 50,000,000 (or its equivalent in other currencies), and that GFSA requests from the pertinent agencies the transfer to GMSA of the negotiable obligations for public offering, listing and trading.

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Notes to the Financial Statements (Cont'd)

NOTE 37: MERGER (Cont'd)

b) GMSA – GFSA MERGER THROUGH ABSORPTION (Cont'd)

At the Meeting held by GMSA the following was also approved: (i) within the framework of the merger process, a GMSA capital increase from \$ 125,654,080 to \$ 138,172,150 by issuing 12,518,070 new ordinary registered non-endorsable shares of GMSA, of \$1 par value each and entitled to 1 (one) voting right per share, considering the respective swap ratio, as from the effective merger date (January 1, 2017), delegating to the Board of Directors the power to decide when the new shares will be issued. Furthermore, as a result of that capital increase, it was resolved to approve the amendment to section 5 of corporate bylaws; (ii) the appointment of Messrs. Juan Carlos Collin and Jorge Hilario Schneider as regular Board members, in addition to the current members of that body.

The publications for 3 (three) days, in compliance with Section 83 of the General Companies Law were completed on October 21, 2016, and the period for opposition of creditors commenced, which ended with no oppositions.

By reason of the merger, and as set forth in the GMSA-GFSA Final Merger Agreement approved by the Extraordinary Meeting of Shareholders of GFSA and Ordinary and Extraordinary Shareholders Meeting of GMSA, both held on October 18, 2016, as from the Effective Merger Date (January 1, 2017): (a) all of GFSA's assets were transferred to GMSA, thus acquiring the ownership of all rights and obligations of GFSA, subject to the registration of the final merger agreement with the Public Registry under the Superintendency of Commercial Companies (IGJ); (b) GFSA was dissolved without liquidation, therefore it was absorbed by GMSA; (c) GMSA capital stock was increased from \$125,654,080 to \$138,172,150, with the consequent amendments to the by-laws of the merging company.

NOTE 38: EXECUTION OF CONTRACTS TO PURCHASE MACHINERY

On June 14, 2016 a Deferred Payment Agreement was entered into with Siemens Industrial Turbomachinery AB, by means of which, upon compliance of the preceding conditions set forth in the agreement, the Company will obtain commercial financing for 50% of the amount of the contract signed for the CTMM plant enlargement, equivalent to SEK 177,000,000 (approximately USD 21.6 million).

The commercial financing granted will be repaid in 24 equal and consecutive monthly installments of 4.17% of the total amount of each, with the first installment being payable in August 2017. Payments shall be made in SEK (Swedish Crown).

On September 13, 2016, four Deferred Payment Agreements were executed with Siemens Industrial Turbomachinery AB for the turbines to be installed in CTE and CTI whereby, once fulfilled the preceding conditions fixed in the agreements, the Company will be granted a commercial financing of 50% of the amount of the agreement signed for the enlargement of CTI and the work of Ezeiza, equivalent to SEK 438,960,000 (approximately USD 52 million).

The commercial financing to be granted will be repaid in 24 monthly installments, with the first installment of two agreements being payable in September 2017 and the rest in April 2018. Payments shall be made in SEK (Swedish Crown).

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NOTE 38: EXECUTION OF CONTRACTS TO PURCHASE MACHINERY (Cont'd)

Future contractual obligations related to the contract with Siemens Industrial Turbomachinery AB are shown below by calendar year:

Commitment (1)		SEK	Total	2017	2018	2019	2020
			USD				
Siemens Industrial Turbomachinery AB for the acquisition of two turbines Siemens SGT 800	CTMM	177,000,000	19,909,000	4,148,000	9,954,000	5,807,000	-
Siemens Industrial Turbomachinery AB for the acquisition of three turbines Siemens SGT 800	Ezeiza	263,730,000	29,663,000	3,318,000	13,612,000	11,514,000	1,219,000
Siemens Industrial Turbomachinery AB for the acquisition of two turbines Siemens SGT 800	CTI	175,230,000	19,709,000	1,659,000	8,635,000	8,196,000	1,219,000

(1) The commitment is expressed in dollars, on the basis of the time of payment according to the particular conditions of the contract.

NOTE 39: PURCHASE OFFER - SALE OF SPARE PARTS WITH GENERACIÓN FRÍAS S.A.

In the current year, GMSA signed an agreement with GFSA confirming the purchase of spare parts and components acquired from the supplier PWPS for \$12.8 million, necessary to perform the tasks required by GMSA.

This investment ratifies Albanesi Group policy to continue investing in the energy market by increasing the generation capacity, and thereby improving the Company's operating results.

NOTE 40: BUSINESS INTERRUPTION INSURANCE COVERAGE

All-risk insurance with business interruption insurance coverage

The Company has taken out all risk insurance for up to 12 months to cover any physical, sudden and accidental loss or damage, including damages to machinery, directly and fully attributable to any cause, with the consequent business interruption. This policy includes coverage of losses generated by business interruption as a result of the accident, both as regards the profit that is no longer obtained and the expenses the Company continues to defray despite its inactivity, such that the insured would be in the same financial situation as if the accident had not occurred.

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NOTE 40: BUSINESS INTERRUPTION INSURANCE COVERAGE (Cont'd)

All-risk insurance with business interruption insurance coverage (Cont'd)

This insurance covers all physical assets of any type and description, which are not expressly excluded from the text of the policy, belonging to the insured or in his/her care, custody or control, or for which the insured has assumed a responsibility for insuring against any damage, or for which the insured may acquire an insurable interest.

Contractors' All-risk insurance

Works for installation or enlargement of the capacity developed by the Company are insured by a Contractors' all-risk and assembly insurance, which covers all accidental or unforeseeable damages occurred during the execution of a civil work, including damages caused by acts of God.

The policy includes delay in start-up (DSU) or advance loss of profit (ALOP) insurance of up to 12 months, providing coverage for the expected commercial profit margin for sales of energy and power, discounting the variable costs during the period of repair or replacement of the damaged equipment.

Once all pieces of equipment are in operation, the new assets will be covered by the All-risk insurance that Albanesi Group has taken out, and which covers all power plants in operation.

NOTE 41: SUBSEQUENT EVENTS

a) GMSA-GFSA MERGER THROUGH ABSORPTION

On January 10, 2017, the Board approved the issue of 12,518,070 ordinary, registered non-endorsable shares of \$1 par value each and entitled to one voting right per share, corresponding to the capital increase mentioned in Note 13.

The merger and capital increase in GMSA decided as a result of the merger, were approved by the CNV on March 2, 2017 under Resolution No. 18,537 and it was ordered that the file be sent to the IGJ for its registration. Furthermore, on that date, the CNV approved the dissolution without liquidation of GFSA under the terms of Section 82 of the General Companies Law and ordered that the file be sent to the IGJ for its registration.

b) Loans taken out

In January 2017, three loan agreements were signed with the aim of allocating funds received to investments.

Entity	Principal	Rate	Maturity date
Banco Hipotecario	USD 20,00,000	10%	Jan-21
Banco Supervielle	USD 5,000,000	7.5%	Jul-18
Banco Itaú	USD 4,375,000	4.25%	Jul-17

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NOTE 41: SUBSEQUENT EVENTS (Cont'd)

c) Issue of NO Class VI and VII

On February 9, 2017, NO Class VI and Class VII were bid and they were settled on February 16. The allocation of funds will be made pursuant to Section 36 of the Negotiable Obligations Law, with the proceeds from the issue being allocated to the acquisition of physical assets, refinancing of debts and, to a lesser extent, working capital.

Class VI Negotiable Obligations:

Principal: Nominal value: USD 34,696,397

Interest rate: 8% fixed

Term: 36 months

Class VII Negotiable Obligations:

Principal: Nominal value: \$553,737,013

Interest rate: BADLAR + 4%

Term: 24 months

d) ES Resolution 19-E/17

MinEyM ES Resolution 19-E/17 was published on January 27, 2017, replacing ES Resolution 22/16. This resolution adapts certain remuneration criteria to economic conditions which are reasonable, foreseeable and efficient, through medium-term commitments.

The Generating Agents are excluded from this system in the framework of contracts regulated by Resolution No. 1281/2006, 220/2007, 21/2016 as well as any other type of WEM contract having a differential remuneration established or authorized by WEM competent authority.

Among the main changes, the remuneration will be based on the Available Power and Energy generated, valued in US Dollars, simplifying their calculation.

It will be effective as from February 1, 2017.

The remuneration schedule updated under Resolution SE19-E/17 basically consists of the following items:

1. Remuneration per power: this is proportional to the available monthly power and a price in USD/MW-month that varies according to different conditions.
 - MINIMUM price of power per technology and scale.
 - BASE price according to the Offered Guaranteed Power. Valued as from February 2017 until October 2017 at 6,000 USD/MW-month and as from November 2017 onwards, 7,000 USD/MW-month.

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NOTE 41: SUBSEQUENT EVENTS (Cont'd)

d) ES Resolution 19-E/17 (Cont'd)

- ADDITIONAL price with maximum in accordance with additional availability Offered and allocated. Valued as from February 2017 until October 2017 at 1,000 USD/MW-month and as from November 2017 onwards, 2,000 USD/MW-month.

2. Remuneration per Energy: It is comprised by:

2.1 Energy generated: It is the remuneration received for the energy effectively generated, valued according to the type of fuel at 5USD/MWh for Natural Gas and 8 USD/MWh for Gas Oil or Fuel Oil.

2.2 Energy operated: The generators received an additional remuneration of 2 USD/Mwh, irrespective of the type of fuel, for the Energy Operated, represented by the integration of hourly powers in the period.

2.3 Additional remuneration incentive for efficiency:

2.3.1 Additional remuneration variable costs efficient thermal power generation: The generator will receive an additional remuneration if the fuel consumption objectives are accomplished.

2.3.2 Additional remuneration for thermal power generators of little use: An additional remuneration is established according to the frequency of starts based on the energy generated.

2.3.2.1 This price will be valued at 2.6 USD/MWh. It will be multiplied by the energy generated during the pertinent month, by the Use Factor (which is defined as the use factor of the nominal power recorded over the last twelve-month period. It will have a value of 0.5 for thermal units with FU < 30% and 1.0 for those with FU < 15%. For the rest of the cases it will be 0.

2.3.2.2 This price will be valued at 2.6 USD/MWh. It will be multiplied by the energy generated during the pertinent month, by the Start Factor (which is determined based on the starts recorded over the last twelve-month period. It will have a value of 0 for ≤ 74, 0.1 between 75 and 149 and 0.2 for more than 150 starts).

NOTE 42: FINANCIAL STATEMENTS TRASLATION INTO ENGLISH LANGUAGE

These financial statements are the English translation of those originally prepared by the Company in Spanish and presented in accordance with accounting principles generally accepted in Argentina. The effects of the differences between the accounting principles generally accepted in Argentina and the accounting principles generally accepted in the countries in which the financial statements are to be used have not been quantified. Accordingly, the accompanying financial statements are not intended to present the financial position, statements of comprehensive income, changes in equity or cash flows in accordance with accounting principles generally accepted in the countries of users of the financial statements, other than Argentina.

Summary of Activity at December 31, 2016 and 2015

1. Brief comment on the activities carried out by the issuer, including references to relevant events subsequent to the fiscal closing date.

Pursuant to the provisions of General Resolution N° 368/01 and subsequent modifications of the National Securities Commission (CNV), we present below an analysis of the results of the operations of GMSA (the Company) and its equity and financial position, which should be read alongside the corresponding financial statements.

A definitive merger agreement was entered into on November 10, 2015 establishing a merger between GISA, GLBSA and GRISA through absorption into GMSA (the continuing Company) effective January 1, 2016. The increase in variations is mainly attributed to this situation. The information is not comparative.

Fiscal year ended December 31:

	2016	2015	Var.	Var. %
	GWh			
Sales per type of market				
Sales CAMMESA 220	423	169	254	150%
Sale of Energía Plus	709	817	(108)	(13%)
Sales Spot Market	327	290	37	13%
Sale of electricity Res. 95/529/482/22	324	379	(55)	(14%)
	1,783	1,655	(128)	8%

The sales to each market are presented below (in millions of pesos):

Fiscal year ended December 31:

	2016	2015	Var.	Var. %
	(in millions of pesos)			
Sales per type of market				
Sales CAMMESA 220	793.2	167.0	626.2	375%
Sale of Energía Plus	764.8	566.7	198.1	35%
Sales Spot Market	289.4	150.2	139.2	93%
Sale of electricity Res. 95/529/482/22	106.5	44.6	61.9	139%
Services provided	-	4.5	(4.5)	(100%)
	1,953.8	933.0	1,020.8	109%

Summary of Activity at December 31, 2016 and 2015

Results for the fiscal years ended December 31, 2016 and 2015 (in millions of pesos):

	Fiscal year ended December 31:			
	2016	2015	Var.	Var. %
Sale of energy	1,953.8	928.5	1,025.3	110%
Other sales	-	4.5	(4.5)	(100%)
Net sales	1,953.8	933.0	1,020.8	109%
Cost of electricity purchased	(599.8)	(285.0)	(314.8)	110%
Cost of gas and gasoil consumption at the plant	(532.5)	(307.6)	(224.8)	73%
Salaries and social security contributions	(69.7)	(32.5)	(37.1)	114%
Maintenance services	(98.1)	(42.8)	(55.3)	129%
Depreciation of PP&E	(115.5)	(46.0)	(69.5)	151%
Insurance	(16.5)	(12.0)	(4.5)	37%
Taxes, rates and contributions	(14.9)	(5.4)	(9.5)	174%
Other	(13.6)	(4.3)	(9.3)	215%
Cost of sales	(1,460.5)	(735.7)	(724.8)	99%
Gross income	493.3	197.3	296.1	150%
Salaries and social security contributions	(0.4)	(1.1)	0.7	(66%)
Taxes, rates and contributions	(0.3)	(0.4)	0.1	(37%)
Doubtful debt expenses	(2.0)	-	(2.0)	100%
Selling expenses	(2.7)	(1.5)	(1.2)	85%
Salaries and social security contributions	(1.2)	(5.2)	4.0	(77%)
Service fees and retributions	(24.4)	(15.8)	(8.6)	55%
Travel and entertainment expense	(3.2)	(2.1)	(1.1)	54%
Sundry	(6.1)	(3.4)	(2.5)	74%
Administrative expenses	(35.0)	(26.6)	(8.4)	32%
Other operating income	8.49	0.32	8.2	100%
Operating income	464.2	169.6	294.5	174%
Commercial interest	25.4	3.4	22.0	643%
Loan interest	(181.9)	(88.9)	(92.9)	105%
Tax interest	(8.9)	0.0	(8.9)	0%
Bank expenses and commissions	(8.2)	(2.6)	(5.7)	218%
Net exchange difference	(122.0)	(2.3)	(119.7)	5286%
Other financial results	17.4	(13.6)	3.0	(227%)
Financial and holding result, net:	(278.1)	(103.9)	(174.1)	168%
Income before tax	186.1	65.7	120.4	183%
Income tax	(86.7)	(24.2)	(62.5)	258%
Income for the year	99.4	41.4	58.0	140%

Summary of Activity at December 31, 2016 and 2015

	2016	2015	Var.	Var. %
Other comprehensive income for the year				
Revaluation of property, plant and equipment	725.85	350.78	375.1	107%
Impact on income tax	(254.0)	(122.8)	(131.3)	107%
Other comprehensive income for the year	471.8	228.0	243.80	107%
Total comprehensive income for the year	571.2	269.5	301.8	112%

Sales:

Net sales for the fiscal year ended December 31, 2016 reached \$1,953.8 million, compared with \$933.0 million for fiscal year 2015, showing an increase of \$ 1,020.8 million (109%).

During the fiscal year ended December 31, 2016, energy sales reached 1,783 GWh, a 8% increase compared with the sales of 1,655 GWh for fiscal year 2015.

The Company's main sources of income and their behavior during the fiscal year ended December 31, 2016 are described below compared with the previous fiscal year:

- (i) \$764.8 million from sales under Energía Plus, up 35% from the \$566.7 million sold in fiscal year 2015. This variation is explained by a favorable effect on the selling price of the higher exchange rate.
- (ii) \$793.2 million from energy sales on the spot market to CAMMESA under the framework of Resolution 220/07, representing a 375% increase with regard to the \$167.0 million in fiscal year 2015. The variation is explained by a price increase due to the exchange rate growth, an increment in the sales volume and the impact of the merger of GISA by GMSA.
- (iii) \$289.4 million from energy sales on the Spot Market, up 93% from sales of \$150.2 million in fiscal year 2015. This variation is attributed to the management of surplus volumes of electricity generation carried out by CAMMESA and the impact of the merger of GISA, GRISA and GLBSA.
- (iv) \$106.5 million from energy sold under Resolution 95/529/482, up 139% compared with the sales of \$44.6 million in fiscal year 2015. This variation is mainly explained by an increase in the remuneration paid for electricity by enforcement of Resolution 22/16, and the impact of the merger of GRISA and GLBSA by GMSA.

Cost of sales:

The overall cost of sales for the fiscal year ended December 31, 2016 was \$1,460.5 million, compared to \$735.7 million in fiscal year 2015, showing an increase of \$ 724.8 million (99%).

Below is a description of the main costs of sales incurred by the Company, in millions of pesos, and their behavior during the current fiscal year compared with the previous year:

- (i) \$599.8 million for purchases of electricity, reflecting a decrease from the cost of \$285.0 million in fiscal year 2015, due to the variation in the exchange rate and the merger.

Summary of Activity at December 31, 2016 and 2015

- (ii) A cost of \$532.5 million for gas and gasoil consumption by the plant, up 73% from \$307.6 million for fiscal year 2015. This variation was attributed to greater dispatches by CAMMESA, higher consumption of gasoil, a higher exchange rate, and the merger.
- (iii) \$98.1 million for maintenance services, up 129% from \$42.8 million for fiscal year 2015. This variation was due to the change in the US dollar exchange rate and the merger.
- (iv) A charge of \$155.5 million for depreciation of PP&E, up 151% compared with a charge of \$46.0 million in fiscal year 2015. This variation stems mainly from the higher depreciation value of buildings, facilities and machinery as a result of their revaluation at December 31, 2015, and the impact of the merger of GISA, GRISA and GLBSA by GMSA
- (v) \$69.7 million in salaries and social security charges, which was 114% higher, compared with \$32.5 million in fiscal year 2015, due mainly to the wage increase granted, and the merger.
- (vi) \$16.5 million in insurance, up 37% from \$12.0 million in fiscal year 2015, as a result of the variation in the exchange rate y a la absorción de las compañías en GMSA.
- (vii) \$14.9 million in taxes, rates and contributions, up 174% from the \$ 5.4 million in the same period of fiscal year 2015. This variation obeyed to the absorptions of the companies into GMSA.

Gross profit:

The gross result for the fiscal year ended December 31, 2016 was a profit of \$493.3 million, up 150% compared with the profit of \$197.3 million in fiscal year 2015. This is attributed to a greater availability of the units, the exchange rate variation and the merger of GISA, GRISA and GLBSA by GMSA.

Selling cost:

The selling costs for the fiscal year ended December 31, 2016 reached \$2.7 million, compared with the \$1.5 million in fiscal year 2015. This is attributed to a greater in the allowance for doubtful.

Administrative expense:

The administrative expense for the fiscal year ended December 31, 2016 rose to \$35.0 million, up 32% (\$8.4 million) compared with \$26.6 million for fiscal year 2015.

The main components of the Company's administrative expenses are as follows:

- (i) \$24.4 million in service fees and retributions, reflecting an increase of 55% compared with \$15.8 million in the previous fiscal year. This is attributed to an increase in the costs of services and to the consolidation of services in GMSA.
- (ii) \$6.1 million in sundry expenses, up 74% from \$3.4 million in fiscal year 2015. The main variations were seen in the captions office expenses and taxes and rates.

Summary of Activity at December 31, 2016 and 2015

- (iii) \$ 1.2 million in salaries, social security charges and employee benefits, which accounted for a 77% decrease compared with \$ 5.2 million for the year 2015, decrease mainly attributable to the staff of the power plants engaged in new projects

Operating result:

The operating result for the fiscal year ended December 31, 2016 was a gain of \$464.2 million, a 174% increase compared with the gain of \$169.6 million in fiscal year 2015.

Financial result:

The financial result for the fiscal year ended December 31, 2016 was a loss of \$278.1 million, compared with a loss of \$103.9 million for fiscal year 2015, which reflects an increase of 168%.

The most salient aspects of this variation are described below:

- (i) \$ 181.9 million of financial interest losses, up 105% compared with the \$ 88.9 million loss for the year 2015 as a result of an increase in the financial debt generated by the merger through absorption.
- (ii) \$ 122.0 million losses for net exchange differences, accounting for a 5286% increase from the \$2.3 million losses recorded in the previous fiscal year.

Result before tax:

In the fiscal year ended December 31, 2016, the Company reported a gain before tax of \$186.1 million, which compares with a gain of \$65.7 million in the previous fiscal year, reflecting an increase of 183%.

The income tax result was a loss of \$86.7 million for the current fiscal year, compared with a loss of \$24.2 million for fiscal year 2015.

Net Result for the year:

The net result for the year ended December 31, 2016 was a gain of \$99.4 million, compared with a gain of \$41.4 million in fiscal year 2015, reflecting an increase of 140%.

Other comprehensive income for the year:

The caption Other comprehensive income for the fiscal year ended December 31, 2016 reached \$471.8 million due to the Company's decision to re-appraise the items land, buildings, premises and machinery, under the caption Property, Plant and Equipment, as from June 30, 2014. The Company considers that the new revaluation model provides a more reliable value of its assets.

Summary of Activity at December 31, 2016 and 2015

2. Equity structure presented comparatively with the previous fiscal years:
(in millions of pesos)

	12.31.16	12.31.15	12.31.14	12.31.13	12.31.12
Non-Current Assets	4,599.4	1,209.9	888.1	368.0	379.4
Current Assets	2,257.8	323.0	284.2	217.4	175.3
Total Assets	6,857.2	1,532.9	1,172.3	585.4	554.7
Shareholders' Equity	1,770.1	699.3	481.3	114.6	106.9
Total Shareholder's Equity	1,770.1	699.3	481.3	114.6	106.9
Non-Current Liabilities	4,578.9	516.2	310.6	171.0	21.2
Current Liabilities	508.2	317.4	380.4	299.8	426.6
Total Liabilities	5,087.1	833.6	691.0	470.8	447.8
Total Liabilities and Shareholders' Equity	6,857.2	1,532.9	1,172.3	585.4	554.7

3. Breakdown of results presented comparatively with the previous fiscal years:
(in millions of pesos)

	12.31.16	12.31.15	12.31.14	12.31.13	12.31.12
Operating income	464.2	169.6	136.8	107.3	112.7
Financial and holding results	(278.1)	(103.9)	(118.6)	(94.1)	(89.6)
Net result	186.1	65.7	18.3	13.1	23.1
Income tax	(86.7)	(24.2)	(10.4)	(5.5)	(9.7)
Net income	99.4	41.4	7.8	7.6	13.4
Other comprehensive income	471.8	228.0	358.9	-	-
Total comprehensive income	571.2	269.5	366.7	7.6	13.4

Summary of Activity at December 31, 2016 and 2015

4. Cash flow structure presented comparatively with the previous fiscal years: (in millions of pesos)

	12.31.16	12.31.15	12.31.14	12.31.13	12.31.12
Funds (applied) generated by operating activities (1)	(696.3)	104.2	130.8	58.9	136.3
Funds applied to investment activities	(1.311.5)	(17.8)	(2.9)	(10.6)	(11.3)
Funds generated by (applied to) financing activities	2.445.7	(99.3)	(109.0)	(39.7)	(132.2)
Increase/(Decrease) in cash and cash equivalents	437.9	(12.9)	18.8	8.7	(7.2)

(1) Includes advance payments to suppliers for the purchases of goods for \$868,976,879 (See Note 4.9).

5. Ratios presented comparatively with the previous fiscal year:

	12.31.16	12.31.15	12.31.14	12.31.13	12.31.12
Liquidity (1)	4.44	1.02	0.75	0.73	0.41
Credit standing (2)	0.35	0.84	0.70	0.24	0.24
Locked-up capital (3)	0.67	0.79	0.76	0.63	0.68
Indebtedness ratio (4) (*)	6.46	1.34	1.37	2.17	1.82
Interest coverage ratio (5)	3.05	2.35	2.10	1.74	1.63
Return (6)	0.08	0.07	0.03	0.07	0.13

(1) current assets / current liabilities

(2) Equity / Total liabilities

(3) Non-current assets / Total assets

(4) Financial debt / annualized EBITDA

(5) annualized EBITDA / annualized accrued financial interest

(6) Net income/loss for the year (not including Other comprehensive income) / total net equity

(*) According to the guidelines for calculating the debt ratio included in the International Bond prospectus, at December 31, 2016 this ratio records a value of 5.35.

6. Brief comment regarding the outlook for fiscal year 2016

Commercial and operative Sector

The Company expects that the various generating units will continue to operate normally in line with dispatches and fuel allocation defined by CAMMESA. The main objective is to maintain the high level of availability of the Power Plant to ensure the profitability of the Company. To this end it carries out an exhaustive preventive maintenance plan of the generating units that allows the achievement of the high availability of the Power Plant's turbo-generators.

The Company is undertaking investment projects to increase power generation capacity by 400 MW.

Summary of Activity at December 31, 2016 and 2015

Under contracts pursuant to Energy Secretariat Resolution 220/07, progress is being made in two projects for an additional total power generation capacity of 150 MW, as detailed below:

A Siemens SGT-800 turbine with a 50-MW nominal capacity was installed at GTRi. It is expected to become commercially operative in March of 2017, under a contract pursuant to Energy Secretariat Resolution 220/07.

Furthermore, the installation of two Siemens SGT-800 turbines with a nominal capacity of 50 MW is expected at CTMM. It is expected to become commercially operative in the second quarter of 2017, under a contract pursuant to Energy Secretariat Resolution 220/07.

Under the framework of Resolution No. 21/16, the Company presented projects to enlarge the power generation capacity by 250MW, which were awarded through a bidding process.

The projects are set within the framework of agreements entered into with CAMMESA under the above-mentioned ES Resolution 21/16.

Generation capacity will be increased by 100 MW at CTI, with the installation of two Siemens SGT-800 turbines of 50 MW each. The first stage (50 MW) is expected to become commercially operative during the third quarter of 2017, and the second stage (50 MW), in the first quarter of 2018.

In addition, the construction of a new plant in the province of Buenos Aires started (CTE) with a generation capacity of 150 MW, by installing three 50-MW Siemens SGT-800 turbines. The first stage (100MW) is expected to become commercially operative during the third quarter of 2017, and the second stage (50 MW), in the first quarter of 2018.

Financial position

The Company's objective in the current year is to improve the financing structure and ensure progress in the investment works described above, according to the budgeted schedules.

The loans obtained from BAF Latam Trade Finance Funds B.V. for USD 40 million, Credit Suisse International for USD 60 million, and the issuance of Class V Negotiable Obligations for \$200 million are worth mentioning. This indebtedness has made it possible to refinance financial liabilities, by reducing cost and extending maturities, and to apply funds to the investment projects.

On July 27, 2016, GMSA, CTR and GFSA co-issued an international bond for USD 250 million, falling due within 7 years. The international bond is guaranteed by ASA. GMSA was entitled to receive USD 173 million of the total amount issued, and applied those funds to the prepayment of financial debt and to investment project financing.

These actions have enabled the Company to improve its working capital and the profile of the financial debt, extending maturity terms and reducing the Company's financial cost, while assuring investment project financing.

**ADDITIONAL INFORMATION REQUIRED BY SECTION 12, CHAPTER III, TITLE IV, OF THE
NATIONAL SECURITIES COMMISSION REGULATIONS, FOR THE YEAR ENDED DECEMBER
31, 2016**

General matters referred to the activity of GMSA

1. Significant and specific legal regimes implying contingent decline or renewal of benefits comprised in these legal provisions.

There are none.

2. Significant changes in the company activities or similar circumstances that took place during the fiscal years corresponding to the financial statements, that affect their comparability with those presented in previous years, or that could affect comparability with those to be presented in future years.

There are none.

3. Breakdown of receivables and liabilities balances according to their age and due date

	Trade receivables	Financial assets at fair value through profit or loss	Other receivables	Trade payables	Loans	Salaries and social security charges	Tax payables and deferred tax liability	Other liabilities
	\$							
To be due								
First quarter	242,800,946	136,206,567	1,131,592,028	186,909,151	147,781,890	3,748,321	17,221,490	2,752,893
Second quarter	213,643,533	-	271,732	10,543,653	28,377,691	-	-	-
Third quarter	-	-	271,732	-	28,594,275	-	-	-
Fourth quarter	-	-	271,732	-	80,114,411	-	-	-
More than one year	57,883,839	-	49,598,816	250,442,290	3,458,177,301	-	861,147,900	-
Subtotal	514,328,318	136,206,567	1,182,006,041	447,895,094	3,743,045,568	3,748,321	878,369,390	2,752,893
Past due	-	-	-	-	-	-	-	-
Without stated term	-	-	60,162,259	-	-	-	-	-
Total at 12.31.16	514,328,318	136,206,567	1,242,168,300	447,895,094	3,743,045,568	3,748,321	878,369,390	2,752,893
Non-interest bearing	514,328,318	-	1,175,369,605	447,895,094	-	3,748,321	878,369,390	2,752,893
At fixed rate	-	-	-	-	(1) 3,384,449,051	-	-	-
At floating rate	-	136,206,567	66,798,695	-	(1) 358,596,517	-	-	-
Total at 12.31.16	514,328,318	136,206,567	1,242,168,300	447,895,094	3,743,045,568	3,748,321	878,369,390	2,752,893

(1) See Note 17 to the financial statements at December 31, 2016.

4. Breakdown of receivables and liabilities according to the financial impact of maintaining the balances.

Captions	Class and amount of foreign currency Amount	Exchange rate at closing (1)	Amount recorded at 12.31.16	Amount recorded at 12.31.15
CURRENT ASSETS				
Cash and cash equivalents				
Cash	U\$S 6,664	15.790	105,226	30,975
Banks	U\$S 145,200	15.790	2,292,705	204
Trade receivables				
Trade receivables - Energía Plus	U\$S 6,649,515	15.790	104,995,841	75,295,980
Trade receivables - Resolution 220/07	U\$S 3,670,093	15.790	57,950,769	12,424,255
Trade receivables- Tank rental	U\$S 641,404	15.790	10,127,762	-
Total Current Assets			175,472,303	87,751,414
TOTAL ASSETS			175,472,303	87,751,414
LIABILITIES				
CURRENT LIABILITIES				
Trade payables				
Related parties	U\$S 6,778,928	15.840	107,378,222	22,931,520
Suppliers	U\$S 5,241,060	15.890	83,280,447	10,515,626
Loans				
Foreign loan	U\$S 11,762,594	15.840	186,907,614	-
Total current Liabilities			377,566,283	33,447,146
NON-CURRENT LIABILITIES				
Trade payables				
Suppliers	U\$S 15,761,000	15.890	250,442,290	-
Loans				
Foreign loan	U\$S 207,110,973	15.890	3,290,993,368	-
Total non-current Liabilities			3,541,435,658	-
TOTAL LIABILITIES			3,919,001,941	33,347,146

(1) Banco Nación exchange rates prevailing at year end. An average exchange rate is applied to intercompany balances.

5. Intercompany

Percentage of participation in intercompany:

There are no participations in intercompany.

Accounts payable and receivable with intercompany:

See Note 29.1) to the financial statements at December 31, 2016.

6. Trade receivables or loans against directors, syndics, members of the surveillance committee or their relatives in the second degree inclusive.

There are none.

7. Frequency and scope of the physical inventory of materials and spare parts.

The Company keeps a permanent record of its inventories, verifying it on a yearly basis.

There are no impaired, damaged, out of service or idle assets.

Current values

8. Source of the data used in calculating the current values for the valuation of inventories, property, plant and equipment, and other significant assets.

See Note 4 to the financial statements at December 31, 2016.

Property, plant and equipment

9. Release of the Reserve for technical revaluation when part of it had been previously reduced to absorb losses.

There are none.

10. Value of unused Property, plant and equipment due to obsolescence.

There are none.

Equity interest in other companies

11. Interests in other companies in excess of what is authorized by Sect. 31 of Law No. 19550.

There are none.

Recoverable values

12. Criteria followed to determine significant recoverable values of the items Property, plant and equipment and Material and spare parts, applied as the limit to their accounting valuation.

See Note 4 to the financial statements at December 31, 2016.

Insurance

13. Insured items:

Kind of Risk	Insured amount 2016	Insured amount 2015
Operational all risks - Material damage	USD 265,200,000	USD 180,000,000
Operational all risks - Loss of profit	USD 42,168,517	USD 57,522,893
Construction all risk – Plant enlargement - Material damage	USD 285,706,443	-
Construction all risk – Plant enlargement - alop	USD 99,746,356	-
RC - Siemens STG-800	USD 5,000,000	-
Civil Liability	USD 9,000,000	USD 10,000,000
Civil Liability (primary)	USD 4,000,000	USD 1,000,000
Civil Liability of Directors and Executives	USD 15,000,000	USD 15,000,000
Siemens Transport STG-800	USD 103,890,000	-
Automobile	\$1,394,000	\$2,416,500
Transport insurance, Argentine and international market	USD 10,000,000	USD 10,000,000
Directors' bond	\$450,000	\$400,000
Customs bond	\$1,009,906,781	\$102,227,415
Environmental bond	\$14,017,389	\$6,982,092
Bond business habilitation projects	\$499,810,500	-
Technical equipment insurance	USD 89,287	-
Personal accidents	\$250,000	-
Personal accidents	USD 500,000	-
Life – Life insurance	\$33,330	\$20,000
Life - group life insurance (LCT)	Disability 1 salary per year	Disability 1 salary per year
	Death 1/2 salary per year	Death 1/2 salary per year
Life - Additional group life insurance	24 salaries	24 salaries

Insurance is bought at market values, which widely cover accounting values.

Operational all risk:

The all-risk insurance covers for all the risks of loss or physical damage caused to property owned by or under the charge of the insured while situated in the place(s) described in the policy, provided that such damage occurs accidentally, suddenly or unexpectedly, and makes it necessary to repair and/or replace such property as a direct consequence of any of the risks covered by the policy. This policy includes coverage of loss of profits, with the aim of covering the losses caused by the interruption of the activities as a result of the accident, both as regards the profit that is no longer obtained and the expenses the Company continues to bear despite its inactivity, such that the insured may be in the same financial situation as if the accident had not occurred.

Construction all risk and Alop:

Construction all risk covers all damages that either accidentally or unexpectedly occur in the civil works during its execution, including those caused by natural phenomena, except exclusions.

As for the coverage for the delay in the start-up (Alop) the expected margin of the business for the sale of energy and power is insured, discounting variable costs during the period of repair or replacement of the event occurred.

Civil liability:

These policies cover underlying civil liability of the insured, as a result of injuries and/or death of third parties and/or damages to property of third parties, caused and /or derived from the development of the insured activity and product liability, subject to the terms, conditions, limitations and exclusions contained in the policy.

They are structured as follows:

An individual policy for each of the Group companies was taken out, with a compensation limit of USD 1,000,000 - per event and two reinstatements during the effective term of the policy.

In addition, an insurance policy common to all companies has been taken out with a compensation limit of USD 9,000,000- per event and during the effective term of the policy in excess of USD 1,000,000 - (individual policies), with two reinstatements exclusively for operations liability and without reinstatement for product liability.

Civil liability of Directors and Executives (D&O)

This policy covers all actions or decision making of directors and/or executives as such, outside the professional service or company where they work; for example, dismissal of employees, hirings, financial decisions, advertising and marketing, merger or acquisitions, shareholders' statements, accounting records, which may be performed with negligence or fault, error or imprudence and cause an economic damage to an employee, shareholder or third party. It does not cover malicious intent.

It covers the company in case of stock-exchange claims or from holders of bonds or securities.

It covers the personal equity of the present, past or future directors and/or executives, and to the company for capital market issues.

Transport insurance:

The Company has an insurance policy that covers transportation of all generators of Albanesi Group under the modality of sworn statement to be presented monthly in arrears. It covers losses or damages of goods of the insured as a result of its mobilization during transportation, which may be international, national or urban, either by land, air or sea.

Mandatory life insurance:

Mandatory life insurance is a coverage that the employer has mandatorily to take out on behalf of its employees. It covers the risk of death of worker on an employment relationship, for any cause, without limitations of any kind, 24 hours a day, in or outside the country. The insured amount is \$ 33,330, as established by the National Insurance Superintendency.

Life insurance (LCT):

This insurance covers underlying obligations from the Employment Contract Law, in case the company has to pay compensation in case of a total and permanent disability or death of the employee, whichever the case.

Group Life insurance:

The Company has taken out a group life insurance policy, on behalf of all Group employees. It grants compensation in case of death, double severance pay in case of accidental death, partial losses due to accident, advances for terminal diseases, organ transplant and birth of child after death.

Automobile insurance:

This insurance covers the damage to own vehicles as well as extra-contractual civil liability of the owner, user or driver of the automobile involved in an accident where third parties are injured or die.

Customs Guarantees:

- Temporary imports: this guarantee avoids the payment of pertinent duties for the entry of goods into the country, provided that they are exported in a term determined, at which time the guarantee is released.
- Temporary export: the amount of pertinent export duties are guaranteed of those exported goods which will be re-imported.

Directors' bond:

It is the guarantee required by the General Companies Law (Law 19550, section 256, paragraph 2) from directors of corporations and members of the administrative bodies of other companies (LLC, joint stock company). This guarantee covers the Company in case of non-compliance with obligations by Directors or Managing partners while performing their duties.

Environmental bond:

The environmental bond for damage with group incidence covers the environmental bond established by the General Law on Environment 25675, section 22 in agreement with the provisions of enforcement authorities.

Financial bond:

It guarantees that the money received by the customer on account of advance, will be applied to the effective compliance with the contract agreed upon.

Positive and negative contingencies

14. Elements considered to calculate provisions whose balances, considered individually or in the aggregate, exceed 2% of the equity.

Allowances and provisions were recognized in the cases in which, considering a present obligation in charge of the Company, whether legal or constructive, arising from a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate could be made of its amount.

The amount recorded as allowances and provisions was the best estimate of the resource outflow necessary to settle the present obligation, at the end of the reporting period, considering the pertinent risks and uncertainties. When a provision is measured using the estimated cash outflow for settling the present obligation, the amount recorded represents the present value of that cash flow.

The following have been set up:

- a. Allowances deducted from assets:

The allowance for bad debts has been set up based on a historical analysis of accounts receivable to assess the recoverability of the credit portfolio.

- b. Provisions carried under liabilities:

These allowances have been set up to cover potential contingent situations that could give rise to future payment obligations. In estimating the amounts and probabilities of occurrence, the opinion of the Company's legal advisors has been considered.

15. Contingent situations not accounted for at the date of the financial statements.

There are none.

Irrevocable contributions on account of the future subscription of shares

16. Status of the procedure for its capitalization.

There are none.

17. Unpaid cumulative dividends on preferred shares.

There are none.

18. Conditions, circumstances or terms for the cease of restrictions on the distribution of unappropriated earnings.

See Note 14 of the financial statements at December 31, 2016. There are no changes as to the information timely provided.



Free translation from the original prepared in Spanish for publication in Argentina

INDEPENDENT AUDITORS' REPORT

To the President and Directors of
Generación Mediterránea S.A.
Legal domicile: Leandro N. Alem 855, 14th floor
City of Buenos Aires
Tax Registration No. 30-68243472-0

Report on the financial statements

We have audited the attached financial statements of Generación Mediterránea S.A. (the Company), which consist of the statement of financial position as of December 31, 2016, the statement of comprehensive income, statements of changes in equity and cash flows for the year then ended, as well as a summary of the most significant accounting policies and other explanatory information.

The balances and other information corresponding to the fiscal year 2015 are an integral part of the audited financial statements mentioned above; therefore, they must be considered in connection with these financial statements.

Board responsibility

The Board of Directors of the Company is responsible for the preparation and reasonable presentation of these financial statements under International Financial Reporting Standards (IFRS) adopted by the Argentine Federation of Professional Councils in Economic Sciences (FACPCE) as professional accounting standards and incorporated into the regulations of the National Securities Commission (CNV), as approved by the International Accounting Standards Board (IASB). Further, the Board of Directors is responsible for the existence of adequate internal control to prepare financial statements free of any material misstatements due to error or irregularities.

Auditors' responsibility

Our responsibility is to express an opinion on the attached financial statements, based on our audit. We performed our audit in accordance with International Auditing Standards (IASs) as adopted in Argentina by the Argentine Federation of Professional Councils in Economic Sciences (FACPCE) through Technical Pronouncement No. 32 and the Adoption Circulars. These 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 any material misstatements.

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An audit involves performing procedures to obtain audit evidence about the amounts and other information disclosed in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the financial statements due to fraud or error. In making those risk assessments, the auditor must consider internal control relevant to the Company's preparation and reasonable presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by the Company's management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements mentioned the first paragraph of this report present fairly, in all material respects, the financial position of Generación Mediterránea S.A. as of December 31, 2016, as well as the comprehensive income and cash flows for the fiscal year then ended, in accordance with International Financing Reporting Standards.

Report on compliance with regulations in force

In accordance with current regulations, we report, in connection with Generación Mediterránea S.A., that:

- a) the financial statements of Generación Mediterránea S.A. have been transcribed into the Inventory and Balance Sheet book and as regards those matters that are within our field of competence, they are in compliance with the provisions of the General Companies Law and pertinent resolutions of the National Securities Commission;
- b) the financial statements of Generación Mediterránea S.A. arise from accounting records carried in all formal respects in conformity with legal provisions which maintain the security and integrity conditions based on which they were authorized by the National Securities Commission;
- c) we have read the summary of activity and the additional information to the Notes to the financial statements as required by Section 12, Chapter III, Title IV of the National Securities Commission regulations, on which, as regards those matters that are within our field of competence, we have no observations to make;
- d) at December 31, 2016 the debt accrued by Generación Mediterránea S.A. in favor of the Argentine Integrated Social Security System according to the Company's accounting records amounted to \$925,461, none of which was claimable at that date;



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- e) as required by section 21, subsection e), Chapter III, Part VI, Title II of the rules issued by the National Securities Commission, we report that total fees for auditing and related services billed to the Company during the fiscal year ended December 31, 2016 account for:
 - e.1) 40 % of the total fees for services billed to the Company for all items during that fiscal year;
 - e.2) 41 % of the total fees for services for auditing and related services billed to the Company, its parent companies, subsidiaries and related companies during that year;
 - e.3) 10 % of the total fees for services billed to the Company, its parent companies, subsidiaries and related companies for all items during that year;
- f) we have applied for Generación Mediterránea S.A. the money laundering abatement and anti-terrorist financing procedures comprised in the professional standards issued by the Professional Council in Economic Sciences of the City of Buenos Aires.

City of Buenos Aires, March 10, 2017

PRICE WATERHOUSE & CO. S.R.L.

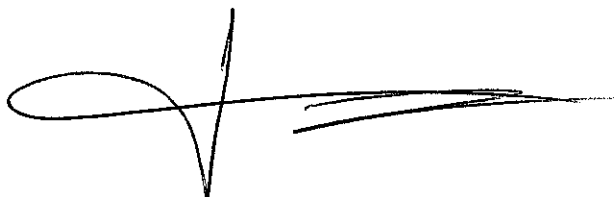
(Partner)

Raúl Leonardo Viglione

Report of the Syndics' Committee

To the Shareholders of
Generación Mediterránea S.A.

1. In line with the provisions of Section 294 of Law 19550, the National Securities Commission (CNV) regulations, and the Buenos Aires Stock Exchange regulations, we have examined the statement of financial position of Generación Mediterránea S.A. (the "Company") at December 31, 2016, the related statements of comprehensive income, changes in equity and cash flows for the fiscal year ended December 31, 2016 and complementary notes. We have also examined the Annual Report of the Board of Directors for that fiscal year. The preparation and issuance of these financial statements are the responsibility of Generación Mediterránea S.A.
2. Our examination was carried out in accordance with standards applicable to syndics. These standards require that the examinations of the financial statements be performed in accordance with current auditing standards, and include the verification of the fairness of the significant information contained in the documents examined and their consistency with the information on corporate decisions, which are known to us, as disclosed in the Board and Shareholders' meeting minutes, as well as the conformity of those decisions with the law and by-laws insofar as concerns formal and documentary aspects. To carry out our professional work, we have reviewed the work done by the Company's external auditors, Price Waterhouse & Co. SRL, which issued their unqualified opinion on March 10, 2017. An audit requires that the auditor plan and perform the work to obtain reasonable assurance that the financial statements are free of material misstatements or significant errors. An audit includes examining, on a selective test basis, the judgmental elements supporting the disclosures in the financial statements, assessing the accounting standards used, the significant estimates made by the Company, and the overall financial statement presentation. We have not assessed the administrative, financing, marketing or operating business criteria as these matters fall within the exclusive competence of the Board of Directors and Shareholders' meeting.
3. Furthermore, with regard to the Annual Report for the fiscal year ended December 31, 2016, we have verified that it contains the information required by Section 66 of the General Companies Law No. 19550, Law No. 26831 and its amendments, and as regards those matters that are within our field of competence, the figures shown therein agree with the Company's accounting records and other pertinent documentation.
4. We have verified compliance by the Directors in office with the qualification bonds as of the date of presentation of the special financial statements at December 31, 2016, as called for by item 1.4 of Appendix I to Technical Pronouncement No. 15 issued by the Argentine Federation of Professional Councils in Economic Sciences.
5. Based on the work done with the scope described above, we report that:
 - a. In our opinion, the Company's financial statements present fairly, in all material respects, its financial position at December 31, 2016, its comprehensive income, changes in its equity and cash flow for the year then ended, in conformity with professional accounting standards in effect in the Autonomous City of Buenos Aires, and CNV regulations;

A handwritten signature in black ink, consisting of a large, stylized loop followed by a vertical stroke and a horizontal line extending to the right.

b. As regards those matters that are within our competence, we have no comments to make in connection with the Annual Report of the Board of Directors, any statement referred to future events being their exclusive responsibility;

c. Regarding the independence of the external auditors, the quality of the auditing policies applied by the auditor and the accounting policies of the Company, the report of the external auditors includes the representation of having applied auditing standards in effect in Argentina, which comprise independence requirements, and has no qualifications as regards the application of such standards or professional accounting standards in force in Argentina, and we have no observations to make in connection with the accounting policies mentioned above;

d. The provisions of CNV Resolution No. 606, referred to the presentation of the report on compliance with the Code of Corporate Governance, have been duly fulfilled.

e. As provided for by CNV regulations, we report that we have read the report of the external auditors, from which it follows that:

i. the auditing standards applied are the ones approved by the Professional Council in Economic Sciences for the Autonomous City of Buenos Aires, which comprise independence requirements, and

ii. the financial statements have been prepared under International Financial Reporting Standards (IFRS), adopted by the Argentine Federation of Professional Councils in Economic Sciences (FACPCE) as professional accounting standards and incorporated into the regulations of the National Securities Commission (CNV), as approved by the International Accounting Standards Board (IASB).

f. We have applied money laundering abatement and anti-terrorist financing procedures, as established by the professional standards issued by the Argentine Federation of Professional Councils in Economic Sciences.

6. In the exercise of the legality control falling within our field of competence, during the year we have applied the other procedures described in section 294 of the General Companies Law No. 19550 that we considered necessary under the circumstances, and we have no observations to make.

City of Buenos Aires, March 10, 2017



Marcelo P. Lerner
Full Syndic

Francisco A. Landó
Full Syndic

Enrique O. Rucq
Full Syndic