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ALBANESI

Albanesi S.A.

Consolidated Financial Statements

At December 31, 2016
presented in a comparative format

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

Albanesi S.A.

CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2016 AND 2015

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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 consolidated financial statements.

Terms	Definitions
/day	Per day
AESA	Albanesi Energía S.A.
AFIP	Federal Administration of Public Revenue
AFSA	Albanesi Fueguina S.A.
AISA	Albanesi Inversora S.A.
AJSA	Alba Jet S.A.
AR GAAP	Argentine Generally Accepted Accounting Principles
ASA	Albanesi S.A.
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
AVRC	Alto Valle Río Colorado S.A.
AVSA	Albanesi Venezuela S.A.
BADCOR	Adjusted BADLAR rate
BADLAR	Interest rates paid by financial institutions on their time deposits for over one million pesos.
BCRA	Argentine Central Bank
BDD	Bodega del Desierto S.A.
CAMMESA	Compañía Administradora del Mercado Mayorista Eléctrico S.A.
CC	Combined cycle
CGU	Cash-Generating Unit
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
Dam^3	Cubic decameter Volume equivalent to 1,000 (one thousand) cubic meters.
DH	Historical availability
DMC	Minimum Availability Committed
DO	Target availability
DR	Registered availability
ENARSA	Energía Argentina S.A.
Energía Plus	Plan created under SE Resolution 1281/06
ENRE	National Electricity Regulatory Authority
EPEC	Empresa Provincial de Energía de Córdoba
FACPCE	Argentine Federation of Professional Councils in Economic Sciences
FONINVEMEM	Fund for investments required to increase the electric power supply in the WEM
GE	General Electric
GFSA	Generación Frías S.A.

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GLOSSARY OF TECHNICAL TERMS (Cont'd)

Terms	Definitions
GISA	Generación Independencia S.A.
GLBSA	Generación La Banda S.A.
GLSA	Generación Litoral S.A.
GMSA	Generación Mediterránea S.A.
GR	General Resolution
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
IAS	International Auditing Standards
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IGJ	Superintendency of Commercial Companies
INDEC	Instituto Nacional de Estadísticas y Censos
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
Large Users	WEM agents classified according to their consumption unto: GUMAs, GUMEs, GUPAs and GUDIs
LGS	General Companies Law
LVFVD	Sales liquidations with maturity date to be defined
MAT	Futures market
MAPRO	Major Scheduled Maintenance
MMm3	Million cubic meters
MVA	Mega-volt ampere, unit of energy equivalent to 1 volt x 1 ampere x 106
MW	Megawatt Unit of power equivalent to 1,000,000 watts
MWh	Megawatt hour Unit of energy equivalent to 1,000,000 watts hour
NO	Negotiable obligations
PWPS	Pratt & Whitney Power System Inc
RGA	Rafael G. Albanesi S.A.
SADI	Argentine Interconnected System
SE	The Secretariat of Energy
SE Resolution 220/07	Regulatory framework for the sale of energy to CAMMESA through the "WEM Supply Contract" under Secretariat Energy Resolution No. 220/07
The Group	Albanesi S.A. and its subsidiaries
TRASNOA S.A.	An electric power carriage company by means of a trunk line in the Argentine Northwestern region
WEM	Wholesale Electric Market administered by CAMMESA

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Albanesi S.A.

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

President
Armando R. Losón

1st. Vice-president
Guillermo G. Brun

2nd. Vice-president
Julián P. Sarti

Full Directors
Carlos A. Bauzas
Sebastián A. Sánchez Ramos
Oscar C. De Luise

Alternate Directors
Armando Losón (h)
José L. Sarti
Juan G. Daly
María de los Milagros D. Grande
Ricardo M. Lopez
Romina S. Kelleyian

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

Alternate Syndics
Carlos I. Vela
Juan Cruz Nocciolino
Augusto N. Arena

ALBANESI

Albanesi 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 Fueguina 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

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Albanesi S.A.

Annual Report Fiscal Year 2016

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Annual Report for Fiscal Year 2016

To the Shareholders of ASA,
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, Comprehensive Statements of Income, Statement of Changes in Net Worth, Cash Flow Statement, and Notes to the Financial Statements, for the fiscal year ended December 31, 2016.

1. ACTIVITY OF THE COMPANY

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.

The Grupo Albanesi has been active in the generation and sale of electricity through ASA and AISA, and has focused on the gas transportation and sale business through RGA.

In recent years, the main strategy of Grupo Albanesi has been focused on achieving vertical integration, drawing on its vast experience and reputation in the natural gas sales market (through RGA), with the subsequent addition of the electric power generation business. This approach seeks to capitalize the value added from the purchase from large gas producers in all the oil basins in the country to its transformation and sale as electric power.

The following table presents the interest held by ASA in each company.

Company	Country	Main activity	% ownership interest	
			31.12.16	31.12.15
GMSA	Argentina	Electric power generation	95.00%	95.00%
GISA (1)	Argentina	Electric power generation	-	95.00%
GRISA (1)	Argentina	Electric power generation	-	95.00%
GLBSA (1)	Argentina	Electric power generation	-	95.00%
GFSA (1)	Argentina	Electric power generation	95.00%	95.00%
GROSA	Argentina	Electric power generation	95.00%	95.00%
Solalban Energía S.A.	Argentina	Electric power generation	42.00%	42.00%
GLSA	Argentina	Electric power generation	95.00%	-
AVSA(2)	Argentina	Oil and Gas generation	-	99.99%

(1) Companies absorbed by GMSA under the framework of the merger by absorption described in note 24.1 to the individual financial statements, which also contains a description of the merger process through which GMSA absorbed GFSA, as indicated in note 24.2 to the individual financial statements.

(2) Company wound up in fiscal year 2016. See note 6 to the individual financial statements.

The power generation segment of the Grupo Albanesi has an installed capacity of approximately 892 MW, which represents 4% of the installed capacity in Argentina. Once the various projects currently underway are complete, Grupo Albanesi, through ASA, AISA and Albanesi Energía S.A. (affiliate of ASA) will have an installed capacity of approximately 1,522 MW.

New projects

GMSA, a subsidiary of ASA, announced a plan to increase the electric power generation at its power plants established throughout Argentina. The plan envisages the execution of works that require investments in the range of USD 352.8 million and will contribute an additional 400 MW to the national grid.

Expansion of Central Térmica Riojana power plant

On September 7, 2015, GRISA executed a contract with Siemens Industrial Turbomachinery AB, for the purchase of a 50 MW Siemens SGT800 turbine for USD 19.3 million. The Siemens SGT-800 turbine was paid for in full in February 2016, and reached the plant in June 2016. The remaining equipment, including a power transformer, gas compressor, water plant, chillers, tanks, is currently installed. At the date of these individual financials, the turbine was in the process of being commissioned. The total project investment amounts to approximately USD 49.9 million. Commercial start-up is estimated for March 2017.

Expansion of the Modesto Maranzana Steam Power Plant

On 28 March 2016, GMSA signed an agreement with Siemens Industrial Turbomachinery AB to execute an expansion project at the Power Plant to reach an additional 100 MW to the existing 250 MW based on the installation of two Siemens SGT-800 turbines, each with a 50 MW power-rating. This expansion is being carried out under the framework of an agreement executed under Resolution 220/07 S.E. The work requires an estimated investment of USD 88 million. Commercial operation is expected to begin in the second quarter of 2017. At the date of these individual financials, GMSA had completed a payment to Siemens Industrial Turbomachinery AB of USD 21.1 million, representing 50% of the purchase of the two turbines, and a 24-installment deferred payment contract has been executed for the remainder, with the first installment expiring in August 2017. The turbines, generator, anchor bolts and chimneys are already at the plant.

Additionally, in September 2016, GMSA executed a contract for transformers, civil works under the project, assembly of chillers, cooling tower and ancillary works. In November 2016, a contract was signed with Siemens for spare parts worth USD 823 thousand to be paid in two equal installments.

Resolution 21/16

Under the framework of Resolution 21/16, GMSA presented projects for expanding the generating capacity by 250 MW, which were awarded following a public call for tenders. On June 30, 2016, GMSA executed the agreements under this Resolution with CAMMESA involving the Ezeiza stage I and II projects for 150 MW and CTI stage I and II for 100 MW, with amounts stipulated in USD, take-or-pay clause, and a 10 year effective term as from the committed date or date of commercial authorization, whichever takes place first.

Expansion of Independencia Steam Power Plant

Also under Resolution 21/16 described above, a 100 MW expansion of the generating capacity was commenced at CTI with the installation of two 50 MW-each Siemens SGT-800 turbines. The estimated investment amounts to approximately USD 82.5 million. The expansion will take place in two stages, with the installment of 50 MW in each stage. It is estimated that the first stage will come into commercial operation in the third quarter of 2017, and the second stage in the first quarter of 2018.

On April 30, 2016, a contract was signed with Siemens Industrial Turbomachinery AB for the purchase of the first 50 MW SGT-800 turbine. A payment was made on December 31, 2016 of 50% of the turbine, and the remainder will be financed by Siemens in 24 installments. The total value of the turbine is USD 20.4 million.

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

It should be noted that the hiring of the two 75 MVA transformers, civil works under the project and chiller equipment was concluded in September 2016. Additionally, in November 2016 assembly contracts were executed with Siemens for a total of USD 7.5 million, and contracts were signed for spares worth USD 1.02 million. The latter contract will be paid in three installments, in June 2017 (35%), 35% in September 2017 and 30% in February 2018. Additionally, in December 2016 the construction of the 132 Kv field was hired, and a cooling tower was acquired.

Ezeiza Steam Power Plant

Also under Resolution 21/16 referred to above, the construction of a new plant commenced in the Province of Buenos Aires (Central Térmica Ezeiza) with a generating capacity of 150 MW, with the installation of three 50 MW–each Siemens SGT-800 turbines. The estimated investment amounts to USD 137.5 million.

The project will be carried out in two stages, with the installation of 100 MW in the first stage, and of an additional 50 MW in the second stage. The first stage is estimated to go into commercial operation in the third quarter of 2017, and the second stage in the first quarter of 2018.

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

At the date of this report, the contract for the first two power transformers has been executed, and the land in Ezeiza has been acquired for a total of USD 4.4 million.

Ezeiza Steam Power Plant

On August 9, 2016 a contract was executed with Siemens Industrial Turbomachinery AB for the purchase of a third 50 MW SGT-800 turbine. A payment of 5% was made the same month, and a second 5% payment will be made in January 2017, with the remainder (40%) to be paid in March 2017. In September 2016 an agreement was signed for the financing by Siemens of the deferred payment of the remaining 50%. The value of the turbine amounts to USD 19.2 million. Additionally, contracts have been executed for the purchase of three 75 MVA transformers, the Alfa Laval equipment and chillers, the construction of 132 kv fields, the purchase of the land in Ezeiza, and civil works under the project. In October 2016, two water tanks and one diesel tank were purchased.

In November 2016 an assembly contract was executed with Siemens for USD 9.3 million, and a contract for spare parts was executed for USD 1.6 million. The latter will be paid 35% in June 2017, 35% in September 2017, and the remaining 30% in February 2018.

During December 2016 the control room and gantry cranes were built and earthwork was carried out, 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 $13.04/U$S to $15.89/U$S, reflecting a devaluation of 21% (BCRA).

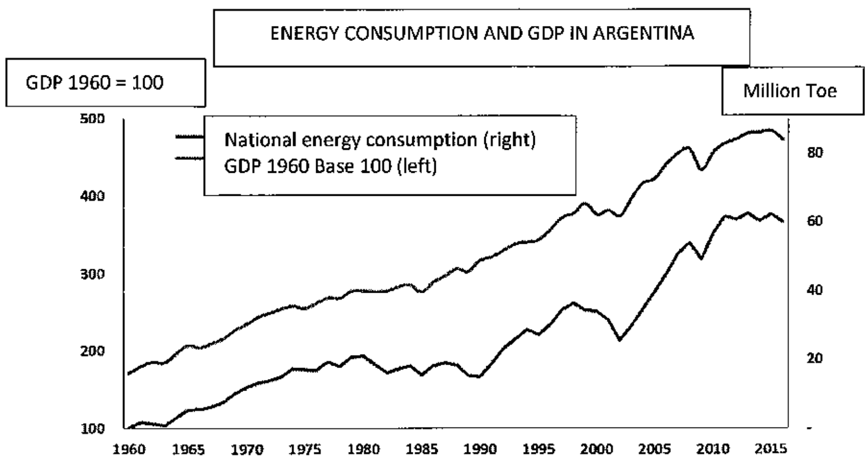
The monetary base showed a monthly growth of 9.6%, reflecting growths in the money in circulation and in bank reserves driven by the seasonal and exceptional factors referred to previously, which in turn generated a rise in encashment requirements (refer to the section on Bank Liquidity). The December 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

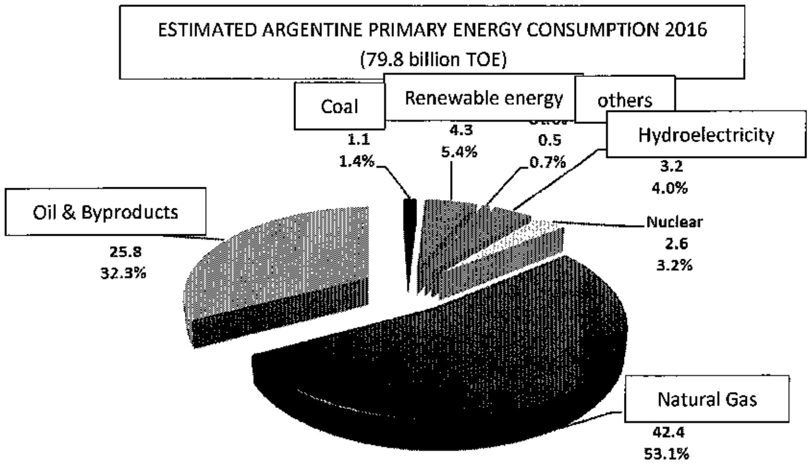
The evolution of energy demand and consumption in Argentina is positively related to the evolution of the GDP, so that higher economic growth implies greater consolidated energy demand for all the energy products. In the last 57 years[1] energy consumption has shown a historical annual average cumulative 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.



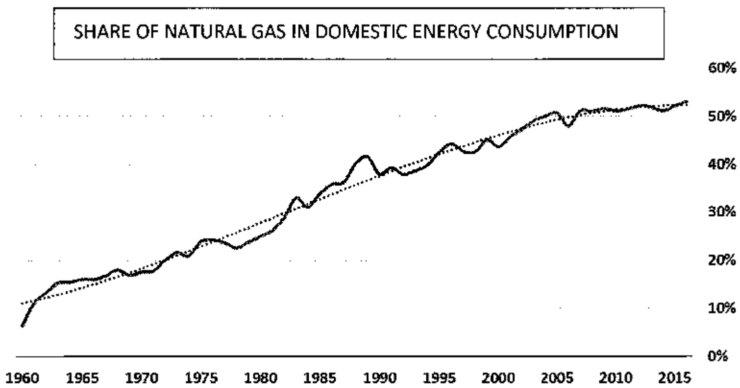
The growth in energy consumption during the first decade of the 21st century, characterized by high economic growth, was driven mainly by the Residential and Commercial sectors, and to a lesser extent by the growth in Industrial sector consumption, as shown by the levels of gas, gasoline and, in particular, 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 2016[3].

[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.

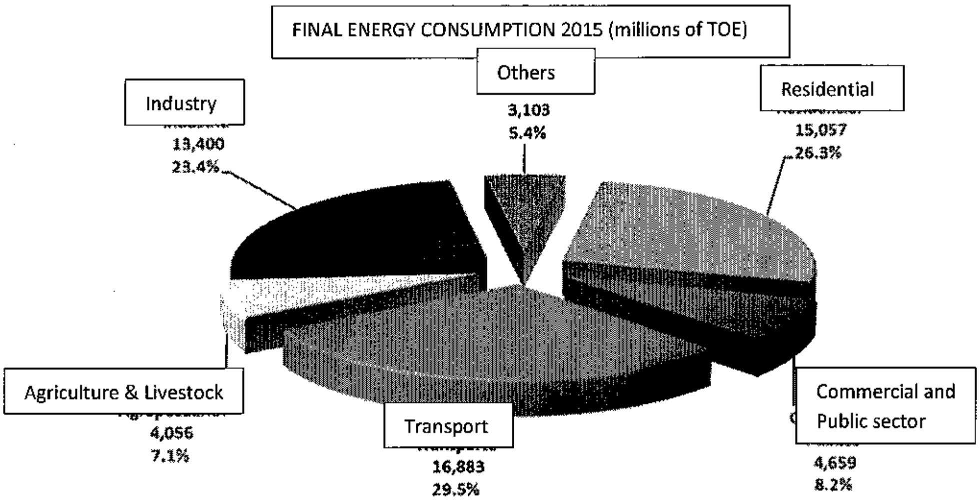


This percentage has dropped slightly in the last five years as a result of the obligation imposed on fuel supplying refineries to incorporate increasing ratios of biodiesel and bioethanol in their diesel and gasoline production. Few countries show this structure of heavy reliance on oil and natural gas 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 segment[4]. 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.

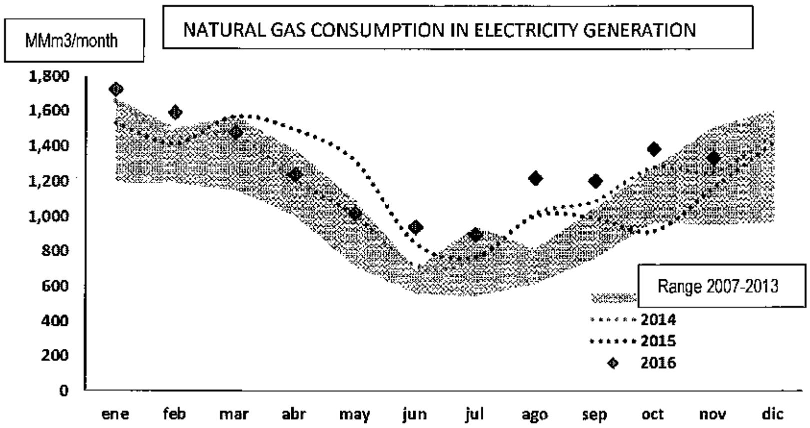


The characteristics of the Argentine energy supply and demand are summarized below:

- 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.

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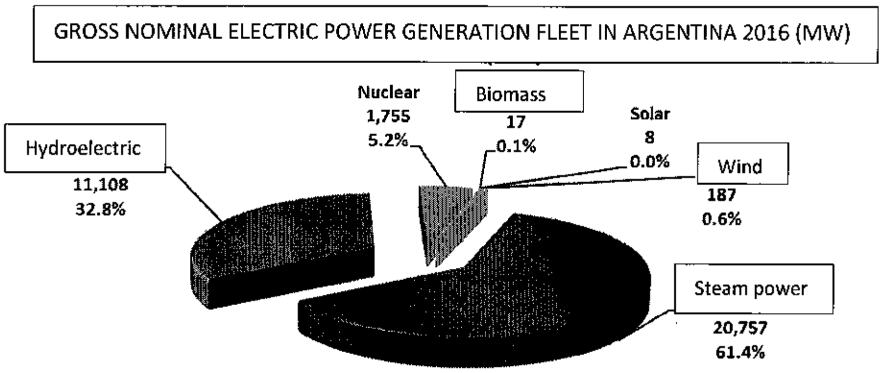
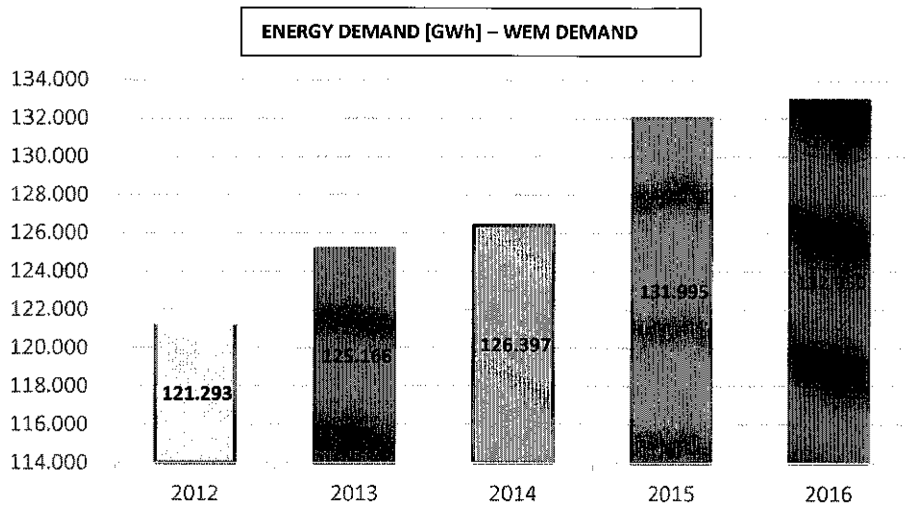


Gross electricity demand rose slightly in 2016 (including consumption by the company at electric power generation plants and losses in transmission and distribution systems) by 0.6% compared with 2015.



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.

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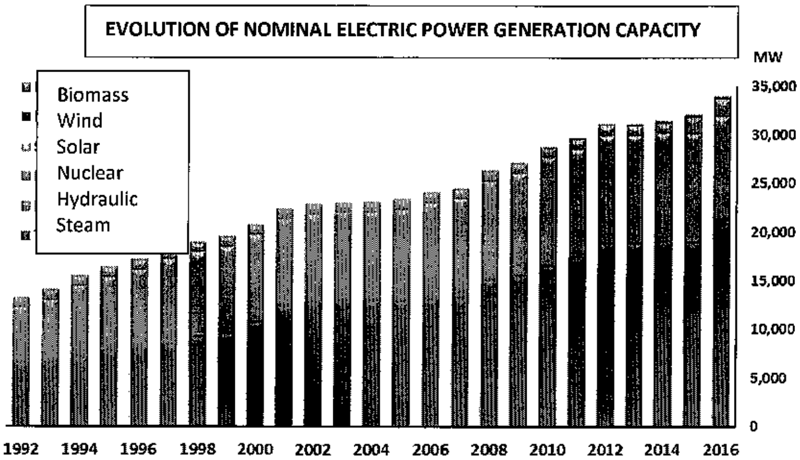
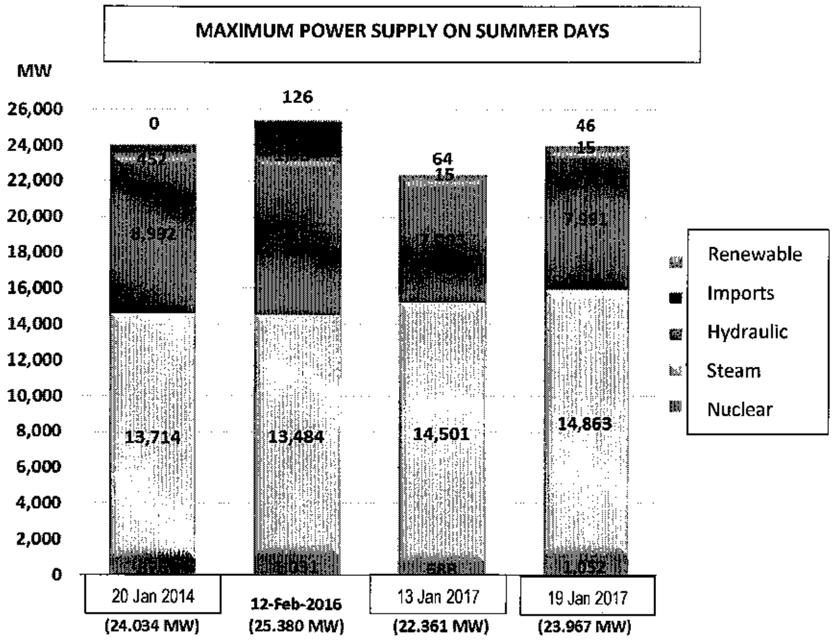
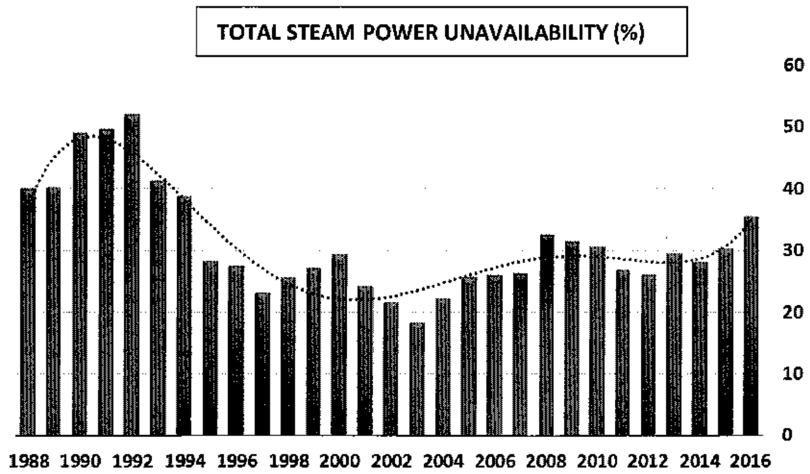


G&G Energy Consultants estimates that during 2016 the available effective power – which is lower than the declared nominal power due to the reasons explained above – was close to 24,500 MW, including a rotating reserve of 1,000 MW which did not need to be used in full magnitude due to the moderate demand 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.



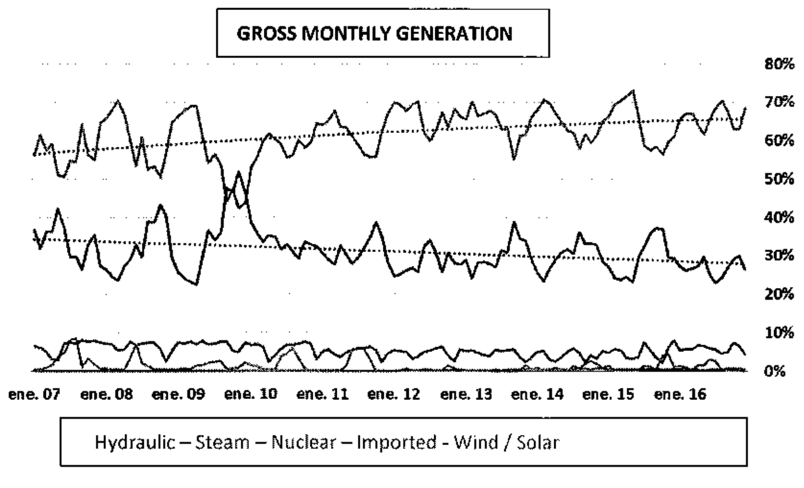
Investments in maintenance improved the availability of the steam power generation fleet in December 2016 and January 2017 alone, with local generation availability close to approximately 25,000 MW.

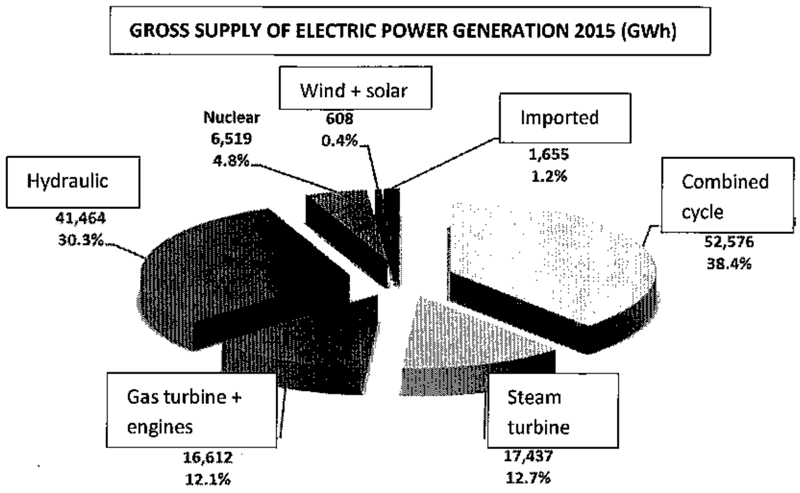


An increase in effective available power was achieved through repairs executed at units that were normally unavailable, and the incorporation of power referred to above. The companies belonging to Grupo Albanesi continued to invest in various power plants, among which it is worth noting two GT units, 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.

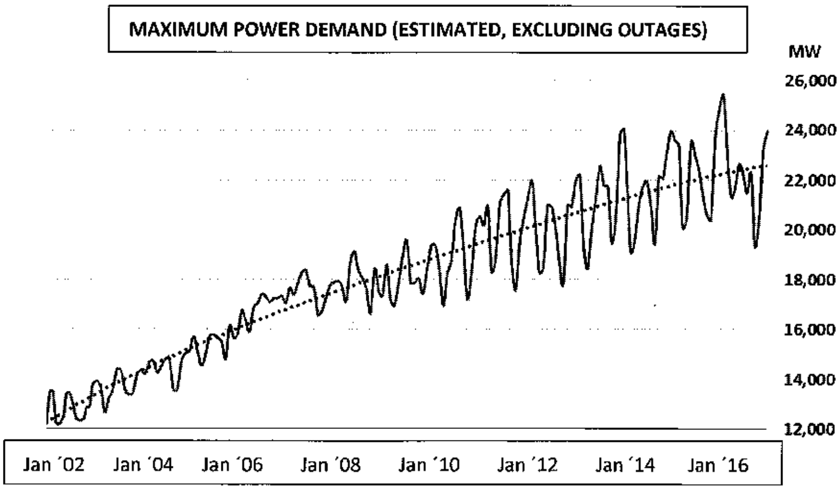
The Group entered a commitment with CAMMESA to provide a new generating plant - the 150 MW Ezeiza SPP, and to expand the capacity at GI by 100 MW in two stages, under the framework of the Electricity Secretariat's call for bids for new generation capacity under Resolution 21/2016, in which the Grupo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



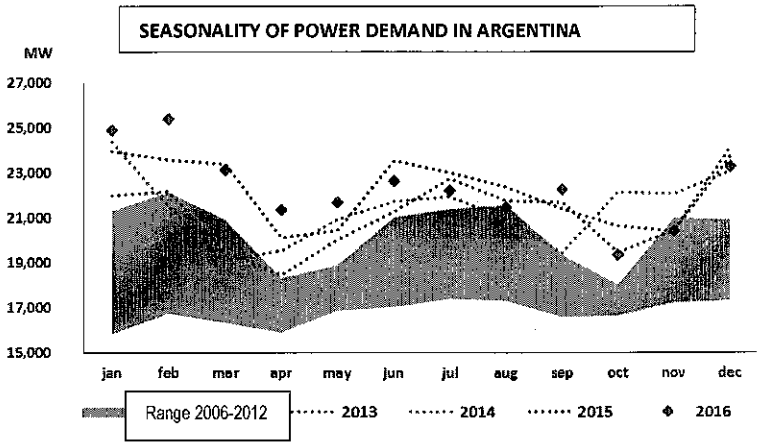


The electric power demand shows a strong upward trend, with slow-downs during periods of economic decline, as was the case in 2016, with a 2.5% drop in the GDP.



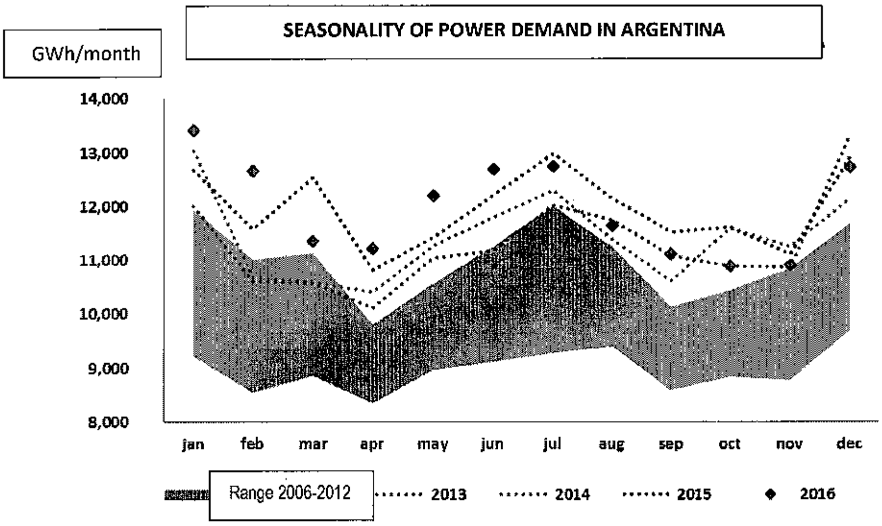
The hourly power demand for each month reported a rise following the drop recorded after the restrictions on industrial electricity consumption in the winter of 2007 and the international crisis at the end of 2008 and beginning of 2009, reflecting the strong rise in industrial activity and in mass consumption 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.

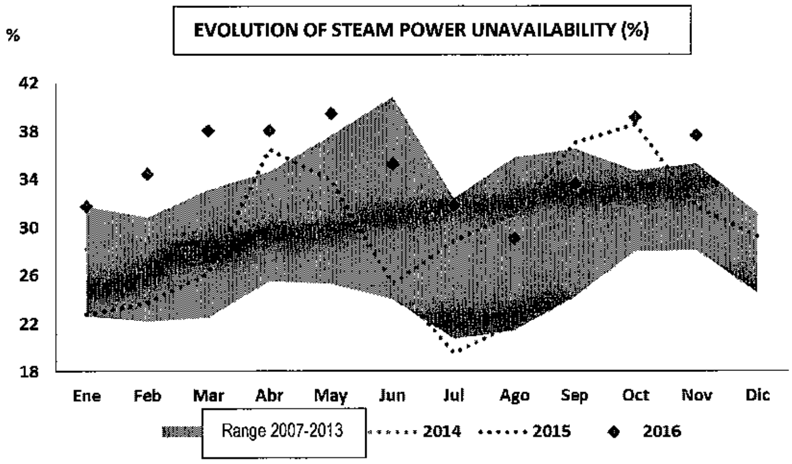


CHANGES IN RECORD ELECTRICITY CONSUMPTION IN RECENT YEARS						
DAY	PREVIOUS RECORDS		CURRENT RECORDS		VARIATION (%)	VARIATION (MW)
	POWER (MW)					
Saturday	12/28/13	21.264	01/18/14	21,866	2.8%	602
Sunday	01/25/15	21.024	12/27/15	21,973	4.5%	949
Working Day	01/20/14	24.034	02/12/16	25,380	5.6%	1,346
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.

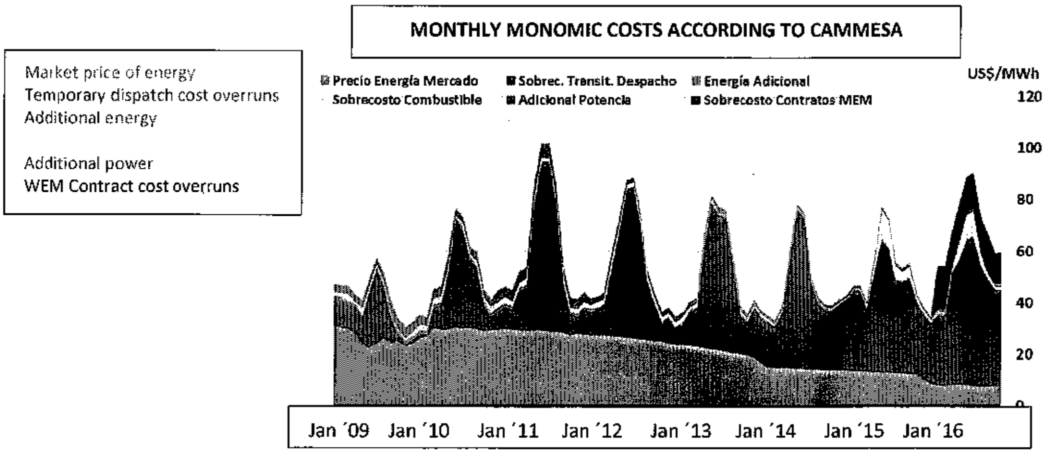


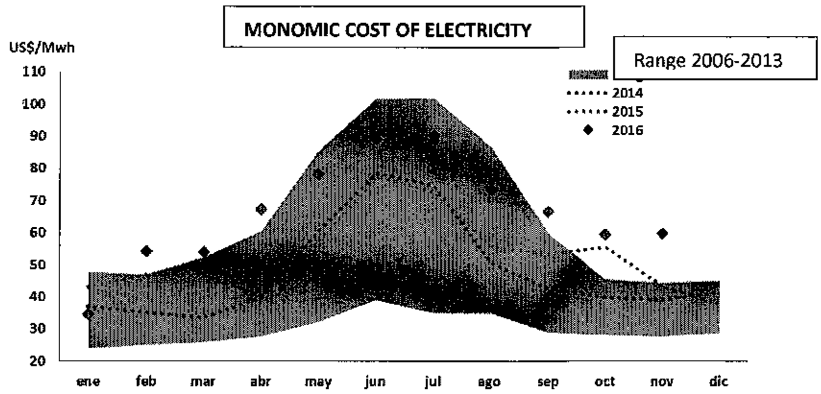
The technical unavailability of steam power plants improved after the winter of 2015, compared with the severe situation evidenced in previous winters that left 5,000 to 6,000 MW permanently out of service due to technical issues or insufficient logistics to supply plants with liquid fuel in the absence 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. DESCRIPTION OF OUR ASSETS

3.1 Electric Power Generation

ASA´s electric power generation assets include interests in GMSA, GFSA, GROSA, and Solalban Energía S.A.

GENERACIÓN MEDITERRÁNEA S.A.

ASA controls GMSA through a 95% interest in ownership and voting rights.

GMSA operates four steam power plants with a total installed generating capacity of 442 MW, and has begun the construction of a new plant in the Province of Buenos Aires (Central Térmica Ezeiza) with a generating capacity of 150 MW. The most salient information on each of the power plants is listed below:

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.

Central Térmica Independencia

The Independencia Steam Power Plant (GI) is located in the city of San Miguel de Tucumán, Province of Tucumán. GI was out of commission, and in 2011 GISA executed all the works necessary to install 120 MW with PWPS technology, and to refurbish the existing ancillary facilities. On November 17, 2011, GISA obtained authorization for the commercial operation of the new turbines.

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

GI is connected up to the AIS through a Transformer Substation belonging to TRASNOA S.A. located in the premises of the Power Plant.

Central Térmica Riojana

The Central Térmica Riojana Steam Power Plant is located in the Province of La Rioja and has three generating units: a 12 MW Fiat TG21 Turbine generator set, a 16 MW John Brown TG22 Turbine generator set, and a 12 MW Fiat TG2 Turbine generator set, achieving a generating capacity with a nominal power of 40 MW.

The turbines are connected to the AIS via the transformer substation of TRASNOA S.A.

Central Térmica La Banda

The Central Térmica La Banda Steam Power Plant is located in La Banda, Province of Santiago del Estero, and currently has two Turbine generator sets: one 16 MW Fiat TG21, and one 16 MW Fiat TG22, reaching a total generating capacity of 32 MW.

The power plant is connected to the TRASNOA station to inject electricity to the interconnected system.

GENERACIÓN FRÍAS S.A.

GFSA is controlled by ASA through its ownership of 95% of the share capital and voting rights.

GFSA was established on April 20, 2010, and its main activity is the generation and sale of electric power.

The premises of the Power Plant are adjacent to the transformer substation belonging to TRANSNOA S.A., enabling a strategic network connection for the injection of the power generated to the AIS. Additionally, it has a gas pipeline that secures natural gas supply for generating electricity.

The Power Plant has a nominal capacity for steam generation of 60 MW through a turbine with PWPS technology, similar to the one used by the related companies GMSA and Solalban Energía S.A.

During 2014 GFSA executed the works necessary for the installation of the FT4000 turbine with a capacity to generate 60 MW, including the installation of a 75 MVA main transformer and two transformers for ancillary services at the plant (of 2 and 3 KVA), construction of two liquid fuel storage tanks, construction of a water treatment plant, and roadworks and electrical works that were carried out for the proper start-up of the Power Plant. This required a total investment of USD 55 million.

On December 5, 2015 GFSA obtained commercial authorization to operate on the WEM. GFSA executed an agreement with CAMMESA to supply 55.5 MW of power to the WEM. The advantages under this system are US dollar denominated prices which are paid by CAMMESA with a take-or-pay clause, and any surplus power generated is sold on the Spot Market under the rules governing the WEM administrated by CAMMESA.

At the date of these consolidated financial statements, all the stage II electrical, mechanical and civil works had been completed, which envisaged the construction of a truck unloading lot, weighing base, office building and facilities for liquid fuel treatment and dispatch system, among others.

GENERACIÓN ROSARIO S.A.

GROSA is controlled by ASA through its ownership of 95% of the share capital and voting rights.

GROSA´s main asset is the "Sorrento" Steam Power Plant (the "Power Plant") located in Rosario, province of Santa Fe. On April 27, 2011, GROSA executed a ten year lease contract, renewable for an additional seven years, with the company Central Térmica Sorrento S.A. for the lease of the Sorrento Power Plant and all the assets included on the site, legally effective as from November 1, 2010. On December 9, 2010, a request was submitted to the Energy Secretariat (SE) to notify the change in ownership of the Sorrento Power Plant from "Central

Térmica Sorrento" to Generación Rosario S.A. Through this submission, the SE was requested to notify CAMMESA and the WEM agents of the transfer of ownership of the Sorrento Power Plant to Generación Rosario S.A.

The Power Plant currently delivers a capacity of 135 MW to the system. This capacity comprises an Ansaldo steam turbine capable of operating simultaneously with gas and fuel-oil which can be supplied by ship at the plant's port and docking facility.

GROSA sells all its capacity and electricity on the WEM under Resolution 95/13 (modified by Resolutions 529/2014 and 482/2015).

SOLALBAN ENERGÍA S.A.

ASA has a 42% interest in Solalban Energía S.A., a company established in March 2008 and made up by Solvay Indupa S.A. and ASA.

The main asset held by Solalban Energía S.A. is the steam power plant located in the Petrochemical Hub of the town of Bahía Blanca, province of Buenos Aires.

The technical characteristics of the Power Plant's open cycle are identical to those of the expansion of GMSA: two PWPS model SwiftPac60 turbo generators, each with a generation capacity of 60 MW, and each made up by two gas turbines that convey their power to a sole generator.

The Power Plant has a two-fold activity, on the one hand it generates the energy that is consumed by Solvay Indupa S.A.I.C. through a dedicated connection that does not go through the national grid; the remaining energy is injected into the AIS and sold on the Energía Plus market.

4. ENVIRONMENTAL MANAGEMENT

Corporate Environmental Management System

GMSA has an Integrated Management System in line with ISO 14001:2004. This certification has been obtained for the entire corporation and comprises the environmental management of the other power plants owned by Grupo Albanesi (GROSA, GFSA, CTMM, CTRi, CTLB and CTI).

The corporate program implemented enables the execution of unified and coordinated actions in 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 been proven effective to face 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.

5. 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.

6. 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.
- SDD 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.

7. HIGHLIGHTS FOR FISCAL YEAR 2016

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.

8. ECONOMIC AND FINANCIAL POSITION

The table that follows presents the consolidated indebtedness at December 31, 2016:

	Borrower	Principal	Balance as of December 31, 2016	Interest rate	Currency	Issuance date	Maturity date
			(Argentine Pesos)	(%)			
Financial debts							
BAF	GMSA	USD 40,000,000	635,090,550	10%	USD	February 11, 2016	February 15, 2017
Subtotal			**635,090,550**				
Debt securities							
International NO	GMSA/ GFSA	USD 180,000,000	2,862,496,491	9.625%	USD	July 27, 2016	July 27, 2023
Class IV NO	GMSA	$ 25,439,600	26,178,849	BADLAR + 6.5%	ARS	July 17, 2015	July 17, 2017
Class V NO	GMSA	$ 200,000,000	197,807,803	BADLAR + 4%	ARS	June 30, 2016	June 30, 2018
Class II NO	GFSA	$ 130,000,000	131,308,289	BADLAR + 6.5%	ARS	March 8, 2016	March 8, 2018
Class III NO	GFSA	$ 160,000,000	167,936,259	BADLAR + 5.6%	ARS	July 6, 2016	July 6, 2018
Class I NO	ASA	$ 50,500,000	48,252,855	BADLAR + 5.5%	ARS	December 29, 2015	December 29, 2017
Class II NO	ASA	$ 220.000.000	226,670,974	BADLAR + 4%	ARS	October 25, 2016	October 25, 2018
Subtotal			**3,660,651,520**				
Other financial debts							
CAMMESA			202,481,271				
Other financial debts			11,592,487				
Chubut loan		USD 6,000,000	93,451,938	LIBOR + 5%	USD	December 1, 2016	December 1, 2017
Bank overdrafts			14,657,864				
Finance leases			24,596,027				
Subtotal			**346,779,587**				
Total financial debts			**4,642,521,657**				

Albanesi S.A.

Under the framework of the program of simple negotiable obligations (not convertible to shares) of up to USD 100 million, on October 25, 2015 the Class II NOs were subscribed and issued for $220 million. The issue accrues interest at BADLAR for private banks plus a 4% margin, with the final maturity 24 months following the date of issue.

The issue was partly subscribed in kind with Class I NOs issued in December 2016. The liquid funds obtained were used in full to cancel the existing debt with RGA.

Fix Ratings Argentina awarded the issue of Class II NOs an "A" rating.

Generación Mediterránea S.A

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.

Generación Frías S.A.

Under the framework of the simple NOs (not convertible to shares) for up to USD 50 million, on June 6, 2016 GFSA issued Class III NOs for a face value of $ 160 million. These NOs accrue interest at the private banks BADLAR plus a 5.6% margin, and mature on July 6, 2018.

The issue was paid-in in cash and in kind through a swap of Class I NOs for $79.6 million. The funds obtained from the issue were destined to settle the loan granted by Puente Hnos, repurchase the outstanding Class I NOs, provide working capital and invest in fixed assets.

On July 27, 2017, GFSA made a joint issue of NOs with GMSA and CTR 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). They accrue interest at a fixed 9.625% rate.

This issue allows the funding of Group investments in development works to achieve the installation of a nominal power of 460 MW, and improves the financial profile of the debt. Existing debts have been pre-cancelled and the associated sureties have been released, achieving a financing term that is in line with development projects underway, and lowering the financial cost.

Of this total issue, USD 7 million was allocated to GFSA.

The funds obtained from the issue of the International Bond were used to pre-cancel the Syndicated Loan and loans granted by the Banco Provincia and Banco de la Ciudad de Buenos Aires. This improved the financial profile of GFSA and released the sureties provided for these loans.

Generación Rosario S.A.

On May 30, 2016 the Company executed a new mutual commitment agreement with CAMMESA through which it formalized the funding of the Third Stage of Repairs of the Steam Turbine Unit 13 for up to USD 10,406,077 plus VAT.

These funds will be repaid using the cumulative credit and credit to be accrued by way of Remuneration for Non-Recurrent Maintenance established in article 2 of Energy Secretariat Resolution 529/2014.

At the closing date of the consolidated financial statements, several submissions had been made through memos to CAMMESA claiming $ 48.5 million relating to payments made to materials and services suppliers for the period November 2015 to November 2016. At December 31, 2016, CAMMESA had disbursed $ 38.5 million of the amount claimed.

GROSA has obtained bank borrowing facilities in order to have the necessary working capital for the proper operation of the power plant.

Ratios:

	2016	2015
Credit Standing (Equity / Liabilities)	0.30	0.49
Indebtedness (Liabilities / Equity)	3.33	2.06
Current Liquidity (Current Assets/ Current liabilities)	3.07	0.65
Ratio of equity to assets (Equity / Total assets)	0.23	0.32
Ratio of fixed assets (Non-current assets/Total assets)	0.69	0.83
Return on assets or economic return (Gross profit / Total assets)	0.28	0.38
Return on equity or financial return (Net profit / Average equity)	0.03	0.04
Financial leverage (Return on equity / Return on assets)	0.11	0.11
Asset Turnover (Sales / Total assets)	0.28	0.38

Analysis of results:

Fiscal years ended December 31:

	2016	2015	Var.	Var. %
	GWh			
Sales by type of market				
Sales of electricity Res. 95/529/482/22 and spot.	1,356.3	1,430.7	(74.4)	(5%)
Sales under Energía Plus	709.2	846.2	(137.0)	(16%)
Sales under CAMMESA 220	529.7	585.3	(55.6)	(9%)
	2,595.2	**2,862.2**	**(267.0)**	**(9%)**

The table below presents sales to each market (in millions of pesos):

Fiscal years ended December 31:

	2016	2015	Var.	Var. %
	(in millions of pesos)			
Sales by type of market				
Market sales under Res. 95/529/482/22 and spot.	520.9	352.5	168.4	48%
Sales under Energía Plus	764.8	586.6	178.2	30%
Sales under CAMMESA 220	1,108.9	576.3	532.6	92%
Services rendered	-	4.5	(4.5)	100%
Total sales	**2,394.6**	**1,519.9**	**874.7**	**58%**

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

	Fiscal years ended December 31:			
	2016	2015	Var.	Var. %
Sales of electricity	2,394.6	1,515.9	874.7	58%
Net sales	**2,394.6**	**1,519.9**	**874.7**	**58%**
Purchase of electricity	(601.2)	(301.0)	(300.2)	100%
Gas & gasoil consumption at the plant	(667.7)	(486.5)	(181.2)	37%
Salaries and social sec. Contrib.	(101.7)	(81.2)	(20.5)	25%
Pension Plan	(0.5)	(0.4)	(0.1)	25%
Maintenance Services	(117.2)	(94.3)	(22.9)	24%
Depreciation of PP&E	(174.7)	(107.7)	(67.0)	62%
Insurance	(24.0)	(19.2)	(4.8)	25%
Sundry	(47.8)	(32.1)	(15.7)	49%
Cost of sales	**(1,734.8)**	**(1,122.4)**	**(612.4)**	**55%**
Gross Profit	**659.8**	**397.5**	**262.3**	**66%**
Salaries, wages and social sec. Contrib.	(0.4)	(1.1)	0.7	(64%)
Taxes, rates and contributions	(2.2)	(9.9)	7.7	(78%)
Uncollectible accounts	(3.8)	-	(3.8)	100%
Selling expense	**(6.4)**	**(11.0)**	**4.6**	**(42%)**
Salaries and social sec. Contrib.	(5.4)	(10.5)	5.1	(49%)
Service Fees and retributions	(32.9)	(30.4)	(2.5)	8%
Travel & mobility and entertainment expense	(3.3)	(2.3)	(1.0)	43%
Taxes and rates	(1.7)	(2.7)	1.0	(37%)
Sundry	(5.5)	(4.0)	(1.5)	38%
Administrative expense	**(48.8)**	**(49.9)**	**(1.1)**	**2%**
Gain/(loss) on investments in related companies	(2.5)	(1.5)	(1.0)	67%
Other operating income	12.4	77.6	(65.2)	(84%)
Other operating expenditure	-	(40.2)	40.2	(100%)
Operating Result	**614.5**	**372.5**	**242.0**	**65%**
Commercial interest	52.5	5.5	47.0	855%
Interest paid on loans, net	(345.4)	(186.3)	(159.1)	85%
Exchange difference, net	(166.0)	(104.1)	(61.9)	59%
Bank expense	(14.8)	(8.8)	(6.0)	68%
Sundry	(2.4)	(35.6)	33.2	(93%)
Financial loss	**(476.1)**	**(329.3)**	**(146.8)**	**45%**
Result before tax	**138.4**	**43.2**	**95.2**	**220%**
Income tax	(85.1)	9.5	(94.6)	(996%)
Result from continuing operations	**53.3**	**52.7**	**0.6**	**1%**
Discontinued operations	-	(16.1)	16.1	(100%)
Result for the year	**53.3**	**36.6**	**16.7**	**46%**
Other comprehensive income for the year	**617.3**	**605.5**	**11.8**	**2%**
Total comprehensive income for the year	**670.6**	**642.1**	**28.5**	**4%**

Sales:

Net sales for the fiscal year ended December 31, 2016 reached close to $ 2.4 billion, compared with $ 1.5 billion in fiscal year 2015, showing an increase of $ 874.7 million (58%).

During fiscal year 2016, energy sales reached 2,595.2 GWh, representing a 9% drop compared with the 2,862.2 GWh for fiscal year 2015.

The main sources of income obtained by the Company and their behavior during the fiscal year ended December 31, 2016 is described below comparatively with the previous fiscal year:

(i) $ 764.8 million from sales under "Energía Plus", up 30% from the $586.6 million in fiscal year 2015. This variation is attributed to the favorable effect on prices of the higher exchange rate and -to a lesser extent -to a drop in sales volume.

(ii) $ 1.1 billion from sales of electricity on the spot market to CAMMESA under the framework of Resolution 220/07, representing a 92% increase with regard to the $576.3 million in the previous fiscal year. This variation is explained by the start-up of GFSA and a higher exchange rate, but was partly offset by a lower sales volume.

(iii) $ 520.9 million from sales of electricity under Resolution 95/529/482 and on the spot market, showing a 48% increase from the $352.5 million for the previous fiscal year. This variation is mainly explained by an increase in the remuneration paid for electricity by enforcement of Res. 22/16, offset by a drop in the volume of sales.

Cost of Sales:

The total cost of sales for the fiscal year ended December 31, 2016 was $1.7 billion, compared with $1.1 billion for the previous fiscal year, representing an increase of $612.4 million (55%).

The main captions under the cost of sales and their behavior during fiscal year 2016 are described below in millions of pesos compared with fiscal year 2015:

(i) $ 601.2 million for purchases of electricity, up 100% from the $ 301 million for fiscal year 2015, due to greater costs needed to supply the "Energía Plus" spot market.

(ii) $ 667.7 million for gas and gasoil consumption by the plant. This caption was 37% higher compared to the $486.5 million for fiscal year 2015. This variation was due to a rise in the price of gas as a result of the higher exchange rate, and the start-up of GFSA.

(iii) $101.7 million in Salaries and social security contributions, reflecting a 25% increase compared to the $81.2 million for fiscal year 2015, which is mainly attributed to wage increases granted and the hiring of new staff.

(iv) $117.2 million for maintenance services, up 24% from the $94.3 million in fiscal year 2015. This increase is explained by the rise in the exchange rate, offset by shorter operating hours which had an impact on the cost of the maintenance contract with PWPS at certain controlled companies. It is worth noting that the cost of this contract is recognized by CAMMESA in the remuneration paid for operating and maintenance costs for sales under the Res 220/07 Contract.

(v) $174.7 million for depreciation of PP&E, reflecting an increase of 62% compared with the $107.7 million in the previous fiscal year. This variation stems mainly from the higher depreciation value of PP&E as a result of their revaluation at December 31, 2015, and the start-up of the GFSA power plant.

(vi) $24.0 million paid for insurance, up 25% from the $19.2 million for fiscal year 2015 as a result of the variation in the exchange rate.

Gross Profit:

The gross result for the fiscal year ended December 31, 2016 was a profit of de $ 659.8 million, compared with a profit of $ 397.5 million for the fiscal year ended December 31, 2015, representing a 66% increase. This increase is mainly attributed to the effect of the higher exchange rate on the operating activity of the controlled companies, the high availability maintained by the power plants throughout the year, and the start-up of the GFSA power plant. Additionally, the remuneration for energy was increased due to the enforcement of Res. SE 22, which modified and expanded Resolution SE 482, allowing the company to increase its operating result, generating additional cash flows that improving its working capital position.

Selling Expense:

Selling expenses for the fiscal year ended December 31, 2016 reached $6.4 million, compared with $11.0 million in fiscal year 2015.

Administrative expense:

Total administrative expenses for the fiscal year ended December 31, 2016 amounted to $48.8 million, compared to $49.9 million in fiscal year 2015, reflecting a drop of $1.1 million (2%).

The main components of the Company's administrative expenses are listed below in millions of pesos, together with a description of their behavior comparatively with the previous fiscal year:

(i) $32.9 million in Salaries, Wages and Social security Contributions, which increased 86%, from $30.4 million in the previous fiscal year. This variation was attributed to an increase in tariffs for existing services and the hiring of new services.

Other income and expenditure

Other operating income for the fiscal year ended December 31, 2016 amounted to $12.4 million, reflecting a drop of 84% compared with the $77.6 million in the previous fiscal year. This drop was mainly due to the sale in 2015 by Albanesi S.A. of its shares in Bodega del Desierto S.A. and Alba Jet S.A., which were not core business assets.

Other operating expenditure for the fiscal year ended December 31, 2015 amounted to $40.2 million, and stems from the annulment of a contract with General Electric in 2015 for the purchase of a turbine.

Operating Result:

The operating result for the fiscal year ended December 31, 2016 was a profit of $614.5 million, reflecting a 65% increase with regard to the profit of $372.5 million in the previous fiscal year. This increase was mainly attributed to the effect of the higher exchange rate on the operating activity of the controlled companies, the high availability maintained by the power plants throughout the period, and the start-up of the GFSA power plant. Additionally, there was an increase in the remuneration paid for energy as a result of the enforcement of ES Res. SE 22 which modifies and expands on ES Resolution 482, improving the operating result of the company, generating additional cash flows and enhancing its working capital position.

Financial result:

The financial result for the fiscal year ended December 31, 2016 was a loss of $476.1 million, compared with a loss of $329.3 million for the previous fiscal year, reflecting an increase of 45%.

The most salient aspects of this variation are described below:

(i) A loss of $345.4 million due to financial interest paid on loans, up 85% from the loss of $186.3 million in the previous fiscal year, as a result of: i) a rise in variable interest rates on peso denominated debt, ii) the start-up of the GFSA power plant, and iii) the effect of the higher exchange rate on the interest accrued on foreign currency loans.

(ii) A loss of $166.0 million due to net exchange differences, reflecting an increase of 59% compared to the loss of $104.1 million in the previous fiscal year. This increase is attributed to a higher foreign currency exposure as a result of new financing taken out to fund new projects, and a higher increase in the average exchange rate for the fiscal year.

Result before tax:

The Company reported a profit before tax of $ 138.4 million for the fiscal year ended December 31, 2016, which compares with a profit of $43.2 million for the previous fiscal year.

The result under the income tax was a loss of $85.1 million for the fiscal year ended December 31, 2016, compared with a credit of $9.5 million the previous fiscal year.

Net Profit from continuing operations:

The net result from continuing operations for the fiscal year ended December 31, 2016 was a gain of $53.3 million, compared with a gain of $52.7 million in the previous fiscal year.

Net Result from discontinued operations:

The results from discontinued operations correspond to the sale of the interest held in the BDD wine business, and the sale of the share in the air transport business AJSA. ASA sold its 90% and 95% interest to RGA on June 29 and October 27, 2015, respectively. The net result from discontinued operations for the fiscal year ended December 31, 2015, was a loss of $16.1 million.

Net Result:

The net result for the fiscal year ended December 31, 2016 was a gain of $ 53.3 million, compared to a gain of $36.6 million for the previous fiscal year, reflecting a 46% increase.

Other comprehensive income for the year:

Other comprehensive income for fiscal year 2016 reached $617.3 million, compared with $605.5 million in fiscal year 2015, and corresponds mainly to the revaluation of PP&E. The Group has decided to reappraise the captions land, real estate, facilities, machinery and turbines, classified under PP&E, since the Company considers that this revaluation model more reliably reflects the true value of the assets.

2. Equity structure compared with the previous fiscal year:
(in millions of pesos)

	12.31.16	12.31.15	12.31.14
Non-current assets	5,856.6	3,298.0	2,367.9
Current assets	2,573.2	654.8	526.8
Total assets	**8,429.8**	**3,952.8**	**2,894.7**
Equity attributable to owners of the parent	1,924.5	1,269.8	652.4
Equity not attributable to the parent	100.9	69.4	50.0
Total equity	**2,025.4**	**1,339.1**	**702.4**
Non-current liabilities	5,567.1	1,601.1	1,355.0
Current liabilities	837.3	1,012.6	837.2
Total liabilities	**6,404.4**	**2,613.7**	**2,192.2**
Total shareholders´ equity and liabilities	**8,429.8**	**3,952.8**	**2,894.7**

3. Breakdown of results for fiscal years ended December 31, 2016, 2015 and 2014:
(in millions of pesos)

	12.31.16	12.31.15	12.31.14
Ordinary operating result	614.5	372.5	272.3
Financial result	(476.1)	(329.3)	(318.5)
Net ordinary result	**138.4**	**43.2**	**(46.2)**
Income tax	(85.1)	9.5	11.9
Result from continuing operations	**53.3**	**52.7**	**(34.2)**
Discontinued operations	-	(16.1)	(6.5)
Result for the fiscal year	**53.3**	**36.6**	**(40.8)**
Other comprehensive income	617.3	**605.5**	**255.2**
Total comprehensive result	**670.6**	**642.1**	**214.4**

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

	12. 31.16	12. 31.15	12. 31.14
Funds (applied to) generated by operating activities	(818.7)	69.6	329.4
Funds applied to investment activities	(1,373.9)	(218.2)	(174.8)
Funds generated by (applied to) financing activities	2,716.2	77.9	(157.8)
Increase / (Decrease) in cash and cash equivalents	**523.6**	**(70.7)**	**(3.3)**

9. CORPORATE STRUCTURE

Corporate Capital

At December 31, 2016 the Company's capital was made up by 62,455,160 common, non-endorsable, registered shares with a face value of $ 1 each and a right to one vote per share.

Pursuant to the Minutes of the General Extraordinary Shareholders' Meeting dated March 22, 2016, the company's capital was increased from $ 4,455,160 to $ 63,455,160 through the capitalization of claims held by the shareholders.

The company's capital presents the following structure:

Armando Roberto Losón	50%
Holen S.A.	30%
Carlos Alfredo Bauzas	20%

Organization of decision making

As indicated in the various sections of Annex IV, Heading IV, of the Rules of the CNV that are attached to this Annual Report relating to the degree of compliance with the Code of Corporate Governance, the Company's policies and strategies are defined by the Board of Directors to be executed by each of the sectors under the supervision of the corresponding Management Departments and of the Board itself.

Decisions that are considered significant and/or relevant in terms of their magnitude and/or of the amount involved, that relate to the administration of the Company's activities, are made directly by the Board of Directors in a meeting specially convened for this purpose. When required in specific cases, the decision will be made by a specially convened extraordinary Shareholders' Meeting. During fiscal year 2016, all decisions were carried unanimously by these two organs.

Remunerations of the Board of Directors

Company resolutions concerning the establishment of the fees of the Board of Directors comply with the limits and guidelines envisaged in article 261 of Company Law N° 19.550 and articles 1 to 7 of Chapter III, Heading II of the Rules of the CNV.

10. OUTLOOK FOR FISCAL YEAR 2016

10.1 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 de 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.

Company Outlook for Fiscal Year 2017

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.

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.

11 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 $ 48,770,643, leading to a cumulative profit at December 31, 2016 of $ 103,449,223.

The General Shareholders' Meeting will deliberate and decide regarding the destination of the cumulative earnings indicated above, considering the existing restrictions arising from the obligations taken out by the Company.

12 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 of 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

Albanesi S.A.

RESPONSE STRUCTURE - EXHIBIT IV – Annual Report for the year ended 12.31.16

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 interest 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. During fiscal 2015, the Company continued working jointly with an external consulting firm in the adaptation of internal structures and drafting and formalization of different policies and the Code of Ethics and Conduct, in order to have specific procedures formalized and approved by the Board of Directors. 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 have 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, leaving evidence of the fact that they are not included on the Company's payroll. 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 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 by the respective management divisions of own reports and those corresponding to the controlled companies, where applicable: 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 a 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, the respective management division prepares the Operations, Maintenance, Environmental and Safety Report of the Issuer's controlled companies. 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 article 7 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 Holen S.A., the Board of Directors of ASA, 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 ASA, currently composed of six members in conformity with the shareholders agreement, have been designated according to the following procedure: (i) four (4) 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 ASA 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 staff training plan for the Group, which is currently under implementation.
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's controlled companies have risk management systems covering all necessary aspects for the overall management of risks relating to the environment, compliance with regular audits, safety programs, and predictive and preventive maintenance.
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 areas of the activity are related to its controlled companies' maintenance, hygiene, safety and environmental factors, and the work programs establish the necessary measures to prevent and, as the case may be, mitigate those risks. Performance results are evaluated by the Board of Directors.
III.3			X	Not applicable, as the company is merely an investing business that holds investments in other companies. Its controlled companies have a specific area engaged in the administration of the risk

				management system and specific Maintenance, Environment and Safety areas reporting to their respective Plant Managements.
III.4			X	Not applicable, as the company is merely a holding company. However, in its controlled companies, the documentation for the environmental management system (planning, procedures, instructions, records) is defined by the area that manages that system. Its approval is Management's responsibility. The risk management system 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 by the controlled companies 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. It is the Company's intention to perform the work necessary to approve these documents during 2016.
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; the designated directors were familiarized with the tasks the Company was carrying out in relation to the formalization of the Code of Corporate Governance.
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 *inter vivos*, 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 13 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. As part of the formalization of the Corporate Governance policies, the Company is evaluating the possibility of establishing special contents relating to this matter, in order to regulate the dividend distribution procedure, where appropriate.
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 10 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 companies controlled by the Issuer are 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 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 Company has a Code of Corporate 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.

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

Albanesi S.A.

Consolidated Financial Statements

For the fiscal year No. 24 commenced on January 1, 2016 and ended December 31, 2016
presented in a comparative format
Stated in pesos

Corporate name:	Albanesi S.A.
Legal domicile:	Av. L.N. Alem 855, 14th floor - City of Buenos Aires
Main business activity:	Investing and financial activities
Tax Registration Number:	30-68250412-5

DATE OF REGISTRATION WITH THE PUBLIC REGISTRY OF COMMERCE:

Of by-laws:	June 28, 1994
Latest amendment:	November 8, 2016
Registration number with the Superintendency of Commercial Companies:	6216 of Book 115, Volume A of Corporations
Expiry of the Company's by- laws:	June 28, 2093

CAPITAL STATUS (See Note 13)			
Shares			
Number	Type	Number of votes per share	Subscribed, paid in and registered
			$
62,455,160	Ordinary, registered, non-endorsable shares of $ 1 par value each	1	62,455,160

Albanesi S.A.

Consolidated Statement of Financial Position
At December 31, 2016 and 2015
Stated in pesos

	Note	12.31.16	12.31.15
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	**7**	5,366,612,435	3,010,734,850
Investments in associates	**9**	293,807,569	243,127,929
Investments in other companies	**22**	129,861	129,861
Deferred tax assets	**21**	1,497,552	-
Other receivables	**10**	64,287,587	40,138,353
Trade receivables	**11**	130,234,824	3,886,527
Total non-current assets		**5,856,569,828**	**3,298,017,520**
URRENT ASSETS			
ventories		31,358,120	15,897,222
come tax credit balance, net		-	2,020,791
Other receivables	**10**	1,341,638,457	221,597,328
Trade receivables	**11**	532,137,414	382,504,984
Other financial assets at fair value through profit and loss		136,206,567	1,210,961
Cash and cash equivalents	**12**	531,824,982	31,565,698
Total current assets		**2,573,165,540**	**654,796,984**
Total Assets		**8,429,735,368**	**3,952,814,504**

accompanying notes form an integral part of these consolidated financial statements.

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

Albanesi S.A.

Consolidated Statement of Financial Position (Cont'd)
At December 31, 2016 and 2015
Stated in pesos

	Note	12.31.16	12.31.15
EQUITY			
Share capital	13	62,455,160	4,455,160
Legal reserve		1,942,908	-
Technical revaluation reserve		1,760,090,123	1,226,610,421
Translation reserve		-	(2,857,973)
Other comprehensive income		(3,397,653)	(1,594,964)
Unappropriated retained earnings		103,449,223	43,137,735
Equity attributable to the owners		**1,924,539,761**	**1,269,750,379**
Non-controlling interest		**100,881,306**	**69,378,408**
al equity		**2,025,421,067**	**1,339,128,787**
ILITIES			
N-CURRENT LIABILITIES			
ovisions	18	9,135,552	9,949,496
Deferred tax liabilities	21	928,044,072	548,354,489
Other liabilities	16	-	100,000,000
Defined benefit plans	23	5,173,822	4,819,097
Loans	17	4,180,163,453	780,887,813
Trade payables	15	444,542,066	157,068,465
Total non-current liabilities		**5,567,058,965**	**1,601,079,360**
CURRENT LIABILITIES			
Other liabilities	16	89,629,740	116,786,152
Social security debts	19	7,996,685	8,641,658
fined benefit plan	23	3,250,194	857,422
ans	17	462,358,204	583,831,816
ivative financial instruments		2,175,000	-
urrent income tax, net		2,649,551	729,121
Taxes	20	21,366,445	11,737,109
Trade payables	15	247,829,517	290,023,079
Total current liabilities		**837,255,336**	**1,012,606,357**
Total Liabilities		**6,404,314,301**	**2,613,685,717**
Total Liabilities and Equity		**8,429,735,368**	**3,952,814,504**

The accompanying notes form an integral part of these consolidated financial statements.

Albanesi S.A.

Consolidated Statement of Comprehensive Income

At December 31, 2016 and 2015

Stated in pesos

	Note	12.31.16	12.31.15
Sales revenue	25	2,394,591,655	1,519,868,770
Cost of sales	26	(1,734,807,566)	(1,122,369,360)
Gross income		**659,784,089**	**397,499,410**
Selling expenses	27	(6,373,727)	(11,021,843)
Administrative expenses	28	(48,805,112)	(49,980,106)
Income from interests in associates	9	(2,475,883)	(1,474,760)
Other operating income	29	12,395,336	77,627,248
Other operating expenses	29	-	(40,194,077)
Operating income		**614,524,703**	**372,455,872**
Financial income	30	59,267,755	5,453,742
Financial expenses	30	(383,381,046)	(198,461,444)
Other financial results	30	(151,993,657)	(136,258,212)
Financial results, net		**(476,106,948)**	**(329,265,914)**
Income before tax		**138,417,755**	**43,189,958**
Income tax		(85,147,371)	9,458,971
Income from continuing operations		**53,270,384**	**52,648,929**
Discontinued operations	35	-	(15,989,918)
Income for the year		**53,270,384**	**36,659,011**
Other Comprehensive Income			
Items to be reclassified into income/loss			
Translation difference		(160,774)	(2,460,042)
Effect of hyperinflation		126,973	475,897
Translation reserve's reclassification		2,891,772	-
Items to be reclassified into income/loss			
Revaluation of property, plant and equipment		866,401,772	831,186,968
Revaluation of PP&E from interests in associates		53,155,523	67,124,318
Income (loss) related to defined benefit plans		(2,919,332)	105,639
Impact on income tax		(302,218,661)	(290,952,413)
Other Comprehensive Income for the year		**617,276,723**	**605,480,367**
Comprehensive income for the year		**670,547,107**	**642,139,378**
Income (loss) for the year attributable to:			
Owners of the company		48,770,643	38,858,142
Non-controlling interest		4,499,741	(2,199,131)

The accompanying notes form an integral part of these consolidated financial statements.

Albanesi S.A.

Consolidated Statement of Comprehensive Income (Cont'd)
At December 31, 2016 and 2015
Stated in pesos

	Note	12.31.16	12.31.15
Income (Loss) for the year attributable to the owners of the company:			
Continuing operations		48,770,643	53,709,211
Discontinued operations	35	-	(14,851,069)
		48,770,643	**38,858,142**
Comprehensive income for the year attributable to:			
Owners of the company		637,984,209	617,321,577
Non-controlling interest		32,562,898	24,817,801
Earnings (Loss) per share attributable to the owners of the company			
Basic and diluted earnings (loss) per share from continuing operations	31	0.99	12.06
Basic and diluted (loss) per share from discontinued operations	31	-	(3.33)

The accompanying notes form an integral part of these consolidated financial statements.

Albanesi S.A.

Consolidated Statements of Changes in Equity
At December 31, 2016 and 2015
Stated in pesos

	Attributable to the owners								
	Shareholders' contributions	Retained earnings							
	Share Capital	Legal reserve	Technical revaluation reserve I	Translation reserve	Other comprehensive income	Unappropiated retained eaning	Total	Non-controlling interest	Total equity
Balances at December 31, 2014	**4,455,160**	**-**	**672,789,351**	**(873,907)**	**(1,660,196)**	**(22,281,606)**	**652,428,802**	**49,976,782**	**702,405,584**
Dividends attributable to non-controlling interest	-	-	-	-	-	-	-	(3,308,817)	(3,308,817)
Reversal of technical revaluation reserve	-	-	(26,561,199)	-	-	26,561,199	-	-	-
Liquidation of the subsidiary	-	-	-	-	-	-	-	(150)	(150)
Sale of subsidiary	-	-	-	-	-	-	-	(2,107,208)	(2,107,208)
Other comprehensive income for the year	-	-	580,382,269	(1,984,066)	65,232	-	578,463,435	27,016,932	605,480,367
Comprehensive income for the year	-	-	-	-	-	38,858,142	38,858,142	(2,199,131)	36,659,011
Balances at December 31, 2015	**4,455,160**	**-**	**1,226,610,421**	**(2,857,973)**	**(1,594,964)**	**43,137,735**	**1,269,750,379**	**69,378,408**	**1,339,128,787**
Capital increase as per Minutes of Shareholders' Meeting dated March 22, 2016	58,000,000	-	-	-	-	-	58,000,000	-	58,000,000
Resolution of Ordinary Shareholders' Meeting held on April 20, 2016:									
- Legal reserve	-	1,942,908	-	-	-	(1,942,908)	-	-	-
- Distribution of dividends	-	-	-	-	-	(41,194,827)	(41,194,827)	-	(41,194,827)
Dividends attributable to non-controlling interest	-	-	-	-	-	-	-	(1,085,000)	(1,085,000)
Contributions of equity by the non-controlling interest	-	-	-	-	-	-	-	25,000	25,000
Reversal of technical revaluation reserve	-	-	(54,678,580)	-	-	54,678,580	-	-	-
Other comprehensive income for the year	-	-	588,158,282	2,857,973	(1,802,689)	-	589,213,566	28,063,157	617,276,723
Net income for the year	-	-	-	-	-	48,770,643	48,770,643	4,499,741	53,270,384
Balances at December 31, 2016	**62,455,160**	**1,942,908**	**1,760,090,123**	**-**	**(3,397,653)**	**103,449,223**	**1,924,539,761**	**100,881,306**	**2,025,421,067**

The accompanying notes form an integral part of these consolidated financial statements.

Albanesi S.A.

Consolidated Statement of Cash Flows

At December 31, 2016 and 2015

Stated in pesos

	Notes	12.31.16	12.31.15
Cash flow provided by operating activities:			
Income for the year		53,270,384	36,659,011
Adjustments to arrive at net cash flows provided by operating activities:			
Income tax on continuing operations and discontinued operations		85,147,371	(3,596,975)
Income from investments in associates	9	2,475,883	1,474,760
Depreciation of property, plant and equipment	7	174,705,961	111,512,180
Amortization of Intangible assets		-	2,376
Fair value adjustments to other receivables and liabilities		(7,153,738)	-
Setting up of provisions	18	(813,944)	(631,915)
Changes in the fair value of investments in other companies	22	-	(129,579)
Bad debt allowance	18	3,846,924	-
Residual value of property, plant and equipment		4,063,150	1,214,783
Income from the sale of spare parts		-	(6,963,104)
Results from changes in the fair value of financial instruments	30	(85,329,475)	(3,325,575)
Interest, exchange differences and other financial results		193,962,234	267,305,461
Benefit plans accrual	23	494,142	367,655
Income for sale of interests in subsidiaries		-	(76,641,670)
Changes in operating assets and liabilities:			
(Increase) Decrease in trade receivables		(288,177,318)	146,333
(Increase) in other receivables (1)		(1,052,520,574)	(29,433,485)
(Increase) in inventories		(15,460,898)	(7,726,145)
(Increase) in trade payables		245,280,039	(76,932,315)
(Decrease) in defined benefit plans		(1,702,209)	(87,947)
(Decrease) in other liabilities		(134,560,011)	(103,736,405)
Increase (Decrease) in social security charges and taxes		3,751,583	(39,905,146)
Cash flow (applied to) generated by operating activities		**(818,720,496)**	**69,572,298**
Cash flow provided by investment activities			
Dividends received		-	5,880,000
Expenses for the sale of interests in subsidiaries, net of funds received		-	(779,482)
Payments for the acquisition of property, plant and equipment	7	(1,188,178,887)	(216,342,367)
Collections of financial instruments		7,403,600	7,588,720
Acquisitions of bills of exchange		(25,148,121)	-
Subscription / redemption of mutual funds		(90,669,067)	(1,210,961)
Payment of financial instruments		-	(13,363,729)
Loans granted		(77,343,215)	-
Cash flow (applied to) investment activities		**(1,373,935,690)**	**(218,227,819)**
Cash flow provided by financing activities:			
Paid to non-controlling interest on liquidation of the company		-	(150)
Dividends paid to non-controlling interest by the subsidiaries		(1,085,000)	(3,308,817)
Contribution from non-controlling interest		25,000	-
Repayment of Financial debt	17	(2,051,395,916)	(307,681,423)
Repayment of interest	17	(263,607,636)	(178,136,242)
Loans taken out		5,032,246,562	566,986,163
Cash flow generated by (applied to) financing activities		**2,716,183,010**	**77,859,531**
DECREASE IN CASH AND CASH EQUIVALENTS		**523,526,824**	**(70,795,990)**
Cash and cash equivalents at the beginning of year		(38,660,701)	11,157,579
Financial results of cash and cash equivalents		32,300,995	20,977,710
Cash and cash equivalents at the end of year	12	517,167,118	(38,660,701)
		523,526,824	**(70,795,990)**

The accompanying notes form an integral part of these consolidated financial statements

(1) Include advances to suppliers for the purchases of assets (Note 4.10)

Albanesi S.A.

Consolidated Statement of Cash Flows (Cont'd)
At December 31, 2016 and 2015
Stated in pesos

Material transactions not showing changes in cash		**12.31.16**	**12.31.15**
Acquisition of property, plant and equipment not yet paid	7	(31,231,088)	(4,266,744)
Acquisition of property, plant and equipment financed by suppliers		-	(114,439,919)
Sales of property, plant and equipment not yet collected		-	33,297,620
Financial costs capitalized in property, plant and equipment	7	(448,835,499)	(12,795,878)
Other comprehensive income for the year		617,276,723	605,480,367
Balances offset on the sale of subsidiary		-	108,750,000
Capitalization of other debts		(58,000,000)	-
Compensation for dividends allocated		41,669,827	-

The accompanying notes form an integral part of these consolidated financial statements.

Stated in pesos

NOTE 1: GENERAL INFORMATION

The Company was established in 1994 as investment and financing company. Through its subsidiaries and related entities, ASA has invested in the energy market, in the power generation and commercialization segment.

Albanesi Group through ASA and AISA is engaged in the power generation and selling meanwhile through RGA it is engaged in the gas selling and transportation business.

In recent years, the main strategy of Grupo Albanesi has been focused on achieving vertical integration, drawing on its vast experience and reputation in the natural gas sale market (through RGA), with the subsequent addition of the electric power generation business. This approach seeks to capitalize the value added from the purchase from large gas producers in all the oil basins in the country to its transformation and sale as electric power.

Below is a detail of the participation of ASA in each company.

Companies	Country of incorporation	Main business activity	% participation in decision-making	
			12.31.16	12.31.15
GMSA	Argentina	Generation of electric energy	95.00%	95.00%
GISA (1)	Argentina	Generation of electric energy	-	95.00%
GRISA (1)	Argentina	Generation of electric energy	-	95.00%
GLBSA (1)	Argentina	Generation of electric energy	-	95.00%
GFSA	Argentina	Generation of electric energy	95.00%	95.00%
GROSA	Argentina	Generation of electric energy	95.00%	95.00%
Solalban Energía S.A.	Argentina	Generation of electric energy	42.00%	42.00%
GLSA	Argentina	Generation of electric energy	95.00%	-
AVSA (2)	Argentina	Hydrocarbon generation	-	99.99%

(1) Companies merged with GMSA within the framework of the merger through absorption process in accordance with Note 40.a.
(2) Company liquidated

The generation segment of Albanesi Group, through ASA and AISA (ASA's subsidiary) has an installed capacity of approximately 892 MW, which accounts for 4% of the installed capacity of Argentina. In addition, considering the different projects underway, Albanesi Group, through ASA, AISA and Albanesi Energia S.A. (ASA's subsidiary) will have an installed capacity of approximately 1,522 MW.

On November 10, 2015, the Final Merger Agreement was signed, which establishes the merger through absorption of GISA, GLBSA and GRISA with GMSA (the continuing company) effective as from January 1, 2016. On March 18, 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 is pending at the date of issue of these financial statements having registrated on May 18, 2016. (See Note 40.a)

On August 31, 2016, GMSA and GFSA entered into a preliminary merger agreement, whereby GMSA will absorb GFSA. (See Note 40.b)

NOTE 1: GENERAL INFORMATION (Cont'd)

In 2015, ASA entered the capital markets. On November 20, 2015, it obtained the authorization to enter the public offering system and create a program of Simple Negotiable Obligations (not convertible into shares) of up to USD 100,000,000 or its equivalent in other currencies, in one or more classes or series. On December 29, the Company issued Class I NO for $ 70 million. On October 25, 2016 the Company issued Class II NO for $ 220 million.

RGA, in turn, is the leading company engaged in the sale of gas and the provision of energy supply services to industries and power plants.

In the year 2015, the Company has sold its interest in BDD and AJSA to RGA. As a result, the consolidated financial statements at December 31, 2016 do not include BDD and AJSA. In view of the above, the comparability of these statements is affected.

New projects

GMSA, ASA's subsidiary, announced a plan to increase generation of electricity in its installed plants in different locations in Argentina, which involves works for an investment of approximately USD 357.9 million and would contribute 400 MW new to the national system.

Enlargement at Riojana's power plant

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. The remaining equipment, including a power transformer, gas compressor, water plant, chillers, tanks, is currently installed. At the date of these consolidated financial statements, the turbine was in the process of being commissioned. The total project investment amounts to approximately USD 49.9 million. Commercial start-up is estimated for March 2017.

Enlargement of the Modesto Maranzana Steam Power Plant

On 28 March 2016, GMSA signed an agreement with Siemens Industrial Turbomachinery AB to execute an expansion project at the Power Plant to reach an additional 100 MW to the existing 250 MW based on the installation of two Siemens SGT-800 turbines, each with a 50 MW power-rating. This expansion is being carried out under the framework of an agreement executed under Resolution 220/07 S.E. The work requires an estimated investment of USD 88 million. Commercial operation is expected to begin in the second quarter of 2017. At the date of these consolidated financials, GMSA had completed a payment to Siemens Industrial Turbomachinery AB of USD 21.1 million, representing 50% of the purchase of the two turbines, and a 24-installment deferred payment contract has been executed for the remainder, with the first installment expiring in August 2017. The turbines, generator, anchor bolts and chimneys are already at the plant.

Additionally, in September 2016, GMSA executed a contract for transformers, civil works under the project, assembly of chillers, cooling tower and ancillary works. In November 2016, a contract was signed with Siemens for spare parts worth USD 823 thousand to be paid in two equal installments.

Resolution 21/16

Under the framework of Resolution 21/16, GMSA presented projects for expanding the generating capacity by 250 MW, which were awarded following a public call for tenders. On June 30, 2016, GMSA executed the agreements under this Resolution with CAMMESA involving the Ezeiza stage I and II projects for 150 MW and CTI stage I and II for 100 MW, with amounts stipulated in USD, take-or-pay clause, and a 10 year effective term as from the committed date or date of commercial authorization, whichever takes place first.

NOTE 1: GENERAL INFORMATION (Cont'd)

New projects (Cont'd)

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.

NOTE 1: GENERAL INFORMATION (Cont'd)

New projects (Cont'd)

Ezeiza Power Plant (Cont'd)

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.

Corporate Environmental Management System

The Group power plants maintain ISO 14001:2004 certification for an Environmental Management System of the power plant in force and its documentation appropriately updated. Additionally, CTMM maintains ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 certifications for an Integrated Management System of the power plant in force. Its documentation is appropriately updated and adapted to the requirements of the organization and its objectives of safe and efficient performance. Staff have been trained according to the specific needs identified for the proper exercise of their duties. Additionally, the pre-emptive controls and monitoring undertaken were conducted in due time and manner.

In November 2016, the first external audit on the maintenance of the Integrated Management System was performed with satisfactory results after the recertification obtained in 2015.

For the first half of 2017, the following actions are planned: an internal audit under versions of the regulations in force to date, migration of the Environmental Management System and Quality Management System to their new 2015 versions, and implementation of changes mainly based on classroom and e-learning staff training activities. For the second half, the annual external audit will be conducted on the maintenance of the system (second one in the three-year period of certifications) under 2015 version for Quality and Environmental Systems.

NOTE 2: REGULATORY FRAMEWORKS APPLICABLE TO ELECTRICITY GENERATION

The Group's revenue from electricity generation activity is derived from sales to Large Users on the Forward Market, basic and surplus demand (ES Resolution 1281/06), from sales to CAMMESA (Compañía Administradora del Mercado Mayorista Eléctrico S.A.) according to ES Resolution 220/07, and sales under ES Resolution 529/14. 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 Wholesale Electricity Market (WEM) administered by CAMMESA.

a) Regulations on Energía Plus, Resolution 1281/06

The Secretariat Energy approved Resolution 1281/06 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.

NOTE 2: REGULATORY FRAMEWORKS APPLICABLE TO ELECTRICITY GENERATION (Cont'd)

a) Regulations on Energía Plus, Resolution 1281/06 (Cont'd)

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.

The resolution also establishes that:

• Large Users with demand over 300 KW ("GU300") will be authorized to enter into contract 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 the 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, 2015 a great percentage of the power available was under contract. The average term of the different Energy Plus contracts entered into between GMSA and their customers was 1 year. Customers pay sales under this modality directly to GMSA.

b) WEM Supply Contract (Resolution 220/07)

In January 2007, the Energy Secretariat adopted Resolution No. 220/07 authorizing the execution of Supply Contracts between the 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 energy generation 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.

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.

NOTE 2: REGULATORY FRAMEWORKS APPLICABLE TO ELECTRICITY GENERATION (Cont'd)

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

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 commissioning. In turn, GISA agreed with CAMMESA a WEM supply contract for 116.7 MW, for a term of 10 years counted as from November 2011. GMSA and CAMMESA entered into a Wholesale Electric Market supply contract for 55.5 MW, for a term of 10 years counted as from the commercial commissioning.

This contract sets a remuneration comprised of 5 components: i) a fixed charge for the average monthly availability of contracted power, for a price of 16,133 USD/MW-month for GMSA, 17,155 USD/MW-month for GISA and 19,272 USD/MW for GFSA; 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 (for GMSA gas 7.83 USD/MWh – gas oil 8.32 USD/MWh, for GISA gas 7.52 USD/MWh – gas oil 7.97 USD/MWh and for GFSA gas 10.83 USD/MWh – gas oil 11.63 USD/MWh); iv) a variable charge for repayment of fuel costs, all 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 to the Spot Market (ES Resolution 22/16)

On March 22, 2013 the Energy Secretariat issued ES Resolution 95/13 that aims at adapting the system for the remuneration of the generation pool without affecting 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.

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.

NOTE 2: REGULATORY FRAMEWORKS APPLICABLE TO ELECTRICITY GENERATION (Cont'd)

c) Sales to the Spot Market (ES Resolution 22/16)

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 system, updated by Res. 22/16, basically comprises 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 according to the technology used is presented below:

Companies	Classification	Fixed Cost as per Res. 22/16
		$/MWhrp
GLB/GR	TG Units with Power (P) < 50 MW (small)	152.3
GROSA	TV Units with Power (P) > 100 MW (large)	129.2
GM	CC Units with Power (P) < 150 MW (small)	101.20

   These prices may be increased by a percentage established in Res. No. 22/16. It is established that 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.

2. Variable cost: this is paid based on the electricity generated and the fuel used, and the value is the same for the technologies used by all the subsidiaries. The prices recognized by new Res. No. 22 are 46.30 $/MWh for generation with natural gas, 81.10 $/MWh with gas oil and fuel oil; while the former resolution recognized 33.10 $ /MWh for generation with natural gas and 57.90 $ /MWh with gas oil.

3. Additional remuneration: this is determined based on total generation and includes two elements: a portion that is collected directly by the generating companies, and another that is allocated to a trust for new investments.

Companies	Classification	Additional Remuneration $/MWh as per Res. 22.	
		Directly	Trust Fund
GLB/GR	TG Units with Power (P) < 50 MW (small)	13.70	5.90
GROSA	TV Units with Power (P) > 100 MW (large)	11.70	7.80
GM	CC Units with Power (P) < 150 MW (small)	13.70	5.90

Albanesi S.A.

Notes to the Consolidated Financial Statements (Cont'd)

NOTE 2: REGULATORY FRAMEWORKS APPLICABLE TO ELECTRICITY GENERATION (Cont'd)

c) Sales to the Spot Market (ES Resolution 22/16) (Cont'd)

4. Remuneration of non-recurring maintenance: this is determined monthly on the basis of the electricity generated. The accumulated funds can be used for performing non-recurring maintenance works.

Companies	Classification	Res. 22
		$/MWh
GLB/GRI	TG Units with Power (P) < 50 MW (small)	45.10
GROSA	TV Units with Power (P) > 100 MW (large)	45.10
GMSA	CC Units with Power (P) < 150 MW (small)	39.50

5. "Resource for FONINVEMEM investments 2015-2018": valued at $ 15.80 per MWh, this is determined monthly on the basis of the electricity generated. The accumulated funds will be used for new investments in electricity generation. The Company being a generating agent in the WEM and a party to the agreement to increase the availability of thermal power generation, this recognition will enable it to have a participation in the new investments made to diversify the pool of electricity generators in Argentina.

Companies	Classification	Res. 422 $/MWh
GLB/GR	TG Units with Power (P) < 50 MW (small)	15.80
GROSA	TV Units with Power (P) > 100 MW (large)	15.80
GM	CC Units with Power (P) < 150 MW (small)	15.80

The balance not recognized for this item amounts to $ 30,353,726.

6. New system of "Incentives for energy production and operational efficiency applicable to thermal 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.

NOTE 2: REGULATORY FRAMEWORKS APPLICABLE TO ELECTRICITY GENERATION (Cont'd)

c) Sales to the Spot Market (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 cots 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 3: BASIS FOR PRESENTATION

These financial statements have been prepared in accordance with FACPCE Technical Pronouncement No. 26 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.

NOTE 3: BASIS FOR PRESENTATION (Cont'd)

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.

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 Group's business, like salaries and input prices, have changed significantly. This situation must be considered when assessing and interpreting the Group'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.

NOTE 4: ACCOUNTING POLICIES (Cont'd)

4.1) New accounting standards, modifications and interpretations

The following standards, modifications and interpretations of standards were published by the IASB and the IFRIC. Those standards, modifications and interpretations that could have potential impact on the Group at the time of their application are described below.

4.1.1) New standards, modifications and interpretations not yet effective, but early adopted by the Group

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 consolidated financial statements, the Group is analyzing the impact of its application.

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.

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.

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

NOTE 4: ACCOUNTING POLICIES (Cont'd)

4.2) Consolidation

The financial statements include the financial statements of the Company and of the entities controlled by it. Subsidiaries are all those entities over which the Company exercises its control, generally accompanying a shareholding of more than 50% of the voting rights. The Company controls an entity when it is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Also, the Company assesses the existence of control when it does not hold more than 50% of the voting rights but can govern the financial and operating policies by virtue of "*de facto* control". "*De facto* control" can arise in the circumstance when the size of the voting rights held by the Group relative to the size and dispersion of other vote holders gives it the ability to direct the financial and operating policies, etc. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date on which control ceases.

The main consolidation adjustments are as follows:

i. Suppression of reciprocal assets and liabilities accounts balances between the Group companies, in a way that the financial statements show only the balances held with third parties and non-controlled related parties;
ii. Suppression of transactions between the Group companies, in a way that the financial statements show only those transactions with third parties and non-controlled related parties;
iii. Suppression of the participation in equity and results for each period of the subsidiaries in the aggregate.

The accounting policies of the subsidiaries have been modified, if necessary, to ensure consistency with those adopted by the Company.

ASA conducts its business through various subsidiaries. Unless otherwise is stated, the subsidiaries listed below have a share capital made up of ordinary shares only, which are directly held by the Group, and the proportion of the interest percentage held is the same as the voting rights of the Group. The country of incorporation or registration is also the main place of business. The subsidiaries are detailed below.

Subsidiary company	Company's place of business / Country of incorporation	Main business activity	% participation in decision-making	
			12.31.16	12.31.15
Generación Mediterránea S.A. (GMSA)	Argentina	Generation of electric energy	95.00%	95.00%
Generación Independencia S.A. (GISA) (1)	Argentina	Generation of electric energy	-	95.00%
Generación Riojana S.A. (GRISA) (1)	Argentina	Generation of electric energy	-	95.00%
Generación La Banda S.A. (GLB) (1)	Argentina	Generation of electric energy		95.00%
Generación Frías S.A. (GFSA)	Argentina	Generation of electric energy	95.00%	95.00%
Generación Rosario S.A. (GROSA)	Argentina	Generation of electric energy	95.00%	95.00%
Generación Litoral S.A. (GLSA)	Argentina	Generation of electric energy	95.00%	-
Generación Venezuela S.A. (AVSA) (2)	Argentina	Hydrocarbon generation	99.99%	99.99%

(1) Companies merged with GMSA within the framework of the merger through absorption process in accordance with Note 40.a.
(2) Company liquidated

NOTE 4: ACCOUNTING POLICIES (Cont'd)

4.3) Revenue recognition

a) Sale of electricity

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 electricity business, the main activity of the Group, 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; and
d. the costs incurred or to be incurred in respect of the transaction were measured reliably.

b) Sale of services

Revenue from sales of services is recognized in the year they are rendered, based on the degree of completion.

c) Sales in the air transportation business segment

Revenue from air transportation services is recognized in the year they are rendered, based on the degree of completion. During fiscal year 2015, ASA sold its equity interests in AJSA, a company engaged in the air navigation business. (See Note 35)

d) Sales in the wines segment

Revenue from the wine business segment of the Group derive mainly from the sale of both bottled wines and wine in bulk.

The Group records revenue from sales in the wines segment when the bottled wines or the wine in bulk are delivered and ownership and its associated risks are transferred to the customers, which usually occurs when the products are received or picked up directly by the customers, the collection of receivables is probable, and the amount of income can be measured reliably. Net sales of products represent the amount billed, net of discounts and allowances, if any exist. During fiscal year 2015, ASA sold its shares in BDSA, a company devoted to the wine business. (See Note 35)

e) Interest income

Interest income is recognized under the effective interest 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.

f) Dividends earned

Dividends earned are recognized when the right to collect is declared.

<u>NOTE 4:</u> ACCOUNTING POLICIES (Cont'd)

4.4) Effects of the foreign exchange rate fluctuations

a) Functional and presentation currency

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

The Group has assessed and concluded that, at the date of the financial statements, there is not enough evidence to conclude that Argentina is a hyperinflationary economy (See Note 3).

If the requirements set in IAS 29 to consider Argentina as a hyperinflationary economy are met, the consolidated financial statements should be restated from the latest restatement date (March 1, 2003) or the latest revaluation of assets that would have been revalued in the 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 restated. 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 income, except for the amounts that are capitalized.

The exchange rates used are: buying exchange rate for monetary assets, selling exchange rate for monetary liabilities, average exchange rate for balances with related parts, each prevailing at year end, as published by Banco Nación, and one-off exchange rate for transactions in foreign currency.

c) Subsidiaries in a hyperinflationary economy

The financial statements of an entity whose functional currency is that of a hyperinflationary economy are restated for purposes of their presentation in constant currency at the year-end date, in accordance with the method established by IAS 29 "Financial Reporting in Hyperinflationary Economies".

In Venezuela, the cumulative inflation rate over the last three years approached or exceeded 100%. This situation, combined with other features of the economic environment, led the Group to classify the economy of this country as hyperinflationary. As a consequence, the financial statements of the subsidiary Albanesi de Venezuela S.A. were restated in constant currency at year-end, using coefficients calculated based on the National Consumer Price Index (INPC) published by the Central Bank of Venezuela.

On August 15, 2016, the Extraordinary Shareholders' Meeting of AVSA decided the early dissolution and liquidation of the company. On November 24, 2016 the procedures were concluded for dissolution, liquidation and subsequent de-registration of AVSA from the Venezuela Registry of Commerce.

The value of INPC and its annual variations until the liquidation of AVSA are disclosed in the table below:

Albanesi S.A.

NOTE 4: ACCOUNTING POLICIES (Cont'd)

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

c) Subsidiaries in a hyperinflationary economy (Cont'd)

Date	INPC	Annual %
12.31.13	498.1	56.2%
12.31.14	839.5	68.5%
12.31.15	2,357.9	180.9%
09.30.16	5,749.1	143.8%

Gains and losses for the net financial position are disclosed in the caption Financial results.

d) Conversion of financial statements of subsidiaries whose functional currency corresponds to a hyperinflationary economy

The results and financial position of the subsidiaries that have a functional currency different from the presentation currency and which are related to a hyperinflationary economy are restated firstly in accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies" and then, all assets, liabilities, equity items and income statement accounts are translated at the exchange rate prevailing at year end.

The financial statements of Albanesi de Venezuela S.A. used for consolidation, stated in Argentine pesos (ARS) as presentation currency that is different from the functional currency, were obtained from the translation of the financial statements stated in bolivars, in compliance with International Accounting Standard No. 21 "The Effects of Changes in Foreign Exchange Rates" (IAS 21).

Official exchange rates at the end of each fiscal year are as follows:

	09.30.16	**12.31.15**	**12.21.14**
Exchange rate at year end (Bs/USD1)	658.88	198.69	12
Exchange rate at year end (ARS/USD1)	15.21	12.94	8.45

4.5) 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 it is available for use.

Lands, facilities, machinery and turbines are measured at their fair value less accumulated depreciation and impairment losses recognized at the date of revaluation, if any. 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, machinery, facilities and turbines with their recoverable values, calculated in the manner described below.

NOTE 4: ACCOUNTING POLICIES (Cont'd)

4.5) Property, plant and equipment (Cont'd)

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.

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 and 2015 amounted to $ $448,835,499 and $ 12,795,878, respectively. The average capitalization rate used for each year was 22% for 2016 and 25% for 2015.

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 de-recognized from accounting. Other repair and maintenance costs are recognized as an expense in the period in which they are incurred.

Had Property, plant and equipment been measured applying the cost model, the carrying amounts would have been the following:

	12.31.16	12.31.15
Cost	3,261,907,917	1,602,093,298
Accumulated depreciation	(413,424,074)	(318,679,490)
Residual value	**2,848,483,843**	**1,283,413,809**

Based on the technical evaluation of property, plant and equipment performed by the experts, reclassifications have been made on the class of items for more adequate disclosure.

Property, plant and equipment held for use in the production or for administrative purposes are recorded at historical cost less accumulated depreciation and any loss due to impairment. Historical cost includes the costs directly attributable to the purchase of those assets.

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 de-recognized from accounting. Other repair and maintenance costs are recognized as an expense in the period in which they are incurred.

NOTE 4: ACCOUNTING POLICIES (Cont'd)

4.6) Investments in associates and other companies

Investments in associates

Associates are all those entities over which ASA has a significant influence but not control, generally representing a holding of between 20% and less than 50% of the voting rights of that entity. Investments in associates are accounted for using the equity method. Under this method, the investment is initially recognized at cost, and the carrying value is increased or reduced to recognize the investor interest in the gains and losses of the associate subsequent to the acquisition date.

Investments in other companies

All the investments in equity instruments are measured at fair value through profit or loss. The fair value of the unlisted ordinary shares of TJSM and TMB was estimated using a model of discounted cash flows.

4.7) 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. To assess impairment losses, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

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

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

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

NOTE 4: ACCOUNTING POLICIES (Cont'd)

4.8) Financial assets

4.8.1) Classification

The Group 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. For the asset to be measured at amortized cost, the two conditions described below must be verified. The other 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 the following conditions are met:
- the business model of the Company is aimed at keeping the assets to obtain contractual cash flows;
- contractual conditions give rise on specified dates to cash flows that are only payments of the principal and interest on the principal.

b) Financial assets at fair value

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

4.8.2) Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade date, i.e., when the Company commits to purchase or sell the asset. Financial assets are de-recognized 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, in the case of financial assets that are not measured at fair value through profit or loss, transaction costs directly attributable to the purchase of those financial assets.

4.8.3) Impairment of financial assets

Financial assets at amortized cost

The Group 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.

NOTE 4: ACCOUNTING POLICIES (Cont'd)

4.8) Financial assets (Cont'd)

4.8.4) 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.

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

- significant financial difficulties of the debtor;
- breach of contractual clauses, such as late payment of interest or principal; and
- probability that the debtor will enter into bankruptcy or other financial reorganization.

The amount of the impairment is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted using the original effective interest rate. The carrying value of the asset is reduced and the amount of the impairment loss is recognized in the statement of comprehensive income.

If, in subsequent years, the amount of the impairment loss decreases and this decrease can objectively be related to an event occurred after the recognition of the impairment (such as an improvement in the debtor's credit rating), the reversal of the impairment loss previously recorded is recognized in the statement of comprehensive income.

4.9) Trade and other receivables

Trade receivables are amounts due by customers for sales made by the Company's businesses 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.

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 Group sets up bad debt allowances when there is objective evidence that it will not be able to collect all amounts due according to the original terms of the receivables.

4.10) Advances to suppliers

The Group 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 Group recorded a balance of advance to suppliers of $882,328,198.

NOTE 4: ACCOUNTING POLICIES (Cont'd)

4.11) Inventories

Electricity generation business

Inventories are valued at the lower of acquisition cost or net realizable value.

Since the inventories of the Group 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 price method.

The Group classified inventories 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.

Wine business

Inputs and finished products are measured at the lower of cost or net realizable value. The cost of inputs and finished products is determined applying the weighted average price method.

4.12) 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.

4.13)Trade and other payables

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

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

4.14) Loans

Loans are initially recognized at fair value, less direct transaction costs incurred. They are subsequently measured at amortized cost, and any difference between the funds received (net of transaction costs) and the amount payable at due date is recognized in the statement of income over the term of the loan, applying the effective interest rate method. The Group analyzes the renegotiation of loans to determine if given the qualitative and quantitative changes to their conditions, they must be considered as a modification or extinguishment.

NOTE 4: ACCOUNTING POLICIES (Cont'd)

4.15) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. those that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets until the moment they are ready for their use or sale.

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

4.16) Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date when the contract is executed. Subsequent to initial recognition, they are again measured at fair value.

The method for recognizing the resulting loss or profit depends on whether the derivative has been designated as a hedging instrument and, if so, on the nature of the item it is covering. The Group has executed financial derivatives contracts in foreign currency, for the purpose of hedging the next payments falling due in connection with the principal installments and interest of its loans in US dollars and reducing the foreign exchange variation risk. However, the Group has not applied hedge accounting; therefore, the changes in its value are recognized under profit or loss in the caption Changes of fair value of financial instruments, under the line Other financial results.

Fair values of derivative financial instruments that are traded in active markets are recorded according to quoted market prices. Fair values of derivative financial instruments that are not traded in active markets are determined by using valuation techniques. The Group applies critical judgment to select the most appropriate methods and to determine assumptions that are based mainly on the market conditions existing at the end of each year.

4.17) Provisions

Provisions were recognized in the cases in which, considering a present obligation in charge of the Group, 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 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 types of provisions set up are as follows:

a) Deducted from assets:

Bad debt allowance: it has been set up based on a historical analysis of accounts receivable to assess the recoverability of the credit portfolio.

b) Included in liabilities:

These allowances have been set up to cover potential contingent situations that could give rise to future obligations of payment. In estimating the amounts, the likelihood of occurrence is considered, taking into account the opinion of the Group's legal advisors.

NOTE 4: ACCOUNTING POLICIES (Cont'd)

4.18) Income tax and minimum notional income tax

a) Current and deferred income taxes

The income tax charge for the year includes deferred taxes. Income tax is recognized in income/loss. Deferred tax is recognized, according to the liability method, on the basis of the temporary differences arising between the tax bases of assets and liabilities and their respective carrying amounts shown in the statement of financial position. However, no deferred tax liability is recognized if the differences arise from the initial recognition of goodwill, or from the initial recognition of assets and liabilities in a transaction (different from a business combination) that did not affect accounting income nor tax income at the moment of being performed.

Deferred tax assets are recognized only to the extent that it is likely that the company has future tax income against which to offset the temporary differences.

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

b) Minimum notional income tax

The Group 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 coincide in each fiscal year with the higher of the two taxes. However, if the tax on minimum notional income were to exceed income tax in a given fiscal year, such excess may be computed as a payment on account of the income tax to be generated in any of the next ten fiscal years.

The Group has recognized the tax on minimum notional income accrued in the year and 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.

4.19) Balances with related parties

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

NOTE 4: ACCOUNTING POLICIES (Cont'd)

4.20) 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 the income statement on a straight-line basis over the period of the lease.

The Group 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.

Obligations for leases, net of financial costs, are included in current or non-current loans, according to their due date. 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 finance lease is depreciated over the useful life of the asset and the lease period, whichever is shorter.

4.21) Defined benefit plan

Generación Rosario S.A offers defined benefit plans. Usually, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, generally dependent on one or more factors such as age, years of service and compensation.

The liability recorded in the statement of financial position in relation to defined benefit plans is the present value of the obligation from defined benefit plans at the closing date. The obligation from defined benefit plans is calculated annually by independent actuaries in accordance with the projected unit credit method. The current value of the defined benefit obligation is determined by discounting the future cash outflows estimated using actuarial assumptions based on the demographic and financial variables that have an influence in determining the amount of those benefits.

Actuarial gains and losses arising from adjustments due to the experience and changes of actuarial assumptions are recognized in Other comprehensive income in the year when they occur. The costs for past services are immediately recognized in the income statement.

4.22) Equity accounts

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

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. These ordinary shares are classified within equity.

NOTE 4: ACCOUNTING POLICIES (Cont'd)

4.22) Equity accounts (Cont'd)

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*

It relates to the allocation decided by the Company's Shareholders' Meeting whereby a specific amount is assigned to meet the potential needs for funds arising from projects and situations relating to the Company policy.

d) *Technical revaluation reserve*

Corresponds to the technical revaluation reserve of the subsidiary companies according to the percentage of interest, as a result of applying the revaluation model for property, plant and equipment.

e) Other comprehensive income

Corresponds to actuarial gains and losses from the calculation of liabilities for defined benefit plans and their tax effects.

f) Translation reserve

Accumulated translation differences are shown in a separate component of equity until the disposal of the business abroad (Albanesi de Venezuela S.A.).

g) Unappropriated earning

Unappropriated 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 unappropriated 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
    - Discretionary reserves
    - Legal reserve
- (ii) Capital contributions
- (iii) Issuance premium
- (iv) Other equity instruments (if feasible from the legal and corporate point of view)
- (v) Capital Adjustment

h) Distribution of dividends

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

NOTE 5: FINANCIAL RISK MANAGEMENT

5.1) Financial risk factors

Financial risk management is encompassed within the global policies of the Group, 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 Group 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.

Financial risk management is controlled by the Finance Division of the Group, 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 Group's business activities.

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

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 financial assets and liabilities denominated in a currency other than the functional currency of the Company.

NOTE 5: FINANCIAL RISK MANAGEMENT (Cont'd)

5.1) Financial risk factors (Cont'd)

a) Market risk (Cont'd)

Captions	12.31.16				12.31.15
	Foreign currency			Amount recorded in pesos	Amount recorded in pesos
	Class	Amount	Exchange rate used (1)		
				$	
ASSETS					
Current Assets					
Cash and cash equivalents	US dollars	153,354	15.790	2,421,454	16,131,117
Trade receivables	US dollars	14,703,191	15.790	232,163,378	190,372,334
Other receivables	US dollars	-	-	-	66,004
Other receivables – Related parties	US dollars	-	-	-	15,982,221
Total current assets				**234,584,832**	**222,551,676**
Total Assets				**234,584,832**	**222,551,676**
LIABILITIES					
Non-Current Liabilities					
Trade payables	US dollars	27,976,216	15.890	444,542,066	137,505,725
Loans	US dollars	213,973,853	15.890	3,400,044,529	90,857,513
Total non-current liabilities				**3,844,586,595**	**228,363,238**
Current Liabilities					
Trade payables	US dollars	5,762,521	15.890	91,566,463	28,906,780
Trade payables – Related parties	US dollars	6,778,928	15.840	107,378,222	22,931,520
Trade payables	Euros	-	-	-	1,711,556
Loans	US dollars	12,040,510	15.890	191,323,703	170,172,470
Total Current Liabilities				**390,268,388**	**223,722,326**
Total Liabilities				**4,234,854,983**	**452,085,564**
Assets and liabilities, net				**(4,000,270,150)**	**(229,533,888)**

(1) Banco Nación exchange rates prevailing at year end. An average exchange rate is applied to intercompany balances. Information required by Exhibit G, in compliance with Section 1, Chapter III, Title IV of the restated text by the CNV,

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 10% of US dollar compared to the Argentine peso would increase loss for the year in the following way:

	Argentine peso	
Net asset/(liability) position	**12.31.16**	**12.31.15**
US dollars	(40,002,702)	(2,295,339)
	(40,002,702)	**(2,295,339)**

Price risk

Group revenue rely, to a lesser extent, on sales made under Resolution 22/16. Group 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 Group, the Group 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 Group is obliged to sell all the power generated in the Spot Market or the sales price was limited, the results of the Group could be adversely affected.

The Group's investments in listed equity instruments are susceptible to market price risk arising from the uncertainties concerning the future value of these instruments. Due to the low significance of the investments in equity instruments in relation to the net Asset/Liability position, the Group is not significantly exposed to the referred to instruments price risk.

Furthermore, the Group is not exposed to the commodities price risk.

Interest rate risk

Interest rate risk arises from the Group's debt at floating rate. Indebtedness at floating rate exposes the Group 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 Group 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 Group 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.

NOTE 5: FINANCIAL RISK MANAGEMENT (Cont'd)

5.1) Financial risk factors (Cont'd)

a) Market risk (Cont'd)

The following table shows the Group's borrowings broken down by interest rate:

	12.31.16	12.31.15
Fixed rate:	3,503,254,743	334,967,685
	3,503,254,743	**334,967,685**
Floating rate:	1,139,266,914	1,029,751,944
	1,139,266,914	**1,029,751,944**
	4,642,521,657	**1,364,719,629**

Based on simulations run with all the other variables kept constant, an increase/ (decrease) of 1 % in floating interest rates would (decrease)/ increase the results for the period as follows:

	12.31.16	12.31.15
Floating rate:	11,392,669	10,297,519
Increase in loss for the year	**11,392,669**	**10,297,519**

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 number of doubtful receivables in the fiscal year ended December 31, 2016, the impact on revenue was minimal.

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.

Albanesi S.A.

Notes to the Consolidated Financial Statements (Cont'd)

NOTE 5: FINANCIAL RISK MANAGEMENT (Cont'd)

5.1) Financial risk factors (Cont'd)

c) Liquidity risk

The Management of the Group monitors the updated projections on liquidity requirements to ensure that the group 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 required 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 Group 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 Group 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.

At December 31, 2016	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	After 2 years	Total
Trade and other payables	203,804,837	147,907,432	172,625,416	300,829,362	825,167,047
Loans	327,351,457	649,130,098	992,274,082	4,833,920,025	6,802,675,661
Total	**531,156,294**	**797,037,530**	**1,164,899,498**	**5,134,749,387**	**7,627,842,708**

At December 31, 2015	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	After 2 years	Total
Trade and other payables	74,186,769	332,622,462	257,068,465	-	663,877,696
Loans	256,892,193	545,417,960	851,284,868	40,356,791	1,693,951,812
Total	**331,078,962**	**878,040,422**	**1,108,353,333**	**40,356,791**	**2,357,829,508**

NOTE 5: FINANCIAL RISK MANAGEMENT (Cont'd)

5.2) Management of capital risk

The objectives of the Group when it administers capital are to secure the correct operation, 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 Group 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 Group 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:

	12.31.16	**12.31.15**
Total loans (*)	4,440,040,386	1,150,617,012
Less: Cash and cash equivalents	(531,824,982)	(33,915,698)
Net debt	3,908,215,404	1,119,051,314
EBITDA	779,311,211	444,229,879
Net debt/ EBITDA	5.01	2.52

(*) Not including the balance with CAMMESA

NOTE 6: CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

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.

The preparation of the financial statements require that the Group makes estimates and carries out evaluations relating to the future. Actual future results may differ from those estimates and assessments made at the date these financial statements were prepared. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are detailed below

a) Fair value of property, plant and equipment

The Group accounted for its facilities, machinery and buildings following the revaluation model. Under such model these assets are carried at their revalued amount, being its fair value at the date of revaluation less subsequent depreciation and impairment, provided fair value can be measured reliably. If a revaluation results in an increase in value, we credited to other comprehensive income and accumulated in equity under the heading "Revaluation reserve". A decrease arising as a result of revaluation should be recognized as an expense to the extent that it exceeds any amount previously credited to the revaluation surplus relating to the same asset. The Group's management is required to make judgments in determining the fair value of these assets.

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

b) Impairment of non-financial assets

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

Electricity production plants of ASA and subsidiaries 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. 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:

a) First, to reduce the carrying value of goodwill allocated to the cash generating unit, and
b) 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.

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.

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

The Group 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.

Deferred tax assets are revised on each reporting date and reduced based on the likelihood that a sufficient taxable base is available to allow for these assets to be totally or partially recovered. Deferred assets and liabilities are not discounted. When assessing the realizability of deferred tax assets, Management considers it probable that some, or all, deferred tax assets are not realizable.

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

c) Current and deferred income tax / Minimum notional income tax (Cont'd)

Whether deferred tax assets are realizable depends on the generation of future taxable income for the periods in which these temporary differences are deductible. In making this assessment, Management takes into account the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies.

d) Provisions

They 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, the likelihood of occurrence is considered, taking into account the opinion of the Group's legal advisors.

At the date of these consolidated financial statements, the Management of the Group 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.

e) 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 amounted to $ 4,686,176 and $ 839,252 at December 31, 2016 and 2015, respectively.

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

f) Defined benefit plans

The liability recorded by GROSA is the best estimate of the present value of the cash flows representing the obligation from defined benefit plans at the closing date for the subsidiary. These flows are discounted using actuarial assumptions based on the demographic and financial variables that have an influence in determining the amount of those benefits. The estimate is based on actuarial calculations made by independent professionals in accordance with the projected unit credit method.

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Notes to the Consolidated Financial Statements (Cont'd)

NOTE 7: PROPERTY, PLANT AND EQUIPMENT

	12.31.16												
	ORIGINAL VALUE						DEPRECIATION						
Captions	Value at beginning of year	Increases / Transfers and (1) y (4)	Decrease	Decrease due to deconsolidation	Revaluation of original values	Value at end of year	Accumulated at beginning of year	For the year (2) and (3)	Decreases	Decrease due to deconsolidation	Revaluation of accumulated depreciation	Accumulated at end of year	Net value
							$						
Land	77,046,621	74,851,255	-	-	33,212,479	185,110,335	-	-	-	-	-	-	182,110,355
Real property	62,451,733	8,933,289	-	-	37,368,877	108,753,899	-	1,849,586	-	-	(1,849,586)	-	108,753,899
Facilities	202,704,912	1,349,862	(4,063,150)	-	88,234,575	288,226,199	-	11,352,027	-	-	(11,352,027)	-	288,226,199
Machinery and turbines	2,465,771,420	558,937,730	-	-	565,260,150	3,589,969,300	-	129,123,528	-	-	(129,123,528)	-	3,589,969,300
Computer and office equipment	5,714,885	2,261,093	-	-	-	7,975,978	2,861,148	1,003,680	-	-	-	3,864,828	4,111,150
Vehicles	2,579,122	4,199,396	-	-	-	6,778,518	807,535	702,399	-	-	-	1,509,934	5,268,584
Tools	3,033,309	192,078	-	-	-	3,225,387	490,618	545,464	-	-	-	1,036,082	2,189,305
Furniture and fixtures	418,413	90,923	(1,800)	-	-	507,536	206,533	56,836	(1,800)	-	-	261,569	245,967
Works in progress	14,169,181	973,125,365	-	-	-	987,294,546	-	-	-	-	-	-	987,294,546
Civil works on third party property	15,086,573	-	-	-	-	15,086,573	6,303,358	1,735,954	-	-	-	8,039,312	7,047,261
Facilities under construction on third party property	138,972,270	-	-	-	-	138,972,270	43,028,527	19,060,864	-	-	-	62,089,391	76,882,879
Machinery and turbines under construction on third party property	62,823,658	296,225	-	-	-	63,119,883	16,621,945	9,275,623	-	-	-	25,897,568	37,222,315
Assets under construction on third party property	14,001,254	38,861,471	-	-	-	52,862,725	-	-	-	-	-	-	52,862,725
Inputs and spare parts	16,281,163	5,146,787	-	-	-	21,427,950	-	-	-	-	-	-	21,427,950
Total al 31.12.16	**3,081,054,514**	**1,668,245,474**	**(4,064,950)**	**-**	**724,076,081**	**5,469,311,119**	**70,319,664**	**174,705,961**	**(1,800)**	**-**	**(142,325,141)**	**102,698,684**	**5,366,612,435**
Total al 31.12.15	**2,089,488,947**	**349,663,728**	**(1,177,093)**	**(107,756,915)**	**750,835,847**	**3,081,054,514**	**59,993,689**	**111,512,180**	**(512,498)**	**(20,322,586)**	**(80,351,121)**	**70,319,664**	**3,010,734,850**

(1) Includes acquisition of assets for the project of start-up and extension of the electricity generation plant.

(2) Depreciation was allocated to cost of sales, administrative and selling expenses, except for the depreciation corresponding to discontinued operations for $ 3,779,762 in the year ended on 2015.

(3) Depreciation charges for the years ended on 2016 and 2015 were allocated to cost of sales, including $ 75,593,672 and $ 35,098,866 for higher value from the technical revaluation.

(4) Financial costs capitalized in the carrying value of Properties, Plant and Equipment for the year ended on December 31, 2016 and 2015 totaled $448,835,499 and $12,795,878, respectively. The average interest rate used for each fiscal year was 22% for 2016 and 25% for 2015.

Information required by Appendix A, in compliance with Section 1, Chapter III, Title IV of the restated text of the CNV.

NOTE 8: INFORMATION ON SUBSIDIARIES

a) Information on subsidiaries

The Group conducts its business through various operating subsidiaries. Composition of the economic group, percentages of interest, criteria for being considered significant and other relevant information on the Group subsidiaries is shown in Note 4.3.

GROSA

On April 27, 2011 the Ordinary Shareholders' Meeting of Central Térmica Sorrento S.A. unanimously approved a lease contract with GROSA; the purpose of the agreement is to rent both the building and the assets added to the Power Plant, including the generator, equipment and other available fixed assets and spare parts. The contract was effectively valid as from November 15, 2010 (with a 9-month grace period) and has a set term of 10 years, with a renewal option for 7 additional years. The first fee installment was invoiced on August 1, 2011.

On December 23, 2015 Central Térmica Sorrento S.A. reorganization proceedings were initiated. This situation does not affect the lease contract mentioned above or the operations related to electricity generation.

On November 10, 2016, a mediation hearing was closed without reaching an agreement in connection with the eviction of the property under a lease agreement mentioned in the preceding paragraph. GROSA estimates that it is highly unlikely that the eviction will take place as Central Térmica Sorrento S.A. has no right to be granted this order.

b) Summary financial information of subsidiaries with significant non-controlling interest

Non-controlling interest in subsidiaries are not significant to the Group.

NOTE 9: EQUITY INTEREST IN ASSOCIATE

At December 31, 2016 and December 31, 2015 the Group's associate is Solalban Energía S.A.

In the course of 2008, ASA associated with Solvay Indupa S.A.I.C., with an interest percentage of 42%, to establish Solalban Energía S.A., with the purpose of building a thermal power plant with a 165-MW generation capacity, located at the petrochemical complex of Bahía Blanca, province of Buenos Aires.

Changes in the investments in the Group's associates for the fiscal year end December 31, 2016 and 2015 a:

	12.31.16	12.31.15
At beginning of year	**243,127,929**	**182,358,371**
Other comprehensive income	53,155,523	67,124,318
Cash dividends	-	(5,880,000)
Share of income and loss	(2,475,883)	(1,474,760)
At end of year	**293,807,569**	**243,127,929**

Below is a breakdown of the investments and the value of interests held by the Company in the associate, at December 31, 2016 and 2015, as well as the Company's share in the income/loss of the associate for the years ended on December 31, 2016 and 2015:

Albanesi S.A.

Notes to the Consolidated Financial Statements (Cont'd)

NOTE 9: EQUITY INTEREST IN ASSOCIATE (Cont'd)

Name of issuing entity	Main business activity	% share interest		Equity value		Company's interest in gains and losses (Loss) / Income	
		12.31.16	12.31.15	12.31.16	12.31.15	12.31.16	12.31.15
				$			
Associates Solalban Energía S.A.	Electricity	42%	42%	293,807,569	243,127,929	(2,475,883)	(1,474,760)
				293,807,569	**243,127,929**	**(2,475,883)**	**(1,474,760)**

Information required by Appendix C, in compliance with Section 1, Chapter III, Title IV of the restated text of the CNV.

Financial information corresponding to the associate Solalban Energía S.A. is summarized below.

Summarized statement of financial position:

	12.31.16	12.31.15
Total non-current assets	884,025,285	742,892,951
Total current assets	287,394,801	206,801,187
Total Assets	**1,171,420,086**	**949,694,138**
Total Equity	**699,541,830**	**578,876,022**
Total non-current liabilities	272,611,435	215,318,213
Total current liabilities	199,266,821	155,499,903
Total Liabilities	**471,878,256**	**370,818,116**
Total Liabilities and Equity	**1,171,420,086**	**949,694,138**

Summarized statement of income and statement of comprehensive income:

	12.31.16	12.31.15
Sales revenue	853,950,783	562,744,687
Net income/loss for the year	(5,894,966)	(3,506,834)
Other comprehensive income	126,560,774	159,819,805
Total comprehensive income for the year	**120,665,808**	**156,312,971**

Statement of cash flows:

	12.31.16	12.31.15
Funds generated by operating activities	29,525,717	44,425,218
Funds used in investment activities	(5,549,421)	(3,466,237)
Funds used in financing activities	(10,273,863)	(22,119,728)
Decrease in cash for the year	**13,702,433**	**18,839,253**

The information above shows the balances recorded in the financial statements of the associates (not the share of the Group in those amounts) adjusted by differences in accounting policies for valuation of property, plant and equipment under the revaluation model.

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Notes to the Consolidated Financial Statements (Cont'd)

NOTE 10: OTHER RECEIVABLES

Non-Current	Note	12.31.16	12.31.15
Value added tax		-	29,391,592
Minimum notional income tax		40,660,871	9,881,926
Turnover tax credit balance		320,945	-
Subtotal tax credits		**40,981,816**	**39,273,518**
Related companies	32	18,750	739
Loans to Directors	32	17,343,215	-
Receivable with GASNOR		1,106,621	-
Advances to suppliers		-	864,096
Otros créditos con C.T. Sorrento		6,696,385	-
Allowance for receivables	18	(1,859,200)	-
		64,287,587	**40,138,353**

Current	Note	12.31.16	12.31.15
Value added tax		210,327,468	32,515,837
Income tax credit balance		-	1,971,516
Minimum notional income tax credit balance		-	1,810,444
Other tax credits		8,809,518	13,293,066
Subtotal tax credits		**219,136,986**	**49,590,863**
Receivables from agreement with C.T. Sorrento Thermal Plant		-	930,833
Advances to suppliers		882,328,198	49,692,046
Other receivables with C.T. Sorrento		-	9,582,556
Prepaid insurance		1,184,054	8,422,836
Security deposits and derivative financial instruments		-	6,150,050
Receivable with GASNOR		3,535,190	-
Related companies	32	227,131,190	33,237,850
Minority interest	32	-	62,142,446
Contributions pending paying-in	32	-	525,000
Sundry		8,322,839	1,322,848
		1,341,638,457	**221,597,328**

NOTE 11: TRADE RECEIVABLES

	Note	12.31.16	12.31.15
Non-Current			
ES Resolution No. 712/04 - FONINVEMEM		-	1,364,164
Additional remuneration - trust fund		25,106,756	-
Remuneration of non-recurring maintenance		104,263,885	-
Generators Agreement 2008-2011		-	2,522,363
Trade receivables		864,183	-
		130,234,824	3,886,527
Current			
Trade receivables		268,101,054	149,162,567
Additional remuneration - trust fund		-	19,249,144
Remuneration of non-recurring maintenance		-	65,363,950
Unbilled sales		265,048,336	148,050,360
Related companies	32	1,815,000	1,518,215
Allowance for bad debts	18	(2,826,976)	(839,252)
		532,137,414	382,504,984

NOTE 12: CASH AND CASH EQUIVALENTS

	Note	12.31.16	12.31.15
Cash		403,220	292,377
Checks to be deposited		18,600,989	2,675,095
Banks		69,918,627	17,591,637
Mutual funds		442,902,146	11,006,589
Cash and cash equivalents (bank overdrafts excluded)		**531,824,982**	**31,565,698**

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		531,824,982	31,565,698
Bank overdrafts	17	(14,657,864)	(70,226,399)
Cash and cash equivalents (bank overdrafts included)		**517,167,118**	**(38,660,701)**

NOTE 13: CHANGES IN CAPITAL

Share capital at December 31, 2016 is comprised of:

Capital	Amount $	Approved by Date	Approved by Body	Date of registration with the Public Registry of Commerce:
Total at 12.31.11	**30,100,000**			
Capitalization of debt	10,000,000	12/31/12	Extraordinary Shareholders' Meeting	09/16/13
Capitalization of debt	20,000,000	12/30/13	Extraordinary Shareholders' Meeting	09/25/14
Capital reduction	(55,644,840)	07/16/14	Ordinary Shareholders' Meeting	09/25/14
Capitalization of debt	58,000,000	22/03/16	Extraordinary Shareholders' Meeting	08/11/16
Total at 12.31.16	**62,455,160**			

On July 16, 2014, the Ordinary Meeting of Shareholders resolved to reduce capital in the amount of $ 55,644,840, with the share capital amounting to $ 4,445,160. On March 22, 2016, the Extraordinary Shareholders' Meeting decided to increase the capital in the amount of $ 58,000,000, with the share capital amounting to $ 62,455,160.

NOTE 14: DISTRIBUTION OF PROFITS

Dividends

In accordance with Law No. 25063, passed in December 1998, the 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 year immediately prior to the date of payment or distribution will be subject to 35% withholding for income tax, as single 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.

Due to the issue of the International Negotiable Obligation, ASA must comply with ratios on the combined Financial Statements in order to distribute dividends.

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Notes to the Consolidated Financial Statements (Cont'd)

NOTE 15: TRADE PAYABLES

	Note	12.31.16	12.31.15
Non-Current			
Suppliers		444,542,066	157,068,465
		444,542,066	**157,068,465**
Current			
Suppliers		98,752,679	176,364,785
Provision for invoices to be received		24,048,997	24,785,581
Related companies	32	125,027,841	88,872,713
		247,829,517	**290,023,079**

The carrying value of current trade receivables is close to their fair value due to their short-term maturity.

NOTE 16: OTHER LIABILITIES

	Note	12.31.16	12.31.15
Non-Current			
With related parties	32	-	100,000,000
		-	**100,000,000**

	Note	12.31.16	12.31.15
Current			
With related parties	32	89,629,740	116,786,152
		89,629,740	**116,786,152**

The carrying value of other current liabilities is close to their fair value due to their short-term maturity.

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

NOTE 17: LOANS

Non-Current	12.31.16	12.31.15
CAMMESA	195,731,948	207,353,297
Finance lease debts	17,776,508	1,206,711
Syndicated Loan	-	103,628,231
Debt under ICBC loan	-	63,495,000
Negotiable obligations	566,610,468	283,097,323
International Bond	2,768,794,593	-
UBS loan - principal	-	90,857,513
Debt under BAF loan	631,249,936	-
Other bank debts	-	31,249,738
	4,180,163,453	**780,887,813**

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Notes to the Consolidated Financial Statements (Cont'd)

NOTE 17: LOANS (Cont'd)

Current	12.31.16	12.31.15
Bank overdrafts	14,657,864	70,226,399
Finance lease debts	6,819,519	2,677,542
Other bank debts	105,044,425	112,459,425
UBS loans	-	170,172,470
Debt under ICBC loan	-	6,507,192
Debt under BAF loan	3,840,614	-
Syndicated Loans	-	61,094,287
Negotiable obligations	231,544,561	153,945,181
International Bond	93,701,898	-
CAMMESA	6,749,323	6,749,320
	462,358,204	**583,831,816**

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

	12.31.16	12.31.15
Fixed rate		
Less than 1 year	103,210,214	244,110,172
Between 1 and 2 years	-	90,857,513
Between 2 and 3 years	604,897,002	-
After 3 years	2,795,147,527	-
	3,503,254,743	**334,967,685**
Floating rate		
Less than 1 year	359,147,990	339,721,644
Between 1 and 2 years	580,914,777	651,406,800
Between 2 and 3 years	13,455,141	34,654,912
After 3 years	185,749,006	3,968,588
	1,139,266,914	**1,029,751,944**
	4,642,521,657	**1,364,719,629**

Company loans are denominated in the following currencies:

	12.31.16	12.31.15
Argentine pesos	1,051,153,425	1,103,689,646
US dollars	3,591,368,232	261,029,983
	4,642,521,657	**1,364,719,629**

Albanesi S.A.

Notes to the Consolidated Financial Statements (Cont'd)

NOTE 17: LOANS (Cont'd)

Changes in loans during the fiscal year were as follow:

	12.31.16	12.31.15
Loans at beginning of year	**1,364,719,629**	**957,825,947**
Loans received	5,063,477,649	571,252,907
Loans paid	(2,051,395,916)	(307,681,423)
Accrued interest	542,960,455	211,096,083
Interest paid	(263,607,636)	(178,136,242)
Exchange difference	208,332,497	99,523,812
Bank overdrafts	(55,568,535)	47,887,583
Deletions due to deconsolidation	-	(27,508,193)
Capitalized expenses/present values	(166,396,486)	(9,540,845)
Loans at year end	**4,642,521,657**	**1,364,719,629**

At December 31, 2016, total debt is $ 4,642 million. The following table shows our total debt at that date.

	Borrower	Principal	Balance as of December 31, 2016	Interest rate	Currency	Issuance date	Maturity date
			(Argentine Pesos)	(%)			
Financial debts							
BAF	GMSA	USD 40,000,000	635,090,550	10%	USD	February 11, 2016	February 15, 2017
Subtotal			**635,090,550**				
Debt securities							
tional NO	GMSA/ GFSA	USD 180,000,000	2,862,496,491	9.625%	USD	July 27, 2016	July 27, 2023
IV NO	GMSA	$ 25,439,600	26,178,849	BADLAR + 6.5%	ARS	July 17, 2015	July 17, 2017
ss V NO	GMSA	$ 200,000,000	197,807,803	BADLAR + 4%	ARS	June 30, 2016	June 30, 2018
ass II NO	GFSA	$ 130,000,000	131,308,289	BADLAR + 6.5%	ARS	March 8, 2016	March 8, 2018
Class III NO	GFSA	$ 160,000,000	167,936,259	BADLAR + 5.6%	ARS	July 6, 2016	July 6, 2018
Class I NO	ASA	$ 50,500,000	48,252,855	BADLAR + 5.5%	ARS	December 29, 2015	December 29, 2017
Class II NO	ASA	$ 220.000.000	226,670,974	BADLAR + 4%	ARS	October 25, 2016	October 25, 2018
Subtotal			**3,660,651,520**				
Other financial debts							
CAMMESA			202,481,271				
Other financial debts			11,592,487				
Chubut loan		USD 6,000,000	93,451,938	LIBOR + 5%	USD	December 1, 2016	December 1, 2017
Bank overdrafts			14,657,864				
Finance leases			24,596,027				
Subtotal			**346,779,587**				
Total financial debts			**4,642,521,657**				

NOTE 17: LOANS (Cont'd)

The main financial debts detailed by company are shown below.

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. Nominal value assigned to GFSA: USD 7,000,000.

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 $ 2,862,496,491.

As a result of the issue of International Bonds, GMSA, GFSA and CTR have undertaken standard commitments for this type of issue, whose specific conditions are detailed in the pertinent public prospectus.

At the date of these consolidated financial statements, CTR, ASA and its' subsidiaries are complying with all the commitments undertaken in its indebtedness.

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:

GMSA

- 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

GFSA

- Loan from Banco de la Provincia de Buenos Aires
- Syndicated Loan

B) LOAN AGREEMENT - GENERACION MEDITERRANEA S.A.

B.1) loan 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, GMSA made an early repayment of the loan balance and the guarantees were released.

NOTE 17: LOANS (Cont'd)

B) LOAN AGREEMENT - GENERACION MEDITERRANEA S.A. (Cont'd)

B.2) 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 consolidated financial statements is USD 40,000,000.

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

B.3) Negotiable obligations

With the purpose of improving the financial profile of the company, on October 17, 2012 GMSA, through CNV Resolution 16942, was granted authorization 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 USD 100,000,000 (one hundred million US dollars) or its equivalent in other currencies, in one or more classes or series.

NOTE 17: LOANS (Cont'd)

B) LOAN AGREEMENT - GENERACION MEDITERRANEA S.A. (Cont'd)

B.3) Negotiable obligations (Cont'd)

At December 31, 2016 there are outstanding Class IV and V Negotiable Obligations issued by GMSA in the amounts and under the conditions described below:

Class IV Negotiable Obligations:

Principal: Nominal value: $ 130,000,000

Interest: (i) from the date of issuance and liquidation until nine (9) months have elapsed, counted as from the date of issuance and liquidation, inclusive, the borrowing 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), it will accrue interest at an annual floating rate equal to the sum of: (a) Private banks BADLAR rate plus (b) 6.50%.

Repayment term 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 proceeds from the issuance of Class IV negotiable obligations were applied to the partial pre-settlement of principal on Class III negotiable obligations for an amount of $ 87,824,000. The remainder was applied to investments and working capital. This will allow for improving the financial profile of GMSA.

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, GMSA 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.

NOTE 17: LOANS (Cont'd)

B) LOAN AGREEMENT - GENERACION MEDITERRANEA S.A. (Cont'd)

B.3) 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 $198,807,803.

On February 9, 2017, NO Class VI and Class VII were bid and they were settled on February 16 (See Note 44.c).

B.4) Loan from CAMMESA (GRISA)

At December 31, 2016 GMSA 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.

NOTE 17: LOANS (Cont'd)

B) LOAN AGREEMENT - GENERACION MEDITERRANEA S.A. (Cont'd)

B.4) 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 consolidated 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.

B.5) 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, GMSA 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.

C) FINANCIAL DEBT AGREEMENT – GENERACIÓN FRÍAS S.A.

C.1) Loan from Banco Ciudad:

On July 8, 2014 GFSA signed a Borrowing Offer with Banco de la Ciudad de Buenos Aires S.A., for $ 30,000,000. This amount was disbursed on August 1, 2014. The borrowing offer provided for a grace period of 12 months and repayment in 25 monthly consecutive installments beginning in August 2015. The borrowing accrues interest at BADLAR private rate + 100 basic points.

The outstanding balance at December 31, 2016 amounted to $ 11,592,487, including interest of $ 197,187, net of transaction costs pending amortization.

The objective was financing part of the works required for the installation of 60 MW of new generation capacity.

C.2) Negotiable obligations

For the purpose of financing investment projects, on March 10, 2014 Generación Frías S.A. requested the authorization from CNV to enter the public offering system through a program of Negotiable Obligations Simples (not convertible into shares) of up to USD 50,000,000 (US dollars fifty million) or its equivalent in other currencies. This request was approved on July 10, 2014.

At December 31, 2016 there are Class II and Class III negotiable obligations outstanding, issued by GFSA for the amounts and under the following conditions:

NOTE 17: LOANS (Cont'd)

C) FINANCIAL DEBT AGREEMENT – GENERACIÓN FRÍAS S.A. (Cont'd)

C.2) Negotiable obligations (Cont'd)

NO Class II:

Principal: nominal value: $ 130,000,000 (Pesos one hundred and thirty million)

Interest: private banks BADLAR rate plus 6.5 %. The interest rate applicable during the first 12 months may never be lower than the minimum rate of 33%.

Repayment: Interest of Class II Negotiable Obligations will be paid on a quarterly basis, on arrears, on the following dates: (i) June 8, 2016; (ii) September 8, 2016; (iii) December 8, 2016; (iv) March 8, 2017; (v) June 8, 2017; (vi) September 8, 2017; (vii) December 8, 2017 and (viii) March 8, 2018; or if that date was not a business day, the date for interest payment to be considered shall be the first immediate following business day.

Principal on Class II Negotiable Obligations shall be amortized in 3 (three) quarterly and consecutive installments, the first two equivalent to 30% of nominal value of Class II negotiable obligations and the remaining equivalent to 40% of nominal value of Class II negotiable obligations, at the dates in which 18, 21 and 24 months have elapsed counted as from the issue and settlement, (i) September 8, 2017; (ii) December 8, 2017; (iii) March 8, 2018, or if that date was not a business day, on the first following business day.

Maturity date of ONes Class II: March 8, 2018

The remaining balance net of transaction costs pending amortization of that Class at December 31, 2016 amounted to $131,308,289 including interest of $2,703,288.

NO Class III:

Principal: nominal value: $ 160,000,000 (Pesos one hundred and sixty million)

Interest: private banks BADLAR rate plus 5.6 %

Repayment: Interest of Class III Negotiable Obligations will be paid on a quarterly basis, on arrears, on the following dates: (i) October 6, 2016; (ii) January 6, 2017; (iii) April 6, 2017; (iv) July 6, 2017; (v) October 6, 2017; (vi) January 6, 2018; (vii) April 6, 2018 and (viii) July 6, 2018; or if that date was not a business day, the date for interest payment to be considered shall be the first immediate following business day.

Principal on Class III Negotiable Obligations shall be amortized in 3 (three) quarterly and consecutive installments, the first two equivalent to 30% of nominal value of Class III negotiable obligations and the remaining equivalent to 40% of nominal value of Class III negotiable obligations, at the dates in which 18, 21 and 24 months have elapsed counted as from the issue and settlement, (i) January 6, 2018; (ii) April 6, 2018; (iii) July 6, 2018, or if that date was not a business day, on the first following business day.

Maturity date of Class III NO: July 06, 2018.

NOTE 17: LOANS (Cont'd)

C) FINANCIAL DEBT AGREEMENT – GENERACIÓN FRÍAS S.A. (Cont'd)

C.2) Negotiable obligations (Cont'd)

NO Class III (Cont'd):

The amount was paid in in cash and in kind, through the swap of Class I Negotiable Obligations of $79,600,000. The proceeds from the issuance of Class III Negotiable Obligations were applied to the repayment of the loan from Puente Hnos S.A., the repurchase of the remaining balance of Class I Negotiable Obligations, working capital and investments in fixed assets; having also been complied with the formalization process for the release of the guarantees granted..

The remaining balance net of transaction costs pending amortization of that Class at December 31, 2016 amounted to $ 167,936,259 including interest of $ 9,715,334.

D) FINANCING BY CAMMESA – GENERACION ROSARIO S.A.

On March 13, 2012, GROSA executed a new borrowing agreement with CAMMESA, through which they formalized the financing of the second stage of the repair of the Sorrento Power Plant, with the purpose of extending the capacity for electricity generation to 130 MW, for an amount equivalent to $ 190,480,000.

At December 31, 2016, the total balance for the financing amounts to $185,607,970 shown under the caption Financial debts - non-current.

As 18 months have passed since the start of commercial operation of the unit TV13 with 130 MW of available power, and considering the frequent dispatches the unit had during this period, mostly with fuel oil, delivering 65,000 MWh per month on the average, on June 19, 2015 GROSA submitted to CAMMESA a request for funding to make additional investments on the boiler, steam turbine, transformers and ancillary equipment, so as to continue having availability and dispatch as required by the WEM.

It is to note that in the operation period mentioned above there was a significant decrease in specific consumption, which resulted in 15% savings in fuel as compared with the situation at the moment when GROSA took over the Sorrento Power Plant, as a result of the maintenance works and improvements done in the last few years.

On May 30, 2016, GROSA signed a new mutuum agreement with CAMMESA whereby the financing of the Third Stage for the Repair of the Unit TV13 was formalized for an amount of up to USD 10,406,077 plus VAT. The financing will be repaid by applying the accumulated credit rights, or those to be accrued, for the Remuneration of Non-Recurring Maintenance set forth by Section 2 of ES Resolution No. 529/2014.

Between June 15 and December 7, 2016, GROSA made seven filings, through notes to CAMMESA for $ 48,477,995 (with taxes), of payment to suppliers for materials and services for the period November 2015-November 2016. At December 31, 2016, the total amount of disbursements received from CAMMESA amounts to $ 38,500,000.

NOTE 17: LOANS (Cont'd)

D) FINANCING BY CAMMESA – GENERACION ROSARIO S.A. (Cont'd)

As of December 31, 2016, the balance for this last financing amounts to $ 41,290,096 and is included in the caption Non-Current Trade Receivables, net of receivables for Remuneration for Non-Recurring Maintenance.

At the date of issue of these consolidated financial statements, GROSA has complied with the commitments undertaken.

Subsequently, on January 10 and February 7, 2017, GROSA filed several vouchers evidencing payments to suppliers of materials and services for $ 2,364,972 and $ 4,583,012 (with taxes), respectively, at December 31, 2016 and January 31, 2017. On January 2, 12 and 2, 2017, February 13, 2017 and March 6, 2017, CAMMESA made new disbursements for $ 5 M, $ 2 M, $ 2 M, and $ 3 M and $ 2.5 M, respectively.

E) PROGRAM TO ISSUE NEGOTIABLE OBLIGATION OF ALBANESI S.A.

Class I Negotiable Obligations

With the purpose of improving the financial profile of the company, on November 17, 2015 ASA, through CNV Resolution 17,887, was granted authorization for: (i) incorporation of ASA 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.

On December 29, 2015, ASA issued Class I Negotiable Obligations under the following conditions:

Principal: Nominal value: $ 70,000,000 (Pesos: seventy million)

Interest: Private Banks BADLAR rate plus 5.5%

Term and repayment: interest on ON Class I will be paid on a quarterly basis, past due, in the following dates: March 29, 2916; June 29, 2016; September 29, 2016; December 29, 2016; March 29, 2017; June 29, 2017; September 29, 2017, and December 29, 2017.

The principal of the Class I Negotiable Obligations will be repaid in three (3) consecutive installments, on a quarterly basis, the first two ones equivalent to 30% and the third one to 40% of the nominal value of the Negotiable Obligations, on the dates on which 18, 21 and 24 months are completed, respectively, counted as from the date of issuance; i.e., on June 29, 2017, September 29, 2017 and December 29, 2017.

The funds obtained through the issuance of Class I Negotiable Obligations were allocated to the partial settlement of the current liabilities that ASA holds with the related company RGA.

On October 25, 2016, Class II Negotiable Obligations were issued, subscribed partly in cash and the remainder through a swap for 28% of the Class I Negotiable Obligations, improving ASA indebtedness profile (term and rate) and working capital. The amount paid was $ 19,500,000.

The net remaining balance of transaction costs pending amortization for that class at December 31, 2016 amounts to $ 48,252,855 including interest of $ 85,437.

Albanesi S.A.

NOTE 17: LOANS (Cont'd)

E) PROGRAM TO ISSUE NEGOTIABLE OBLIGATION OF ALBANESI S.A. (Cont'd)

Class II Negotiable Obligations:

On October 25, 2016 ASA issued Class II Negotiable Obligations under the conditions described below:

Principal: Nominal value: $ 220,000,000

Interest: Private Banks BADLAR rate plus a 4% margin.

Repayment: interest of Class II Negotiable Obligations will be paid on a quarterly basis, on arrears, on the following dates: January 25, 2017, April 25, 2017, July 25, 2017, October 25, 2017, January 25, 2018, April 25, 2018, July 25, 2018 and October 25, 2018.

The principal of the Class II Negotiable Obligations will be repaid in three (3) consecutive installments, on a quarterly basis, the first two equivalent to 30% of the nominal value of the Negotiable Obligations and the last one to 40%, on the dates on which 18, 21 and 24 months are completed, counted as from the date of issuance; i.e., on April 25, 2018, July 25, 2018 and October 25, 2018.

Funds obtained from/through the issue of the Class II Negotiable Obligations were destined in full to the partial repayment of current liabilities that ASA holds with the related company RGA.

The net remaining balance of transaction costs pending amortization for that class at December 31, 2016 amounts to $ 226,670,974 including interest of $ 10,715,319.

NOTE 18: ALLOWANCES AND PROVISIONS

	For trade receivables	For tax credits	For impairment of inventories	For contingencies
Balance at December 31, 2014	**1,058,886**	**1,133,755**	**57,466**	**10,581,411**
Increases	-	-	-	718,037
Decreases	-	-	-	(1,349,952)
Deconsolidation due to sale of subsidiary	(219,634)	(1,133,755)	(57,466)	-
Balance at December 31, 2015	**839,252**	**-**	**-**	**9,949,496**
Increases (1)	1,987,724	1,859,200	-	-
Decreases	-	-	-	(813,944)
Balance at December 31, 2016	**2,826,976**	**1,859,200**	**-**	**9,135,552**

(1) The expenses are stated as selling expenses.
Information required by Appendix e, in compliance with Section 1, Chapter III, Title IV of the restated text of the CNV.

Allowances and provisions include contingencies arising in the ordinary course of business and other sundry risks that could create obligations for the Company. In estimating the amounts, the likelihood of occurrence is considered, taking into account the opinion of the Company's legal advisors.

Albanesi S.A.

Notes to the Consolidated Financial Statements (Cont'd)

NOTE 19: SOCIAL SECURITY DEBTS

	12.31.16	12.31.15
Current		
Salaries payable	18,076	18,136
Social security charges payable	3,636,211	3,811,252
Provision for vacation pay	4,342,398	4,812,270
	7,996,685	**8,641,658**

NOTE 20: TAXES

	12.31.16	12.31.15
Current		
Withholdings to be deposited	7,797,174	954,757
Payment plan	-	3,143,326
National Fund of Electric Energy	271,417	682,936
Value added tax payable	-	4,143,748
Turnover tax payable	154,348	1,326,695
Minimum notional income tax provision, net of prepayments	11,574,132	-
Others	1,569,374	1,485,647
	21,366,445	**11,737,109**

NOTE 21: INCOME TAX

Deferred assets and liabilities are offset when: a) there is a legally enforceable right to offset tax assets against tax liabilities; and b) when the charges for deferred income taxes relate to the same taxation authority. The following amounts, determined after proper offsetting, are shown in the statement of financial position.

	12.31.16	12.31.15
Deferred tax assets:		
Deferred tax assets to be recovered over more than 12 months	1,497,552	-
	1,497,552	-
Deferred tax liabilities:		
Deferred tax liabilities to be settled over more than 12 months	(928,044,072)	(548,354,489)
	(928,044,072)	**(548,354,489)**
Deferred tax assets (liabilities), net	**(926,546,520)**	**(548,354,489)**

Albanesi S.A.

Notes to the Consolidated Financial Statements (Cont'd)

NOTE 21: INCOME TAX (Cont'd)

The gross activity recorded in the deferred tax account is as follows:

	12.31.16	12.31.15
Balances at beginning of year	(548,354,489)	(287,901,863)
Charge to income statement	(75,973,370)	29,461,279
Expense charged to other comprehensive income	(302,218,661)	(290,952,413)
Deconsolidation of subsidiaries	-	1,038,508
Balance at year end	**(926,546,520)**	**(548,354,489)**

The activity in deferred tax assets and liabilities, without considering the offsetting of balances that correspond to the same tax jurisdiction, has been as follows:

Items	Balances at 12.31.15	Charge to income statement	Expense charged to other comprehensive income	Balances at 12.31.16
		$		
Deferred tax - Assets (Liabilities)				
Property, plant and equipment	(687,926,221)	(130,842,781)	(303,240,428)	(1,122,009,430)
Intangible assets	451,078	(42,001)	-	409,077
Investments	(3,414)	(11,068,426)	-	(11,071,840)
Trade receivables	(6,203,169)	(7,659,211)	-	(13,862,380)
Other receivables	4,500,088	(3,075,346)	-	1,424,742
Inventories	(18,378)	3,718,595	-	3,700,217
Trade payables	78,120	(78,120)	-	-
Tax payables	159,395	-	-	159,395
Loans	1,084,227	(2,039,235)	-	(955,008)
Provisions	11,017,800	(4,774,463)	1,021,767	7,265,104
Sub-total	**(676,860,474)**	**(155,860,988)**	**(302,218,661)**	**(1,134,940,123)**
Deferred tax losses	128,505,985	79,887,618	-	208,393,603
Sub-total	**128,505,985**	**79,887,618**	-	**208,393,603**
Total	**(548,354,489)**	**(75,973,370)**	**(302,218,661)**	**(926,546,520)**

Albanesi S.A.

Notes to the Consolidated Financial Statements (Cont'd)

NOTE 21: INCOME TAX (Cont'd)

Items	Balances at 12.31.14	Charge to income statement	Expense charged to other comprehensive income	Deconsolidation	Balances at 12.31.15
	$				
Deferred tax - Assets (Liabilities)					
Property, plant and equipment	(373,747,638)	(24,328,153)	(290,915,439)	1,065,009	(687,926,221)
Intangible assets	83,389	366,859	-	830	451,078
Investments	(2,382)	(1,032)	-	-	(3,414)
Trade receivables	(87,055)	(6,037,222)	-	(78,892)	(6,203,169)
Other receivables	1,703,372	2,796,716	-	-	4,500,088
Inventories	5,419,197	(5,489,136)	-	51,561	(18,378)
Trade payables	78,120	-	-	-	78,120
Tax payables	189,519	(30,124)	-	-	159,395
Loans	(202,622)	1,286,849	-	-	1,084,227
Provisions	13,115,708	(2,060,934)	(36,974)	-	11,017,800
Sub-total	**(353,450,392)**	**(33,496,177)**	**(290,952,413)**	**1,038,508**	**(676,860,474)**
Deferred tax losses	65,548,529	62,957,456	-	-	128,505,985
Sub-total	**65,548,529**	**62,957,456**	-	-	**128,505,985**
Total	**(287,901,863)**	**29,461,279**	**(290,952,413)**	**1,038,508**	**(548,354,489)**

The deferred tax assets due to tax losses are recognized insofar as the realization of the corresponding fiscal benefit through future taxable income is probable.

The income tax charge is broken down as follows:

	12.31.16	12.31.15
Current taxes	(8,103,256)	(25,998,639)
Deferred tax	(75,973,370)	29,461,279
Variation between income tax provision and tax return	(1,070,745)	134,335
Income tax	**(85,147,371)**	**3,596,975**

Albanesi S.A.

Notes to the Consolidated Financial Statements (Cont'd)

NOTE 21: INCOME TAX (Cont'd)

The reconciliation of the income tax charge charged to income/loss for the year to that resulting from the application of the tax rate corresponding to the accounting profit/loss before taxes is the following:

	12.31.16	12.31.15
Income before income tax on continuing operations and discontinued operations	138,417,755	33,062,036
Current tax rate	35%	35%
Income/loss at the tax rate	**(48,446,214)**	**(11,571,713)**
Permanent differences	(20,784,364)	(7,398,558)
Income from interests in associates	(866,559)	(516,166)
Differences from the sale of subsidiaries at the tax rate	-	31,424,494
Minimum notional income tax credits	-	(761,299)
Tax losses, expired or non-recognized	(15,050,234)	(7,579,783)
	(85,147,371)	**3,596,975**
Income tax for the year, on:		
Continuing operations	(85,147,371)	9,458,971
Discontinued operations	-	(5,861,996)
	(85,147,371)	**3,596,975**

Accumulated tax losses at December 31, 2016 amount to $ 595.4 million and, according to tax regulations in force, can be offset against future taxable profits, as detailed below:

Year	Amount in $	Year of expiration
Tax losses for the year (2012)	27,196,889	2017
Tax losses for the year (2013)	33,742,603	2018
Tax losses for the year (2014)	91,391,781	2019
Tax losses for the year (2015)	188,915,059	2020
Tax losses for the year (2016)	267,306,560	2021
Total accumulated tax losses at December 31, 2016	**608,552,892**	
Non-recognized tax losses	(13,142,598)	
Recognized tax losses	**595,410,294**	

Accumulated tax loss carry-forwards not recorded are specific tax loss carry-forwards generated by the sale of shares in AJSA and BDD. Specific tax loss carry-forwards from the sale of shares can only be computed against net profits from the sale of those goods.

NOTE 22: 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 23: DEFINED PLAN BENEFIT - LABOR COMMITMENTS WITH PERSONNEL

A detailed description of the estimated cost and liability for benefits after retirement granted to GROSA employees is included below. These benefits are:

- A bonus for all the employees retiring under the differential regime of Decree No. 937/74, when reaching 55 years of age and 30 years of service, consisting in 10 salaries, augmented by 2% per each year of service exceeding the first 5 years.
- A bonus for service length, consisting in paying one salary after 20 years of employment (17 years, for women) plus another one every 5 years up to 35 years' service (32 years, for women) and two more salaries upon reaching 40 years of service (37 years, for women).

The liabilities related to accumulated bonuses for service length and to the employee benefits plans mentioned above were determined considering all the rights accrued by the beneficiaries until closing date of the year ended December 31, 2013, based on an actuarial study performed by an independent professional at that date. The actuarial method applied by GROSA is the Projected Benefit Unit method.

The amounts and conditions vary according to the collective labor agreement.

	12.31.16	12.31.15
Defined benefit plan		
Non-current	5,173,822	4,819,097
Current	3,250,194	857,422
Total	**8,424,016**	**5,676,519**

NOTE 23: DEFINED PLAN BENEFIT - LABOR COMMITMENTS WITH PERSONNEL (Cont'd)

Changes in the Company's obligations for benefits at December 31, 2016 and 2015 are as follows:

	12.31.16	12.31.15
Present value of the obligations for benefits 31.12.Obligations for	8,424,016	5,676,519
Obligations for benefits at end of year	**8,424,016**	**5,676,519**

The actuarial assumptions used were:

	12.31.16	31.12. 15
Interest rate	6%	6%
Salary growth rate	1%	1%
Inflation	30%	30%

At December 31, 2016 and 2015 GROSA does not have assets related to pension plans.

The charge recognized in the comprehensive statement of income is as follows:

	12.31.16	12.31.15
Cost of current services	494,142	367,655
Interest charges	1,036,230	1,479,062
Actuarial (income) loss through Other comprehensive income	2,919,334	(105,639)
Total cost	**4,449,706**	**1,741,078**

Changes in the obligation for defined benefit plans are as follows:

	12.31.16	12.31.15
Balances at beginning of year	5,676,519	4,023,388
Cost of current services	494,142	367,655
Interest charges	1,036,230	1,479,062
Actuarial (income) loss through Other comprehensive income	2,919,334	(105,639)
Payments of benefits	(1,702,209)	(87,947)
Balance at year end	**8,424,016**	**5,676,519**

Estimates based on actuarial techniques involve the use of statistical tools, such as the demographic tables used in the actuarial valuation of the Group active personnel. To determine mortality for the Group active personnel, the table "Group Annuity Mortality for 1983" has been used. In general, a mortality table shows, for each age group, the probability that a person in that age group will die before reaching a predetermined age. Mortality tables are elaborated separately for men and women, given that both have substantially different mortality rates.

To estimate total and permanent disability due to any cause, thetable "Pension Disability Table 1985" has been used.
To estimate the probability that the Group active personnel will leave the job or stay, the table "ESA 77" has been used.

The liabilities related to the above-mentioned benefits were determined considering all the rights accrued by the beneficiaries of the plans until closing date of the year ended December 31, 2016.

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Notes to the Consolidated Financial Statements (Cont'd)

NOTE 24: FINANCIAL AND NON-FINANCIAL ASSETS AND LIABILITIES

The tables below show financial assets and financial liabilities by category of financial instruments and a reconciliation with the line disclosed in the statement of financial position, as applicable. Due to the fact that the items "Trade and other receivables" and "Trade and other payables" include both financial instruments and non-financial assets or liabilities (such as tax advances, receivables and debts), the reconciliation is shown in the columns "Non-financial assets" and "Non-financial liabilities".

Financial assets and liabilities at December 31, 2016 and 2015 are as follows:

At December 31, 2016	Financial assets/ liabilities at amortized cost	Financial assets/ liabilities at fair value through profit and loss	Non-financial assets/ liabilities	Total
Assets				
Trade and other receivables	925,851,282	-	1,142,447,000	2,068,298,282
Other financial assets at fair value through profit and loss	-	136,206,567	-	136,206,567
Cash and cash equivalents	88,922,836	442,902,146	-	531,824,982
Non-financial assets	-	129,861	5,693,275,676	5,693,405,537
Total	**1,014,774,118**	**579,238,574**	**6,835,722,676**	**8,429,735,368**
Liabilities				
Trade and other payables	798,422,024	2,175,000	21,366,445	821,963,469
Loans (finance leases excluded)	4,617,925,630	-	-	4,617,925,630
Finance leases	-	-	24,596,027	24,596,027
Non-financial liabilities	-	-	939,829,175	939,829,175
Total	**5,416,347,654**	**2,175,000**	**985,791,647**	**6,404,314,301**

At December 31, 2015	Financial assets/ liabilities at amortized cost	Financial assets/ liabilities at fair value through profit and loss	Non-financial assets/ liabilities	Total
Assets				
Trade and other receivables	492,117,644	-	156,009,548	648,127,192
Other financial assets at fair value through profit and loss	-	1,210,961	-	1,210,961
Cash and cash equivalents	20,559,109	11,006,589	-	31,565,698
Non-financial assets	-	129,861	3,271,780,792	3,271,910,653
Total	**512,676,753**	**12,347,411**	**3,427,790,340**	**3,952,814,504**
Liabilities				
Trade and other payables	678,195,873	-	11,737,109	689,932,982
Loans (finance leases excluded)	1,360,835,376	-	-	1,360,835,376
Finance leases	-	-	3,884,253	3,884,253
Non-financial liabilities	-	-	559,033,106	559,033,106
Total	**2,039,031,249**	-	**574,654,468**	**2,613,685,717**

NOTE 24: FINANCIAL AND NON-FINANCIAL ASSETS AND LIABILITIES (Cont'd)

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

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

At December 31, 2016	Financial assets at amortized cost	Liabilities at fair value	Assets/Liabilities at fair value	Total
Interest earned	59,267,755	-	-	59,267,755
Interest lost	-	(368,606,744)	-	(368,606,744)
Changes in the fair value of financial instruments	-	-	85,329,475	85,329,475
Exchange differences, net	24,547,156	(190,529,911)	-	(165,982,755)
Other financial costs	-	(86,114,679)	-	(86,114,679)
Total	**83,814,911**	**(645,251,334)**	**85,329,475**	**(476,106,948)**

At December 31, 2015	Financial assets at amortized cost	Liabilities at fair value	Assets/Liabilities at fair value	Total
Interest earned	5,453,742	-	-	5,453,742
Interest lost	-	(189,680,365)	-	(189,680,365)
Changes in the fair value of financial instruments	-	-	3,325,575	3,325,575
Exchange differences, net	7,465,164	(111,529,530)	-	(104,064,366)
Other financial costs	-	(44,300,500)	-	(44,300,500)
Total	**5,453,742**	**(338,045,231)**	**3,325,575**	**(329,265,914)**

Determination of fair value

ASA 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 hierarchy includes these levels:

- Level 1: inputs such as (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 and liabilities not based on observable market data (i.e. non-observable data).

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Notes to the Consolidated Financial Statements (Cont'd)

NOTE 24: FINANCIAL AND NON-FINANCIAL ASSETS AND LIABILITIES (Cont'd)

These charts show the Group's financial assets and liabilities measured at fair value at December 31, 2016 and 2015 their allocation to the different hierarchy levels:

At December 31, 2016	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	442,902,146	-	-	442,902,146
Other financial assets at fair value through profit and loss	136,206,567	-	-	136,206,567
Investment in shares	-	-	129,861	129,861
Properties, plans and equipment at reasonable value	-	-	4,172,059,753	4,172,059,753
Total	**579,108,713**	-	**4,172,189,614**	**4,751,298,327**
Liabilities				
Derivative financial instruments	2,175,000	-	-	-
Total	**2,175,000**	-	-	-

At December 31, 2015	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	11,006,589	-	-	11,006,589
Other financial assets at fair value through profit and loss	1,210,961	-	-	1,210,961
Investment in shares	-	-	129,861	129,861
Properties, plans and equipment at reasonable value	-	-	2,807,974,686	2,807,974,686
Total	**12,217,550**	-	**2,808,104,547**	**2,820,322,097**

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 Group'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 inputs (i.e. unobservable inputs), the instrument is included in level 3. This is the case for the revaluation of certain categories under property, plant and equipment.

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.

NOTE 24: FINANCIAL AND NON-FINANCIAL ASSETS AND LIABILITIES (Cont'd)

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 52% and 55% at December 31, 2016 and 2015 respectively and for machinery it was 64% and 62% at December 31, 2016 and 2015.

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

c) The determination of the fair value of certain categories under property, plant and equipment is significantly affected by the US dollar exchange rate. This situation as well as discussion of valuation processes and results are discussed and approved by the Board of Directors of the Companies at least once a year

TE 25: SALES REVENUE

	12.31.16	12.31.15
Sale of electricity Res. 95/529/482/22	231,497,263	202,317,681
Sale of electricity in the spot market	289,356,272	150,224,817
Sale under Energía Plus	764,763,473	586,569,208
Sale of electricity Res. 220	1,108,974,647	576,271,894
Services rendered	-	4,485,170
	2,394,591,655	**1,519,868,770**

NOTE 26: COST OF SALES

	12.31.16	12.31.15
Cost of purchase of electric energy	(601,201,425)	(301,048,439)
Cost of gas and gas oil consumption at the plant	(667,704,998)	(486,529,606)
Salaries and social security charges	(101,747,518)	(81,184,227)
Defined benefit plan	(494,142)	(367,655)
Other employee benefits	(4,697,376)	(1,566,415)
Rental	(3,631,048)	(2,862,510)
Professional fees	(7,081,949)	(29,559)
Depreciation of property, plant and equipment	(174,705,961)	(107,731,833)
Insurance	(24,018,274)	(19,184,902)
Maintenance	(117,172,136)	(94,289,592)
Electricity, gas, telephone and postage	(3,804,819)	(1,115,155)
Duties and taxes	(16,837,224)	(10,588,426)
Travel and per diem	(1,343,088)	(5,876,446)
Security guard and cleaning service	(2,976,924)	(5,146,519)
Miscellaneous expenses	(7,390,684)	(4,848,076)
	(1,734,807,566)	**(1,122,369,360)**

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Notes to the Consolidated Financial Statements (Cont'd)

NOTE 27: SELLING EXPENSES

	12.31.16	12.31.15
Salaries and social security charges	(376,515)	(1,103,322)
Duties and taxes	(2,150,288)	(9,918,521)
Bad debts	(3,846,924)	-
	(6,373,727)	**(11,021,843)**

NOTE 28: ADMINISTRATIVE EXPENSES

	12.31.16	12.31.15
Salaries and social security charges	(5,372,127)	(10,477,408)
ther employee benefits	(27,755)	(834,852)
ntal	(1,156,513)	(102,029)
ssional fees	(32,883,720)	(30,365,479)
preciation of property, plant and equipment	-	(585)
nsurance	(501,931)	(192,556)
Electricity, gas, telephone and postage	(2,291,155)	(512,321)
Duties and taxes	(1,735,560)	(2,668,769)
Travel and per diem	(3,268,246)	(2,305,222)
Miscellaneous expenses	(1,568,105)	(2,520,885)
	(48,805,105)	**(49,980,106)**

E 29: OTHER OPERATING INCOME AND EXPENSES, NET

		12.31.16	12.31.15
ther operating income			
Recovery of provision for contingencies		8,491,862	-
Sale of property, plant and equipment		-	282,295
Changes in the fair value of investments in other companies		-	129,579
Income/loss from sale of interest in subsidiary	**35**	-	76,641,670
Sundry income		3,903,474	573,704
Total Other operating income		**12,395,336**	**77,627,248**
Other operating expenses			
Other expenses		-	(40,194,077)
Total Other operating expenses		**-**	**(40,194,077)**

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Notes to the Consolidated Financial Statements (Cont'd)

NOTE 30: FINANCIAL RESULTS

	12.31.16	12.31.15
Financial income		
Loan granted interest	6,798,695	-
Commercial interest	52,469,060	5,453,742
Total financial income	**59,267,755**	**5,453,742**
Financial expenses		
Loan interest	(345,378,701)	(186,296,653)
Tax interest	(23,228,043)	(3,383,712)
Bank expenses and commissions	(14,774,302)	(8,781,079)
Total financial expenses	**(383,381,046)**	**(198,461,444)**
Other financial results		
change differences, net	(165,982,755)	(104,064,366)
anges in the fair value of financial instruments	85,329,475	3,325,575
s from currency position, net	(126,973)	(474,819)
her financial results	(71,213,404)	(35,044,602)
Total other financial results	**(151,993,657)**	**(136,258,212)**
Total financial results, net	**(476,106,948)**	**(329,265,914)**

NOTE 31: 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 period.

Continuing operations	12.31.16	12.31.15
Income for the year attributable to the owners:	48,770,643	53,709,211
eighted average of outstanding ordinary shares	49,460,624	4,455,160
ic and diluted earnings per share	**0.99**	**12.06**

Discontinued operations	12.31.16	12.31.15
Loss for the year attributable to the owners:	-	(14,851,069)
Weighted average of outstanding ordinary shares	49,460,624	4,455,160
Basic and diluted loss per share	-	**(3.33)**

There are no differences between the calculation of the basic earnings per share and the diluted earnings per share.

NOTE 32: TRANSACTIONS AND BALANCES BETWEEN RELATED PARTIES

a) Transactions with related companies and affiliates

		12.31.16	12.31.15
		$	
		Profit / (Loss)	
Purchase of grape			
AVRC	Related company	-	(2,131,034)
Purchase of gas			
RGA [(1)]	Related company	(769,055,961)	(230,508,113)
Purchase of energy			
Solalban Energía S.A.	Affiliate company	(126,875)	(552,956)
Purchase of wines			
BDD	Related company	(383,873)	(13,150)
Sale of flights			
AJSA	Related company	(28,231,566)	-
Sale of energy			
RGA	Related company	43,986,717	17,178,470
Solalban Energía S.A.	Affiliate company	71,021,743	22,984,636
Sale of components and spare parts			
CTR	Related company	1,521,776	107,743,359
Sale of interests in subsidiaries			
RGA	Related company	-	108,750,000
Sale of wines (2)			
CTR	Related company	-	1,964
Sale of flights (2)			
RGA	Related company	-	2,900,800
CTR	Related company	-	1,015,200
Leases and services agreements			
RGA	Related company	(33,397,118)	(5,212,215)
Reimbursement of expenses			
CTR	Related company	11,095,382	-
RGA	Related company	(5,575,569)	(17,382)
AESA	Related company	3,562,564	-
Financial cost recovery			
RGA	Related company	(3,515,702)	(2,101,632)
Collection of dividends			
Solalban Energía S.A.	Affiliate company	-	5,880,000
Loan granted interest			
AISA	Related company	6,798,695	-
Income for guarantees granted			
CTR	Related company	373,000	-

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Notes to the Consolidated Financial Statements (Cont'd)

NOTE 32: TRANSACTIONS AND BALANCES BETWEEN RELATED PARTIES (Cont'd)

(1) Corresponds to gas purchases, which are partly assigned to CAMMESA within the framework of the Natural Gas Dispatch Procedure for electricity generation.

(2) The operations of BBD and AJSA are disclosed within discontinued operations.

b) Remuneration of key managerial staff

The senior management includes directors (executive and non-executive). Their remuneration at December 31, 2016 and 2015 amounted to $ 11,347,624 and $ 7,174,360, respectively.

	12.31.16	12.31.15
Salaries	11,347,624	10,121,357
	11,347,624	**10,121,357**

c) Balances at the date of the consolidated statements of financial position

Captions	Type	12.31.16	12.31.15
N-CURRENT ASSETS			
er receivables			
Directors	Related company	17,343,215	-
Minority interest	Minority interest	18,750	-
RGA	Related company	-	739
		17,361,965	**739**
CURRENT ASSETS			
Trade receivables			
CTR	Related company	1,815,000	1,500,000
Solalban Energía S.A.	Affiliate company	-	18,125
		1.815,000	**1,518,215**
her receivables			
Contributions pending paying-in	Minority interest	-	525,000
Shareholders' private accounts	Minority interest	147,861,358	62,142,446
AISA	Related company	66,798,695	-
AESA	Related company	4,036,908	-
CTR	Related company	8,434,229	33,237,850
		227,131,190	**95,905,296**
NON-CURRENT LIABILITIES			
Other liabilities			
RGA	Related company	-	100,000,000
		-	**100,000,000**
CURRENT LIABILITIES			
Trade payables			
BDD	Related company	-	10,620
Solalban Energía S.A.	Affiliate company	541,641	215,538
AJSA	Related company	13,351,020	2,940,772
RGA	Related company	111,135,180	85,705,783
		125,027,841	**88,872,713**
Other liabilities			
RGA	Related company	89,629,740	116,641,152
Shareholders' private accounts	Minority interest	-	145,000
		89,629,740	**116,786,152**

NOTE 32: TRANSACTIONS AND BALANCES BETWEEN RELATED PARTIES (Cont'd)

d) Loans granted to related parties
d.1) AISA

	12.31.16	12.31.15
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	**66,798,695**	**-**

loans are governed by the following terms and conditions:

Entidad	Monto	Tasa de interés	Condiciones
At 12.31.16			
AISA	60,000,000	Badlar + 3%	Vencimiento: 1 año, removable automáticamente hasta 5 años.
Total en pesos	**60,000,000**		

d.2) Directors

	12.31.16	12.31.15
ans granted to Directors		
.oans at beginning	-	-
Loans granted	17,343,215	-
Loans charged	-	-
Accrued interest	-	-
Loans at closing	**17,343,215**	**-**

The loans are governed by the following terms and conditions:

Entity	Amount	Interest rate	Conditions
At 12.31.2016			
Directors	17,343,215	BADLAR + 3%	Expiration: 3 years
TOTAL	**17,343,215**		

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.

Albanesi S.A.

Notes to the Consolidated Financial Statements (Cont'd)

NOTE 33: WORKING CAPITAL

The Group reports at December 31, 2016 a surplus in working capital of $1,735,910,204 (calculated as current assets less current liabilities), which means an improvement of $2,093,719,577, compared to the deficit in working capital at the end of the year ended December 31, 2015 ($357,809,373 at 12/31/2015).

EBITDA at December 31, 2016 amounted to $779 million, as expected; this shows the accomplishment of the objectives and efficiency of the operations conducted by the Group.

NOTE 34: SEGMENT REPORTING

The information on operating segments is presented in accordance with the internal information furnished to the chief operating cision maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating ments, has been identified as the Company's Board of Directors.

agement has determined the operating segment based on reports reviewed by the Board of Directors, and which are used for egic decision making.

Albanesi S.A performs activities in two business segments, mainly organized based on the line of products:

• The energy segment comprises the generation and sale of electricity and the development of energy projects, execution of projects, advisory, provision of services, construction management and building of any nature.

• The business of air transportation service.

• Our Wine segment consists on wineries where take place the elaboration of wines and other beverages and their subsequent commercialization

During 2015, ASA sold to RGA its equity interests in BDD and AJSA, companies engaged in the wine and air transport segments. In way, ASA focuses on its main business, which is the generation and sale of electric power.

information used by the Board of Directors for decision-making is based primarily on operating indicators of the business. nsidering 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 an analysis of the Group's business lines for the year ended December 31, 2016:

Albanesi S.A.

Notes to the Consolidated Financial Statements (Cont'd)

NOTE 34: SEGMENT REPORTING (Cont'd)

Information on consolidated income for the year ended December 31, 2016:

	Electricity	Wines	Air transportation service	Deletions	**12.31.16**
Operating income	2,394,591,655	-	-	-	2,394,591,655
Cost of sales and services	(1,734,807,566)	-	-	-	(1,734,807,566)
Gross income	**659,784,089**	-	-	-	**659,784,089**
Selling expenses	(6,373,727)	-	-	-	(6,373,727)
dministrative expenses	(48,805,112)	-	-	-	(48,805,112)
ss from interests in associates	(2,475,883)	-	-	-	(2,475,883)
ier operating income	12,395,336	-	-	-	12,395,336
rating income	**614,524,703**	-	-	-	**614,524,703**
inancial results	(476,106,948)	-	-	-	(476,106,948)
Income/Loss before income tax	**138,417,755**	-	-	-	**138,417,755**
Income tax and minimum notional income tax	(85,147,371)	-	-	-	(85,147,371)
Continuing operations	**53,270,384**	-	-	-	**53,270,384**
Discontinued operations	-	-	-	-	-
Net income/loss	**53,270,384**	-	-	-	**53,270,384**

	Electricity	12.31.16
Assets	8,429,735,368	8,429,735,368
iabilities	6,404,314,301	6,404,314,301
estments in associates	293,807,569	293,807,569
ditions and transfers of property, plant and equipment	1,668,245,474	1,668,245,474
epreciation and amortization	174,705,961	174,705,961

Albanesi S.A.

Notes to the Consolidated Financial Statements (Cont'd)

NOTE 34: SEGMENT REPORTING (Cont'd)

Information on consolidated income for the year ended December 31, 2015:

	Electricity	Wines	Air transportation service	Deletions	**12.31.15**
Operating income	1,521,554,884	-	-	(1,686,114)	1,519,868,770
Cost of sales and services	(1,124,055,474)	-	-	1,686,114	(1,122,369,360)
Gross income	**397,499,410**	-	-	-	**397,499,410**
Selling expenses	(11,021,843)	-	-	-	(11,021,843)
Administrative expenses	(49,980,106)	-	-	-	(49,980,106)
Loss from interests in associates	(1,474,760)	-	-	-	(1,474,760)
Other operating income	77,627,248	-	-	-	77,627,248
Other operating expenses	(40,194,077)	-	-	-	(40,194,077)
Operating income	**372,455,872**	-	-	-	**372,455,872**
Financial results	(329,265,914)	-	-	-	(329,265,914)
Income/Loss before income tax	**43,189,958**	-	-	-	**43,189,958**
Income tax and minimum notional income tax	9,458,971	-	-	-	9,458,971
Income/Loss from continuing operations	**52,648,929**	-	-		**52,648,929**
Income/Loss from discontinued operations	-	(6,787,065)	(9,202,853)	-	(15,989,918)
Net income/loss for the year	**52,648,929**	**(6,787,065)**	**(9,202,853)**	-	**36,659,011**

Consolidated information on financial position at December 31, 2015

Assets	3,952,814,504	-	-	-	3,952,814,504
Liabilities	2,613,685,717	-	-	-	2,613,685,717
Investments in associates	243,127,929	-	-	-	243,127,929
Additions and transfers of property, plant and equipment	348,406,368	1,098,761	158,599	-	349,663,728
Depreciation of property, plant and equipment	108,067,088	459,494	2,985,598	-	111,512,180

NOTE 35: DISCONTINUED OPERATIONS

In the course of 2015, ASA sold its interests in BDD and AJSA to RGA. At September 30, 2015, these segments were not discontinued operations nor were they classified as held for sale; accordingly, the statement of comprehensive income in comparative format was modified, so as to disclose discontinued operations separate from continuing operations. Management has sold these segments as a result of the strategic decision of focusing especially on the generation and sale of electric power.

Sale of shares in Bodega del Desierto S.A.

On June 29, 2015, RGA accepted the offer for the sale of shares made by ASA on June 26, 2015. Through this offer, the Company sold to RGA for $ 28,000,000 (pesos twenty-eight million) 29,205,494 shares in BDD of face value $ 1 each and entitled to one vote per share, accounting for 90% of the share capital of Bodega del Desierto S.A. The result for the sale was $ 17,085,139.

On June 30, 2015, RGA settled the debt for the purchase of 90% of the share capital in Bodega del Desierto S.A. from ASA.

Sale of shares in Alba Jet S.A.

October 27, 2015, RGA accepted the offer for the sale of shares made by ASA on October 26, 2015. Through this offer, the pany sold to RGA for $ 80,750,000 (pesos eighty million seven hundred and fifty thousand) 42,610,681 shares in Alba Jet S.A. ce value $ 1 each and entitled to one vote per share, accounting for 95% of the share capital of Alba Jet S.A. The result for the sale was approximately $ 59,556,530.

Below we present the summarized statement of comprehensive income of BDD and AJSA discontinued operations:

	12.31.16	12.31.15
Sales revenue	-	18,982,235
Cost of sales	-	(18,856,940)
Gross income	-	**125,295**
Selling expenses	-	(2,835,218)
Administrative expenses	-	(1,673,822)
Other operating income and expenses	-	98,645
Operating income	-	**(4,285,100)**
	-	
Financial results, net	-	**(5,842,822)**
Income before tax	-	**(10,127,922)**
Income tax	-	(5,861,996)
Loss from discontinued operations	-	**(15,989,918)**

Below is the summarized statement of cash flow of discontinued operations:

Statement of cash flows:

	12.31.16	12.31.15
Funds used in operating activities	-	(2,435,815)
Funds used in investment activities	-	(1,257,361)
Funds generated by financing activities	-	3,478,892
Decrease in cash for the year	-	**(214,284)**

NOTE 35: DISCONTINUED OPERATIONS (Cont´d)

The cash flow generated by this transaction is detailed below:

	12.31.15
Sale of interests in subsidiaries	
Trade receivables	5,016,521
Other receivables	17,355,894
Inventories	15,837,602
Property, plant and equipment	87,481,415
Intangible assets	2,376
Accounts payable	(5,246,571)
Financial debts (not including bank overdrafts)	(27,089,035)
Salaries and social security charges	(1,284,662)
Tax payables	(1,596,041)
Other liabilities	(57,041,443)
t value of deconsolidated assets not affecting cash	**33,436,056**
sh and cash equivalents (including bank overdrafts) sold	779,482
value of deconsolidated assets	**34,215,538**
-controlling interest	(2,107,208)
Income for sale of interests in subsidiaries	76,641,670
Company selling value	**108,750,000**
Mutual funds sold	779,482
Balances with RGA offset RGA	(108,750,000)
Mutual funds disposed of due to sales	(779,482)

NOTE 36: RESTRICTED ASSETS AND OTHER COMMITMENTS

MSA

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.

A.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 GMSA and large customers of the Forward Market under the ES regulations according to Resolution No. 1281/06 (Energía Plus) . They are contracts denominated in United States dollars, entered into with private customers.

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Notes to the Consolidated Financial Statements (Cont'd)

NOTE 36: RESTRICTED ASSETS AND OTHER COMMITMENTS (Cont'd)

A.2 Other commitments (Cont'd)

	Total	Up to 1 year	From 1 to 3 years
Sale commitments[1]			
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.

Loan BAF Latam Trade Finance Funds B.V.

February 11, 2015, BAF Latam Trade Finance Funds B.V. became a subordinated beneficiary of the guarantee package provided BS 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 GMSA rights under the project documents.
- All GMSA rights pertaining to GMSA to collect and receive all payments in cash or in kind, for any item, due to GMSA by the debtors under present and future Electricity Sales Transactions carried out on the Energía Plus market.
- All GMSA rights to collect and receive all payments in cash or in kind, for any item, due by GMSA 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 GMSA 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 GMSA arising from an irrevocable capital contribution.
- All the funds existing in GMSA's account that have been received by GMSA in relation to the assigned rights.

B. GFSA

B.1 Other commitments - Contract with PWPS

On April 4, 2014, GFSA signed two-purchase agreement with PWPS.

The first one, for the purchase of the FT4000™ SwiftPac® 60 turbine, including whatever is necessary for its installation and start-up. The unit is composed of two gas turbines which transmit their mechanical power to only one generator of 60 MW. The functioning of this machine consists in transforming the chemical energy of the fuel (either liquid or gas, injected into the combustion chambers) into mechanical energy; this is transmitted to the generator, which in turn performs a conversion into electricity.

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Notes to the Consolidated Financial Statements (Cont'd)

NOTE 36: RESTRICTED ASSETS AND OTHER COMMITMENTS (Cont'd)

B.1 Other commitments - Contract with PWPS (Cont'd)

B. GFSA (Cont'd)

The purchase contract for the turbine amounts to a total of USD 26.87 million. At the date of issue of these consolidated financial statements, the advances amounting to USD 14.87 million agreed upon with the vendor have been fully paid and are disclosed as works in progress under Property, plant and equipment.

In addition, the purchase agreement provides for financing for a term of 4 years for USD 12 million by PWPS as from the preliminary acceptance by GFSA. This amount is disclosed in non-current trade payables for the equivalent to $ 190,680,000 million. Financing will accrue annual interest at a rate of 7.67% and will be calculated on a monthly basis of 30 days/360 days annual, with interest capitalized on a quarterly basis, that at December 31, 2016 amounted to $ 3,909,878 and those accrued payable disclosed under current trade payables total $ 993,125.

:re contractual obligations related to the contract with PWPS are shown below by calendar year:

	Total	2016	2017	2018	2019	2020	2021	2022	2023
..nitments (1)	USD								
PWPS for the purchase of a turbine FT4000™ SwiftPac®	17,975,401	750,000	750,000	750,000	750,000	3,743,495	3,743,495	3,743,495	3,744,916

(1) The commitment is denominated in US dollars and considering the time of payment according to the particular conditions of the contract.

NOTE 37: EXECUTION OF CONTRACTS TO PURCHASE MACHINERY

June 14, 2016 a Deferred Payment Agreement was entered into with Siemens Industrial Turbomachinery AB, by means of which, ,on 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).

NOTE 37: 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 or the acquisition of ee turbines Siemens T 800	Ezeiza	263,730,000	**29,663,000**	3,318,000	13,612,000	11,514,000	1,219,000
mens Industrial urbomachinery 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 38: LONG-TERM MAINTENANCE CONTRACT - CTMM, CTI and GFSA power plants

GMSA, GFSA and PWPS entered into a global service agreement (Long Term Service Agreement), for the power plants CTMM, CTI and GFSA. As established in the contract, PWPS must offer an annual site audit, site monitoring - through a technician, on a permanent sis - services, workforce, original spare parts and repairs for planned and unplanned maintenance and efficient performance of the bines. In addition, the power plant has its own repair shop with stock of spare parts. GMSA entered into an equipment lease eement whereby PWPS must make available to GMSA under EXW conditions replacement equipment (Gas Generator/Power rbine) 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.

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.

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Notes to the Consolidated Financial Statements (Cont'd)

NOTE 39: GMSA – PRESENTATION TO CAMMESA

On June 19, 2015 GMSA submitted to CAMMESA a request for recognition of the remuneration for maintenance and investments, as set forth by Resolution 529/14 for CTMM. Since the effective date of that Resolution, in February 2014 and until June 2015, GMSA has generated a total of 540,614 MWh, equivalent to the amount of $ 14,268,553.

On August 26, 2015 GMSA 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, GMSA 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 ES partially accepted the request submitted by GMSA, through the Notes mentioned in the above 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 GMSA and the receivables to which it is entitled by application of the Remuneration for Non-Recurring Maintenance.

June 10, 2016 the GMSA submitted to CAMMESA a request for recognition of the remuneration for maintenance and investments, et forth by Resolution 529/14 of GR and GLB. Since the effective date of that Resolution, in February 2014 and until April 2016 usive, GLB has generated a total of 60,166MWh, equivalent to the amount of $2,935,346 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 GLB and GR, for a total amount of USD 953,000 plus VAT. The technical team from CAMMESA completed the visits to the power plant and issued a report on GLB and GR which is under economic assessment.

On August 9, 2016, the Company entered into 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	
D without VAT	311,142	5%	195,007	3%	5,242,017	76%	1,140,754	17%

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

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

NOTE 40: MERGER THROUGH ABSORPTION

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

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.

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.

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NOTE 40: MERGER THROUGH ABSORPTION (Cont'd)

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

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.

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 41: STORAGE OF DOCUMENTATION

On August 14, 2014, the CNV issued General Resolution No. 629 that introduces amendments to its regulations involving storage and preservation of corporate books, accounting records and business documents. To this end, it is informed that the Company stores its work papers and information at its principal place of business, located at Av. L.N. Alem 855, 14th floor - City of Buenos Aires.

NOTE 42: BUSINESS INTERRUPTION INSURANCE COVERAGE

All-risk insurance with business interruption insurance coverage

The Group 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 Group continues to defray despite its inactivity, such that the insured would be in the same financial situation as if the accident had not occurred.

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.

tractors' All-risk insurance

ks for installation or enlargement of the capacity developed by the Company are insured by a Contractors' all-risk and assembly ance, 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 43: GASNOR S.A. FRAMEWORK OFFER

On February 24, 2011, GFSA entered into a Framework Agreement with Gasnor S.A. (the distributor) whereby GFSA undertakes to orm the works necessary for adapting the natural gas distribution system owned by Gasnor S.A. for it to be able to deliver gas in supply pressure conditions required by GFSA.

ne parties agreed that GFSA will bill the distributor for an amount of $ 4,079,677 (plus value added tax), the resulting total of all the works. The balance of these invoices will be offset against the gas carriage charges recorded subsequent to the performance and authorization of the works.

NOTE 45: 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 40.b)

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.

NOTE 45: SUBSEQUENT EVENTS (Cont'd)

b) Loans taken out

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

Entity	Principal	Rate	Maturity date
Banco Hipotecario	USD 20,00,000	10%	Jan-19
Banco Supervielle	USD 5,000,000	7.5%	Apr-17
Banco Itaú	USD 4,375,000	4.25%	Jul-17

c) Issue of NO Class VI and VII

ebruary 9, 2017, NO Class VI and Class VII were bid and they were settled by GMSA on February 16. The allocation of funds be made pursuant to Section 36 of the Negotiable Obligations Law, with the proceeds from the issue being allocated to the uisition 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:

ncipal: Nominal value: $553,737,013
rest rate: BADLAR + 4%
m: 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.

NOTE 45: SUBSEQUENT EVENTS (Cont'd)

d) ES Resolution 19-E/17 (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 cots 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 Consolidated Financial Statements (Cont'd)

NOTE 46: FINANCIAL STATEMENTS TRASLATION INTO ENGLISH LANGUAGE

These consolidated 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.

Free translation from the original prepared in Spanish for publication in 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 Albanesi S.A. (the Company) and its equity and financial position, which should be read alongside the corresponding financial statements.

Fiscal years ended December 31:

	2016	2015	Var.	Var. %
	GWh			
Sales by type of market				
Sales of electricity Res. 95/529/482/22 and spot.	1,356.3	1,430.7	(74.4)	(5%)
Sales under Energía Plus	709.2	846.2	(137.0)	(16%)
Sales under CAMMESA 220	529.7	585.3	(55.6)	(9%)
	2,595.2	**2,862.2**	**(267.0)**	**(9%)**

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

Fiscal years ended December 31:

	2016	2015	Var.	Var. %
	(in millions of pesos)			
Sales by type of market				
Market sales under Res. 95/529/482/22 and spot.	520.9	352.5	168.4	48%
Sales under Energía Plus	764.8	586.6	178.2	30%
Sales under CAMMESA 220	1,108.9	576.3	532.6	92%
Services rendered	-	4.5	(4.5)	100%
Total sales	**2,394.6**	**1,519.9**	**874.7**	**58%**

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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 years ended December 31:			
	2016	2015	Var.	Var. %
Sales of electricity	2,394.6	1,515.9	874.7	58%
Net sales	**2,394.6**	**1,519.9**	**874.7**	**58%**
Purchase of electricity	(601.2)	(301.0)	(300.2)	100%
Gas & gasoil consumption at the plant	(667.7)	(486.5)	(181.2)	37%
Salaries and social sec. Contrib.	(101.7)	(81.2)	(20.5)	25%
Pension Plan	(0.5)	(0.4)	(0.1)	25%
Maintenance Services	(117.2)	(94.3)	(22.9)	24%
Depreciation of PP&E	(174.7)	(107.7)	(67.0)	62%
Insurance	(24.0)	(19.2)	(4.8)	25%
Sundry	(47.8)	(32.1)	(15.7)	49%
Cost of sales	**(1,734.8)**	**(1,122.4)**	**(612.4)**	**55%**
Gross Profit	**659.8**	**397.5**	**262.3**	**66%**
Salaries, wages and social sec. Contrib.	(0.4)	(1.1)	0.7	(64%)
Taxes, rates and contributions	(2.2)	(9.9)	7.7	(78%)
Uncollectible accounts	(3.8)	-	(3.8)	100%
Selling expense	**(6.4)**	**(11.0)**	**4.6**	**(42%)**
Salaries and social sec. Contrib.	(5.4)	(10.5)	5.1	(49%)
Service Fees and retributions	(32.9)	(30.4)	(2.5)	8%
Travel & mobility and entertainment expense	(3.3)	(2.3)	(1.0)	43%
Taxes and rates	(1.7)	(2.7)	1.0	(37%)
Sundry	(5.5)	(4.0)	(1.5)	38%
Administrative expense	**(48.8)**	**(49.9)**	**(1.1)**	**2%**
Gain/(loss) on investments in related companies	(2.5)	(1.5)	(1.0)	67%
Other operating income	12.4	77.6	(65.2)	(84%)
Other operating expenditure	-	(40.2)	40.2	(100%)
Operating Result	**614.5**	**372.5**	**242.0**	**65%**
Commercial interest	52.5	5.5	47.0	855%
Interest paid on loans, net	(345.4)	(186.3)	(159.1)	85%
Exchange difference, net	(166.0)	(104.1)	(61.9)	59%
Bank expense	(14.8)	(8.8)	(6.0)	68%
Sundry	(2.4)	(35.6)	33.2	(93%)
Financial loss	**(476.1)**	**(329.3)**	**(146.8)**	**45%**
Result before tax	**138.4**	**43.2**	**95.2**	**220%**
Income tax	(85.1)	9.5	(94.6)	(996%)
Result from continuing operations	**53.3**	**52.7**	**0.6**	**1%**
Discontinued operations	-	(16.1)	16.1	(100%)
Result for the year	**53.3**	**36.6**	**16.7**	**46%**
Other comprehensive income for the year	**617.3**	**605.5**	**11.8**	**2%**
Total comprehensive income for the year	**670.6**	**642.1**	**28.5**	**4%**

Summary of Activity at December 31, 2016 and 2015

Sales:

Net sales for the fiscal year ended December 31, 2016 reached $2,394.6 million, compared with $1,519.9 million in fiscal year 2015, showing an increase of $874.7 million (58%).

During the fiscal year December 31, 2016, energy sales reached 2,595.2 GWh, representing a 9% decrease compared with the 2,862.2 GWh sold in fiscal year 2015.

The main income obtained by the Company and its behavior during the fiscal year ended December 31, 2016 is described below comparatively with the previous fiscal year:

(i) $ 764.8 million from sales under "Energía Plus", up 30% from the $586.6 million in fiscal year 2015. This variation is attributed to the favorable effect on prices of the higher exchange rate and -to a lesser extent - to a drop in sales volume.

(ii) $ 1.1 billion from sales of electricity on the spot market to CAMMESA under the framework of Resolution 220/07, representing a 92% increase with regard to the $576.3 million in the previous fiscal year. This variation is explained by the start-up of GFSA and a higher exchange rate, but was partly offset by a lower sales volume.

(iii) $ 520.9 million from sales of electricity under Resolution 95/529/482 and on the spot market, showing a 48% increase from the $352.5 million for the previous fiscal year. This variation is mainly explained by an increase in the remuneration paid for electricity by enforcement of Res. 22/16, offset by a drop in the volume of sales.

Cost of Sales:

The total cost of sales for the fiscal year ended December 31, 2016 was $1,734.8 million, compared with $1,122.4 million for fiscal year 2015, showing an increase of $612.4 million (55%).

The main captions under the cost of sales and their behavior during fiscal year 2016 are described below in millions of pesos compared with fiscal year 2015:

(i) $601.2 million for purchases of electricity, which increased 100% compared with $301.0 million for fiscal year 2015, as a result of higher costs required to supply the "Energía Plus" spot market.

(ii) $ 667.7 million for gas and gasoil consumption by the plant. This caption was 37% higher compared to the $486.5 million for fiscal year 2015. This variation was due to a rise in the price of gas as a result of the higher exchange rate, and the start-up of GFSA.

(iii) $101.7 million in Salaries and social security contributions, reflecting a 25% increase compared to the $81.2 million for fiscal year 2015, which is mainly attributed to wage increases granted and the hiring of new staff.

(iv) $117.2 million for maintenance services, up 24% from the $94.3 million in fiscal year 2015. This increase is explained by the rise in the exchange rate, offset by shorter operating hours which had an impact on the cost of the maintenance contract with PWPS at certain controlled companies. It is worth noting that the cost of this contract is recognized by CAMMESA in the remuneration paid for operating and maintenance costs for sales under the Res 220/07 Contract.

Summary of Activity at December 31, 2016 and 2015

(v) \$174.7 million for depreciation of PP&E, reflecting an increase of 62% compared with the \$107.7 million in the previous fiscal year. This variation stems mainly from the higher depreciation value of PP&E as a result of their revaluation at December 31, 2015, and the start-up of the GFSA power plant.

(vi) \$24.0 million paid for insurance, up 25% from the \$19.2 million for fiscal year 2015 as a result of the variation in the exchange rate.

Gross Profit:

The gross result for the fiscal year ended December 31, 2016 was a profit of de \$ 659.8 million, compared with a profit of \$ 397.5 million for the fiscal year ended December 31, 2015, representing a 66% increase. This increase is mainly attributed to the effect of the higher exchange rate on the operating activity of the controlled companies, the high availability maintained by the power plants throughout the year, and the start-up of the GFSA power plant. Additionally, the remuneration for energy was increased due to the enforcement of Res. SE 22, which modified and expanded Resolution SE 482, allowing the company to increase its operating result, generating additional cash flows that improving its working capital position.

Selling Expense:

Selling expenses for the fiscal year ended December 31, 2016 reached \$6.4 million, compared with \$11.0 million in fiscal year 2015.

Administrative expense:

Total administrative expenses for the fiscal year ended December 31, 2016 amounted to \$48.8 million, compared to \$49.9 million in fiscal year 2015, reflecting a drop of \$1.1 million (2%).

The main components of the Company's administrative expenses are listed below in millions of pesos, together with a description of their behavior comparatively with the previous fiscal year:

(i) \$32.9 million in Salaries, Wages and Social security Contributions, which increased 86%, from \$30.4 million in the previous fiscal year. This variation was attributed to an increase in tariffs for existing services and the hiring of new services.

Other income and expenditure

Other operating income for the fiscal year ended December 31, 2016 amounted to \$12.4 million, reflecting a drop of 84% compared with the \$77.6 million in the previous fiscal year. This drop was mainly due to the sale in 2015 by Albanesi S.A. of its shares in Bodega del Desierto S.A. and Alba Jet S.A., which were not core business assets.

Other operating expenditure for the fiscal year ended December 31, 2015 amounted to \$40.2 million, and stems from the annulment of a contract with General Electric in 2015 for the purchase of a turbine.

Summary of Activity at December 31, 2016 and 2015

Operating result:

The operating result for the fiscal year ended December 31, 2016 was a profit of $614.5 million, reflecting a 65% increase with regard to the profit of $372.5 million in the previous fiscal year. This increase was mainly attributed to the effect of the higher exchange rate on the operating activity of the controlled companies, the high availability maintained by the power plants throughout the period, and the start-up of the GFSA power plant. Additionally, there was an increase in the remuneration paid for energy as a result of the enforcement of ES Res. SE 22 which modifies and expands on ES Resolution 482, improving the operating result of the company, generating additional cash flows and enhancing its working capital position.

Financial Result:

The financial result for the fiscal year ended December 31, 2016 was a loss of $476.1 million, 45% higher than the loss of $329.3 million for fiscal year 2015.

The most salient aspects of this variation are described below:

(i) A loss of $345.4 million due to financial interest paid on loans, up 85% from the loss of $186.3 million in the previous fiscal year, as a result of: i) a rise in variable interest rates on peso denominated debt, ii) the start-up of the GFSA power plant, and iii) the effect of the higher exchange rate on the interest accrued on foreign currency loans.

(ii) A loss of $166.0 million due to net exchange differences, reflecting an increase of 59% compared to the loss of $104.1 million in the previous fiscal year. This increase is attributed to a higher foreign currency exposure as a result of new financing taken out to fund new projects, and a higher increase in the average exchange rate for the fiscal year.

Result before tax:

The Company reported a profit before tax of $138.4 million for the fiscal year ended December 31, 2016, which compares with a profit of $43.2 million in the previous fiscal year.

The result under the income tax was a loss of $85.1 million for the fiscal year ended December 31, 2016, which compares with a tax loss of $9.5 million in the previous fiscal year.

Net Profit from continuing operations:

The net result from continuing operations for the fiscal year ended December 31, 2016 was a gain of $53.3 million compared with the profit of $52.7 million in fiscal year 2015.

Summary of Activity at December 31, 2016 and 2015

Net Result from discontinued operations:

The results from discontinued operations correspond to the sale of the interest held by BDD in the wine business, and the sale of the share in the air transport business held by AJSA. ASA sold its 90% and 95% interest to RGA on June 29 and October 27, 2015, respectively. The net result from discontinued operations for the fiscal year ended December 31, 2015, was a loss of $16.1 million.

Net Result:

The net result for the fiscal year ended December 31, 2016 was a gain of $ 53.3 million, compared to a gain of $36.6 million for the previous fiscal year, reflecting a 46% increase.

Other comprehensive income for the year:

Other comprehensive income for fiscal year 2016 reached $617.3 million, compared with $605.5 million in fiscal year 2015, and corresponds mainly to the revaluation of PP&E. The Group has decided to reappraise the captions land, real estate, facilities, machinery and turbines, classified under PP&E, since the Company considers that this revaluation model more reliably reflects the true value of the assets.

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

	12.31.16	12.31.15	12.31.14
Non-current assets	5,856.6	3,298.0	2,367.9
Current assets	2,573.2	654.8	526.8
Total assets	**8,429.8**	**3,952.8**	**2,894.7**
Equity attributable to owners of the parent	1,924.5	1,269.8	652.4
Equity not attributable to the parent	100.9	69.4	50.0
Total equity	**2,025.4**	**1,339.1**	**702.4**
Non-current liabilities	5,567.1	1,601.1	1,355.0
Current liabilities	837.3	1,012.6	837.2
Total liabilities	**6,404.4**	**2,613.7**	**2,192.2**
Total shareholders´ equity and liabilities	**8,429.8**	**3,952.8**	**2,894.7**

Summary of Activity at December 31, 2016 and 2015

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

	12.31.16	12.31.15	12.31.14
Ordinary operating result	614.5	372.5	272.3
Financial result	(476.1)	(329.3)	(318.5)
Net ordinary result	**138.4**	**43.2**	**(46.2)**
Income tax	(85.1)	9.5	11.9
Result from continuing operations	**53.3**	**52.7**	**(34.2)**
Discontinued operations	-	(16.1)	(6.5)
Result for the fiscal year	**53.3**	**36.6**	**(40.8)**
Other comprehensive income	617.3	**605.5**	**255.2**
Total comprehensive result	**670.6**	**642.1**	**214.4**

4. Breakdown of cash flows presented comparatively with the previous fiscal year:
(in millions of pesos)

	12.31.16	12.31.15	12.31.14
Funds (applied to) generated by operating activities	(818.7)	69.6	329.4
Funds applied to investment activities	(1,373.9)	(218.2)	(174.8)
Funds generated by (applied to) financing activities	2,716.2	77.9	(157.8)
Increase / (Decrease) in cash and cash equivalents	**523.6**	**(70.7)**	**(3.3)**

5. Ratios presented comparatively with the previous fiscal year:

	12.31.16	12.31.15	12.31.14
Current liquidity (1)	3.07	0.65	0.63
Credit Standing (2)	0.30	0.49	0.30
Ratio of fixed assets (3)	0.69	0.83	0.82
Indebtedness ratio (4)	5.01	2.52	1.91
Interest coverage Ratio (5)	2.26	2.38	2.56
Return on equity (6)	0.03	0.04	(0.07)

(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 Result for the year (excluding Other comprehensive income)/Average total equity

Summary of Activity at December 31, 2016 and 2015

6. Brief comment regarding the outlook for fiscal year 2017

Company outlook for fiscal year 2017

Commercial and operating sector

The Company expects that the various generating units will continue to operate normally in line with dispatches defined by CAMMESA. The primary objective is to keep a high level available at the Power Plants to maintain Company's profitability. To that end, an exhaustive preventative maintenance plan is being carried out for the generating units, to ensure high availability of the Power Plants' turbine generators.

The combined Companies are undertaking investment projects to increase power generation capacity by 400 MW.

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 CTRi. It is expected to become commercially operative in March 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, GMSA 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 Resolution 21/16 S.E.

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 (Ezeiza Thermal Power Plant) 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

During the current fiscal year, the company's objective is to improve the financing structure and ensure progress in the investment works described above, according to the budgeted schedules.

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.

The issuance of the international bond has enabled the Company to repay existing financial debt and finance investment projects faced by the Group for increasing the generable power capacity.

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INDEPENDENT AUDITORS' REPORT

To the Shareholders, President and Directors of
Albanesi S.A.
Legal Adress: Av. Leandro N. Alem 855 14th floor
Autonomous City of Buenos Aires
Tax Code No. 30-68250412-5

Report on the financial statements

We have audited the attached consolidated financial statements of Albanesi S.A. (the Company), which consist of the consolidated statement of financial position as of December 31, 2016, the consolidated 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 consolidated financial statements mentioned above; therefore, they must be considered in connection with these consolidated financial statements.

Board responsibility

The Board of Directors of the Company is responsible for the preparation and reasonable presentation of these consolidated 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 consolidated financial statements free of any material misstatements due to error or irregularities.

Auditors' responsibility

Our responsibility is to express an opinion on the attached consolidated 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 consolidated 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements mentioned the first paragraph of this report present fairly, in all material respects, the consolidated financial position of Albanesi S.A. as of December 31, 2016, as well as the consolidated comprehensive income and consolidated 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 Albanesi S.A., that:

a) the consolidated financial statements of Albanesi 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 separate financial statements of Albanesi 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, on which, as regards those matters that are within our field of competence, we have no observations to make;

d) at December 31, 2016 there is no debt accrued in favor of the Argentine Integrated Social Security System;

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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) 53 % of the total fees for services billed to the Company for all items during that fiscal year;
   e.2) 11 % 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) 3 % 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 Albanesi 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

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Report of the Syndics' Committee

To the Shareholders of
ALBANESI 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 consolidated statement of financial position of Albanesi S.A. (the "Company") at December 31, 2016, the related consolidated statements of comprehensive income, changes in consolidated equity and consolidated 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 the Company.

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 consolidated 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;

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 consolidated 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

By Syndics' Committee
Dr. Marcelo P. Lerner
Full Syndic