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ALBANESI

Albanesi S.A.

Consolidated Financial Statements

At December 31, 2017
presented in a comparative format

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Albanesi S.A.

CONSOLIDATED FINANCIAL STATEMENTS
AT DECEMBER 31, 2017 AND 2016

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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 interim condensed consolidated financial statements of the Company.

Terms	Definitions
/day	Per day
AESA	Albanesi Energía S.A.
AFIP	Federal Administration of Public Revenue
AISA	Albanesi Inversora S.A.
AJSA	Alba Jet S.A.
ASA	Albanesi S.A.
AVRC	Alto Valle Río Colorado S.A.
AVSA	Albanesi Venezuela S.A.
BADCOR	Adjusted BADLAR rate
BADLAR	Average interest rate paid by financial institutions on time deposits for over one million pesos.
BCRA	Central Bank of the Argentine Republic
BDD	Bodega del Desierto S.A.
CAMMESA	Compañía Administradora del Mercado Mayorista Eléctrico S.A.
CC	Combined cycle
IFRIC	International Financial Reporting Interpretations Committee
CNV	National Securities Commission
CTE	Central Térmica Ezeiza (Ezeiza Thermal Power Plant)
CTF	Central Térmica Frías situated in Frías, Santiago del Estero (merged with GMSA)
CTI	Central Térmica Independencia (Independencia Thermal Power Plant) located in San Miguel de Tucumán, Tucumán (merged with GMSA)
CTLB	Central Térmica La Banda (La Banda Thermal Power Plant) located in La Banda, Santiago del Estero (merged with GMSA)
CTMM	Central Térmica Modesto Maranzana (Modesto Maranzana Thermal Power Plant) situated in Río IV, Córdoba
CTR	Central Térmica Roca S.A.
CTRi	Central Térmica Riojana (Riojana Thermal Power Plant) 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
Availability	Percentage of time in which the power plant or machinery, as applicable, is in operation (generating power) or available for power generation, but not called by CAMMESA
DMC	Minimum Availability Committed
DO	Target Availability
DR	Registered Availability
ENARSA	Energía Argentina S.A.
Energía Plus	Plan created under SE Resolution No. 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 MEM
GE	General Electric
GECE	Generación Centro S.A.
GLSA	Generación Litoral S.A.

GLOSSARY OF TECHNICAL TERMS (Cont'd)

Terms	Definitions
GFSA	Generación Frías S.A.
GISA	Generación Independencia S.A.
GLBSA	Generación La Banda S.A.
GMSA	Generación Mediterránea S.A.
Large Users	MEM agents classified according to their consumption into: GUMAs, GUMEs, GUPAs and GUDIs
GRISA	Generación Riojana S.A.
GROSA	Generación Rosario S.A.
GUDIs	Large Demand from Distributors, with declared or demanded supplies of over 300kW.
GUMAs	Major Large Users
GUMEs	Minor Large Users
GUPAs	Large Users - Individuals
GW	Gigawatt. Unit of power equivalent to 1,000,000,000 watts
GWh	Gigawatt-hour Unit of energy equivalent to 1,000,000,000 watts hour
IASB	International Accounting Standards Board
IGJ	Superintendency of Commercial Companies
kV	Kilovolt Unit of electromotive force equivalent to 1,000 (one thousand) volts
kW	Kilowatt Unit of power equivalent to 1,000 watts
kWh	Kilowatt-hour Unit of energy equivalent to 1,000 watts hour
The Company/The Group	Albanesi S.A. and its subsidiaries
LGS	General Companies Law
LVFVD	Sales liquidations with maturity date to be defined
MAPRO	Major Scheduled Maintenance
MAT	Futures market
MEM	Wholesale Electric Market
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
ARG GAAP	Argentine Generally Accepted Accounting Principles
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
ON	Negotiable Obligations
PWPS	Pratt & Whitney Power System Inc
Resolution No. 220/07	Regulatory framework for the sale of energy to CAMMESA through the "MEM Supply Contract" under Energy Secretariat Resolution No. 220/07
GR	General Resolution
RGA	Rafael G. Albanesi S.A.
RT	Technical pronouncements
SADI	Argentine Interconnection System
SE	Energy Secretariat
TRASNOA S.A.	Empresa de Transporte de Energía Eléctrica por Distribución Troncal del Noroeste Argentino S.A.
CGU	Cash Generating Unit
USD	US Dollars

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Albanesi S.A.

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
Johanna M. Cárdenas

ALBANESI

Albanesi S.A.

Annual Report for Fiscal Year 2017

Albanesi S.A.

Annual Report for Fiscal Year 2017

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Annual Report for Fiscal Year 2017

To the Shareholders of ASA,
In compliance with current legal and regulatory provisions, the Board of Directors submits for your consideration this Annual Report, the Summary of Activity, the Financial Statements, Statements of Comprehensive Income, Statements of Changes in Equity, Statements of Cash Flows, and Notes to the Financial Statements for the year ended December 31, 2017.

1. ACTIVITY OF THE COMPANY

The Company was set up in 1994 as an investing and financial company. Through its subsidiaries and related companies, ASA has invested in the energy market, specifically in the electricity generation and sale segment.

Through ASA and its related companies AISA and AESA, Grupo Albanesi is engaged in the generation and sale of electricity and, through RGA, it has focused on gas sale and transportation.

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

The ownership interests held by ASA in each company are as follows:

Company	Country	Main activity	% ownership interest	
			12.31.17	12.31.16
GMSA	Argentina	Electric power generation	95%	95%
GFSA (1)	Argentina	Electric power generation	-	95%
GROSA	Argentina	Electric power generation	95%	95%
Solalban Energía S.A.	Argentina	Electric power generation	42%	42%
GLSA	Argentina	Electric power generation	95%	95%
GECE (2)	Argentina	Electric power generation	95%	-

(1) Company absorbed by GMSA under the framework of the merger detailed in note 39.2.
(2) Company set up during the current year jointly with Armando R. Losón, Holen S.A. and Carlos A. Bauzas (Note 8).

At the date of these consolidated financial statements, Grupo Albanesi had a total installed capacity of 1,410 MW, representing 6.6% of the total installed steam power capacity in Argentina, which will be expanded with additional 435 MW considering all the new projects awarded and currently under way.

RGA is the leading gas selling company, which provides energy-related services to industries and steam power plants.

GMSA (absorbing and surviving company) has been part of a merger process with the following companies absorbed by it: GISA, GLBSA and GRISA. On November 10, 2015, a final merger agreement was signed establishing that the merger would take effect as from January 1, 2016. The merger was approved by the CNV on March 22, 2016 and registered with the Superintendency of Commercial Companies on May 18, 2016.

As a result of the merger, power plants CTI, CTRi and CTLB owned by the absorbed companies were transferred to GMSA (see Note 39.1 to these financial statements).

Furthermore, in 2016, GMSA (absorbing and surviving company) was part of a merger process under which GFSA was absorbed. On November 15, 2016, a final merger agreement was signed establishing that the merger would take effect as from January 1, 2017. The merger was approved by the CNV on March 2, 2017 and registered with the Superintendency of Commercial Companies on March 17, 2017 (see Note 39.2 to these financial statements).

In 2017, ASA (absorbing and surviving company) was part of a merger process under which AISA was absorbed. On November 21, 2017, a final merger agreement was signed establishing that the merger would take effect as from January 1, 2018. The merger was approved by the CNV on January 11, 2018 and its registration with the Superintendency of Commercial Companies is under way. At the date of issue of these financial statements, neither ASA nor AISA have received any notification confirming their registration with that Public Registry. (See Note 39.3).

In 2015, ASA started trading in the capital market. On November 20, 2015, the Company obtained authorization to enter the public offering system and to create a Program for the issue of ordinary Negotiable Obligations, not convertible into shares, for up to USD 100 million or its equivalent in other currencies, in one or more classes or series. Thus, on December 29, 2015, the Company issued Class I NO for $ 70 million, on October 25, 2016 Class II NO for $ 220 million, and on June 15 Class III NO for $ 256 million.

On July 7, 2016, GMSA, GFSA and CTR obtained authorization through CNV Resolution 18110 for the co-issuance on the domestic and international markets of simple, secured, senior NOs not convertible into shares. On July 27, 2016, NOs were issued for USD 250 million, and on December 5, 2017, USD 86 million were additionally issued, both maturing on July 27, 2013. Both issuances are unconditionally and fully secured by ASA.

On August 8, 2017, the Shareholders' Extraordinary Meeting of ASA approved the setting up of a program for the co-issuance of simple negotiable obligations (not convertible into shares) jointly with CTR for a total outstanding nominal value of up to USD 100 million, or equivalent amount in other currencies.

Below is the most relevant information corresponding to steam power plants operated by ASA's subsidiaries:

Modesto Maranzana Power Plant

GMSA is the owner of Central Térmica Modesto Maranzana (CTMM), located in the city of Río Cuarto, Province of Córdoba. The power plant originally had an installed capacity of 70 MW, in two combined cycles of 35 MW, each of which comprises a Gas Frame 5, and Steam Turbine in a single-shaft arrangement.

In October 2008, GMSA completed the first stage of the project to extend the Power Plant. To this end, two new aero-derivative gas turbines FT8-3 SwiftPac 60 PWPS of 60 MW were installed and started up. Each has two aero-derivative gas turbines of 30MW that transmit their power to a single generator, thus offering great flexibility in the operation.

Continuing with its expansion process, CTMM installed a third turbine FT8-3 SwiftPac 60 PWPS of 60 MW in 2010, which became operative in September of that year, thus reaching an installed capacity of 250 MW at the Power Plant.

On March 28, 2016, GMSA entered into an agreement with Siemens Industrial Turbomachinery AB for the supply and assembly at CTMM of two Siemens SGT-800 turbines of 50 MW nominal capacity each. This expansion was made under the framework of an agreement entered into under ES Resolution 220/07. On July 6, 2017, the two Siemens SGT-800 turbines were authorized to operate in the WEM. In this manner, the installed capacity of the Power Plant increased from 250 MW to 350 MW. The total amount invested in the 100MW capacity expansion was USD 88.4 million.

Through SE Resolution No. 287 - E/2017 of May 10, 2017, the Energy Secretariat (SEE) instructed CAMMESA to call for those interested parties to offer new steam power generation focused on closure of combined cycles and co-generation technology, with the commitment to be available to meet the demand in the WEM.

GMSA participated in that call and was awarded two projects for closure of combined cycles through SEE Resolution 926 – E/2017 to be incorporated to its power stations located in Río Cuarto, Córdoba and Ezeiza, Province of Buenos Aires.

The first corresponds to the closure of combined cycle for the gas turbine 06 and 07 units at the Modesto Maranzana Power Plant, which mainly consists in the installation of a new Siemens SGT800 gas turbine of 50 MW power (47.5 MW guaranteed power) and the conversion to combined cycle of three Siemens SGT 800 gas turbines (3x1 configuration). For such conversion, a heat recovery steam generator that will generate steam at two pressures will be installed at the outflow of the gas turbines to feed a steam turbine SST-600 that will supply an additional 65 MW to the network, as well as the necessary infrastructure for its operation and maintenance. The project for closure of the combined cycle at Modesto Maranzana steam power plant will allow supplying an additional 112.5 MW to the National Interconnected System (SADI). The incorporation of the new gas turbine will provide an additional demand of fuel to the system. In addition, the steam turbine will supply 65 MW, with no additional fuel consumption, with the complete cycle reaching a specific consumption level of 1590 kcal/kWh at closure of the combined cycle.

This project was awarded by SEE Resolution 926 – E/2017 of October 17, 2017 and it is expected to be operative by mid-2020, with a total investment of USD 194.3 million being necessary.

The Wholesale Demand Contract between GMSA and CAMMESA was signed on December 14, 2017.

Independencia Power Plant

On June 30, 2016, within the framework of the bidding process called for by the Energy Secretariat through Resolution ES No. 21, GMSA signed a Contract for Wholesale Demand for Independencia Power Plant for the installation of the new thermal generation capacity. The project consists of the installation of 100 MW (92 MW already committed) in two stages.

For this purpose, on April 30, 2016, a contract was executed with Siemens Industrial Turbomachinery AB for the purchase of the first SGT-800 turbine of 50 MW, paying on December 2016 50% and financing the remaining 50% in 24 installments as from September 2017. On August 10, 2017, in compliance with the Contract for Wholesale Demand, the commercial operation was obtained for the first stage, for a maximum power of 49.6 MW while operated with natural gas and 46.5 MW while operated with diesel. It is connected to SADI at the INDEPENDENCIA 132 KV transformer station of TRANSNOA, Province of Tucumán.

With regard to the second stage, on August 9, 2016, a contract was executed with Siemens Industrial Turbomachinery AB for the purchase of a second SGT-800 turbine of 50 MW, paying on March 2017 50% and financing the remaining 50% in 24 installments as from April 2018. The parts belonging to the second turbine and chimneys are already at the plant. The value of the turbine amounts to USD 20 million.

On February 1, 2018, the authorization to operate was obtained for the second stage, for a maximum power of 49MW while operated with NATURAL GAS, and 47 MW with DIESEL, with the total capacity of the plant amounting to 220MW.

The total amount invested at both stages was USD 79 million.

Riojana Power Plant

Central Térmica Riojana (CTRi) is located in the Province of La Rioja and has 4 power generation units: Fiat TG21 12MW Turbomachinery, John Brown TG22 16MW Turbomachinery, Fiat TG23 12MW Turbomachinery, and a Siemens SGT800 TG24 50 MW Turbomachinery, for which an addenda was signed with CAMMESA for the increase of the installed capacity by 50 MW under the agreement pursuant to SE Resolution 220/07.

The Siemens Turbomachinery was acquired under an agreement with Siemens Industrial Turbomachinery AB entered into on September 7, 2015. Authorization for commercial operation was obtained on May 20, 2017 for a maximum power of 46.68 MW while operated with natural gas, and 45 MW while operated with diesel. It is connected to SADI at the La Rioja transformer station.

The total amount invested for the 50 MW capacity expansion was USD 45.2 million.

La Banda Power Plant

La Banda Power Plant is located in the Province of Santiago del Estero and has currently two power generating units Turbomachinery Fiat TG21 of 16 MW and Turbomachinery Fiat TG22 of 16 MW.

Frías Power Plant

Frías Power Plant is located in the Province of Santiago del Estero and has currently 60 MW of nominal thermal power generation capacity through one turbine with PWPS technology, which consist of two gas turbines which transmit their mechanical power to a single generator of 60 MW. This turbine operates through the conversion of chemical energy contained in fuels, which is injected into the combustion chambers (both liquid and gas), into mechanical energy that is transmitted to the generator, where a final conversion into electric power is carried out.

The Turbine purchase agreement contemplated the granting of USD 12 million financing by PWPS, repayable in four years, as from the provisional acceptance. This amount is disclosed in non-current trade payables for the equivalent to $223,788,000.

Ezeiza Power Plant

The Ezeiza Power Plant is located in the Province of Buenos Aires, and it has three Siemens SGT-800 turbines of 50 MW each. This plant is built within the framework of SEE Resolution 21/2016.

The gas turbine 02 and 03 units were authorized to operate on September 29, 2017, for a total of 93 MW, with tariffs in dollars for a term of 10 years. They are connected to SADI at the new TORRES 132 kV transformer station in the Province of Buenos Aires. Both turbines comprise the first stage of a 150 MW project.

For the execution of the first stage, on April 30, 2016, a contract was executed with Siemens Industrial Turbomachinery AB for the purchase of the mentioned turbines, paying 50% of the total amount in September 2016 and financing the remaining 50% in 24 installments as from September 2017.

As regards the second stage of the project, on August 9, 2016, a contract was executed with Siemens Industrial Turbomachinery AB for the purchase of a third SGT-800 turbine of 50 MW, paying 50% of the total in March 2017 and financing the remaining 50% in 24 installments as from April 2018. The value of the turbine is USD 20.3 million. On February 3, 2018, the authorization for commercial operation of the second stage was obtained.

Through SEE Resolution No. 287 - E/2017 of May 10, 2017, the SEE instructed CAMMESA to call for those interested parties to offer new thermal generation focused on closure of combined cycles and co-generation technology, with the commitment to be available to meet the demand in the WEM.

GMSA participated in that call and was awarded two projects for closure of combined cycles through SEE Resolution 926 – E/2017.

Another project awarded was the closure of the combined cycle of gas turbine 01, 02 and 03 units at the Ezeiza Power Plant in the Province of Buenos Aires. The project subject to this offer consists of: i) the installation of a fourth Siemens SGT-800 gas turbine of 50 MW, and ii) the conversion to combined cycle of the four gas turbines. For such conversion, a heat recovery steam generator that will generate steam at two pressures will be installed at the outflow of each gas turbine to feed two steam turbines (2x1 configuration) that will supply 44 MW each to the network.

The project for closure of the combined cycle at Ezeiza Power Plant will allow supplying an additional 138 MW to the National Interconnected System (SADI). The new gas turbine to be installed will generate additional fuel consumption; however, the incorporation of two steam turbines will add an additional 88 MW with no additional fuel consumption, and both complete cycles will reach specific consumption of 1,590 Kcal/KWh.

The project was awarded by SEE Resolution 926 – E/2017 on October 17, 2017, and it is expected to become operative by mid-2020.

The Wholesale Demand Contract between GMSA and CAMMESA was signed on December 14, 2017.

Sorrento Power Plant

The Sorrento Steam Power Plant, which is located in Rosario, province of Santa Fe, delivers 160 MW to the electrical grid. Power is generated by one single Ansaldo dual-fuel turbine which can operate simultaneously with gas and fuel-oil supplied by ships from its own port and offloading facilities.

2. MACROECONOMIC CONTEXT

International context

World growth in 2017 has now been estimated at 3.7%; i.e. 0.1 percentage points above the forecast. Global growth in general, but specifically in Europe and Asia, was unexpectedly high; actual data exceeded forecasts by 0.1 percentage points, both in advanced economies and in emerging and developing markets.

The upturn observed in 2017 is expected to take place again in 2018 y 2019, and global growth has been revised upwards, reaching 3.9% in both years (0.2 percentage points above forecasts).

As regards projections for the coming two years, the upward revisions of global forecasts are mostly attributable to advanced economies, which are expected to grow 2% in 2018 and 2019. These forecasts reflect expectations that the global financial conditions will be favorable and that a strong level of confidence will help maintain the recent acceleration of demand and, especially, the level of investments, with a significant impact on the growth of the economies with a high volume of exports. In addition, the tax reform and the corresponding tax incentives in the United States are expected to build up temporary momentum in the growth of that country, and its commercial partners, mainly Canada and Mexico, will benefit from the favorable effects on demand during this period. The expected global macroeconomic effect accounts for approximately half of the cumulative upward revision of world growth expected for 2018 and 2019, with an uncertainty margin close to this baseline projection.

Regional context

The Latin American region is expected to end 2017 with a 1.3% increase in activity explained mainly by the 1.1% low increase in Brazil and the 2.0% growth in Mexico. The economy of the Latin American region is expected to grow 1.9% in 2018 and 2.6% in 2019.

Recovery is expected to strengthen in Latin America, with a forecasted growth of 1.9% in 2018 (as projected in autumn) and 2.6% in 2019 (0.2 percentage points higher). This change is attributable to a better outlook in Mexico, which will benefit from a stronger demand in the USA, the strengthening of the recovery in Brazil, and the favorable effects of higher prices of raw material and the easing of financial conditions in some raw material exporting countries. These upward revisions far offset the new downward revisions regarding the Venezuelan economy.

Argentina

The cumulative economic activity for Argentina up to November 2017 – measured by the EMAE (Monthly Economic Activity Estimator) – showed a 2.9% increase with regard to the cumulative economic activity for the same period of 2016.

The cumulative GDP for the first three quarters of 2017, according to the Level of Activity Progress Report prepared by the Indec, showed an increase of 4.2% compared with the same period of 2016.

The macroeconomic evolution for the third quarter of 2017 resulted in a 7.4% variation in global supply vis-à-vis the same period of the previous year, according to temporary estimates and measured at 2004 prices, as a result of a 4.2% increase in the GDP and a 18.7% increase in real imports of goods and services.
The global demand showed a 13.9% increase in gross fixed capital formation, a 4.2% increase in private consumption, and 1.8% growth in public consumption. Real exports of goods and services recorded a 2.1% variation.

In seasonally adjusted terms with respect to the second quarter of 2017, private consumption decreased 2.2%, while public consumption grew by 0.5%, gross fixed capital formation by 2.5%, exports by 2.4% and imports by 4.6%.

The industrial activity measured by the Monthly Industrial Estimator (EMI) increased by 1.8% in 2017 compared with 2016.

According to the Wholesale Domestic Price Index (IPIM), prices showed a cumulative increase of 18.8% in 2017 (Indec).

As regards foreign trade, a trade deficit of USD 8.4 billion was posted during the twelve months of 2017. Total exports reached USD 58.4 billion, while imports reached USD 66.8 billion. Exports grew 0.9% with regard to 2016 (up USD 549 million). Exports of primary products decreased 5.6%, exports of Manufactures of Agricultural and Livestock origin (MOA) decreased 3.6%, while exports of Fuel and Power grew by 18.8%, and those of Industrial Manufactures (MOI) by 11.2%. The value of imports in 2017 was 19.7% higher than that for the previous year. They increased by USD 10.9 billion. Imports of Fuel and lubricants increased by 15.8%, imports of Intermediate goods grew 15.2%, imports of Parts and accessories for capital assets increased 14.3%; imports of Passenger Motorcar vehicles also grew 40.9%; imports of Consumer goods rose 20.9%; and imports of Capital Assets grew 23.0%. (Indec).

In terms of monetary variables, the monetary base grew from $787.8 billion at the end of 2016 to $982.6 billion at the end of 2017, reflecting a 24.7% increase during the year. At year end, international reserves reached $55.58 billion, up 46.7% from the previous year. According to the single free exchange market (MULC), the peso lost value against the United States dollar, going from $15.89/U$S to $17.79/U$S, reflecting a devaluation of 12%. (BCRA).

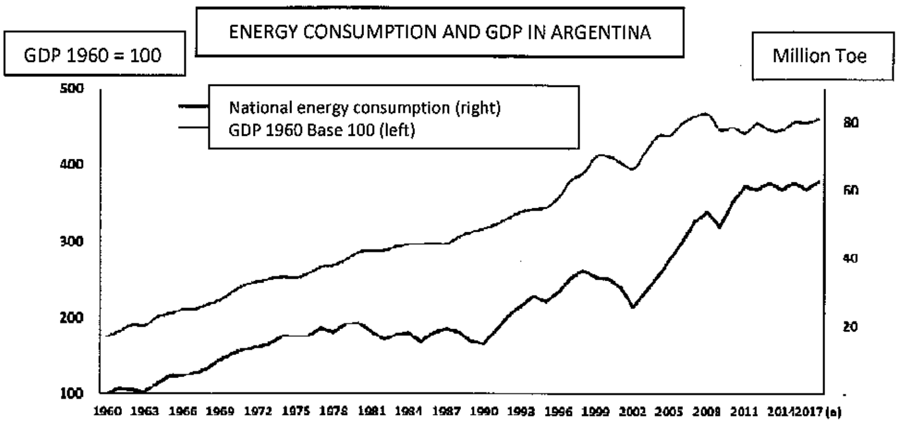
Accordingly, the monetary base recorded a monthly growth of 8.4% in December, with increases both in the money in circulation and in bank reserves, driven by the mentioned seasonal factors. The demand for money supply was covered with an expansion generated by purchases of dollars, transfers to the National Treasury and a reduction in the balance of LEBAC and Central Bank swaps.

Considering the year 2017 as a whole, the growth in the monetary base was fueled by the expansion associated with the accumulation of international reserves and transfers to the National Treasury, partially offset by the contraction caused by the sterilization through the placement of LEBAC and swaps. As a result, the increase in non-monetary liabilities during the year was met by a strengthening of Central Bank assets through the increase in foreign currency liquid assets.

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 23.87%, reaching $1,998 billion in 2017. Primary spending grew at a rate of 21.82%, reaching $2,402 billion. Tax collections amounted to $2,579 billion, reflecting a 24.59% increase from 2016.

Structure of the Energy Sector

The evolution of energy demand and consumption in Argentina is positively related to the evolution of the Gross Domestic Product, which implies that the greater the economic growth, the greater the consolidated demand for all energy products. In the last 58 years energy consumption has shown a historical annual average cumulative growth of 2.8%[1], with a cumulative annual median of 1.3%[2] since 2002, despite the fact that economic growth reached a median of 3.9% p.a. during this last period, exceeding the 2.5% cumulative annual growth recorded since 1959. The last two years of reduced growth of primary energy consumption are affected by the strong rate rebuilding process, resulting in a reduction in figures, a probably temporary effect.



The growth in energy consumption during several years of the first decade of the 21st century resulted from high economic growth, which 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 of the Argentine economy since 2011 has reduced energy consumption growth rates, which had shown favorable increases between 2003 and 2011.

In the last two political-economic cycles, the elasticity of energy consumption in relation to GDP[3] has been lower than in previous decades, and therefore energy demand restrictions due to insufficient supply and the need to import energy to supplement domestic supply had an impact on the economy. This situation needs to be addressed to provide certainty to consumers as to future supply. If industrial development expands, there will be greater energy supply needs to be able to meet an increasing demand.

[1] From 1959 to the official data of 2016 and estimated figure for 2017.

[2] Official data on energy consumption from the Ministry of Energy and Mining until 2016, using 2017 estimates published by G&G Energy Consultants.

[3] Data for the period 1982-1989 show apparently high elasticity because the instability and volatility of the GDP, which showed a negative average, have an impact on and distort the calculation.

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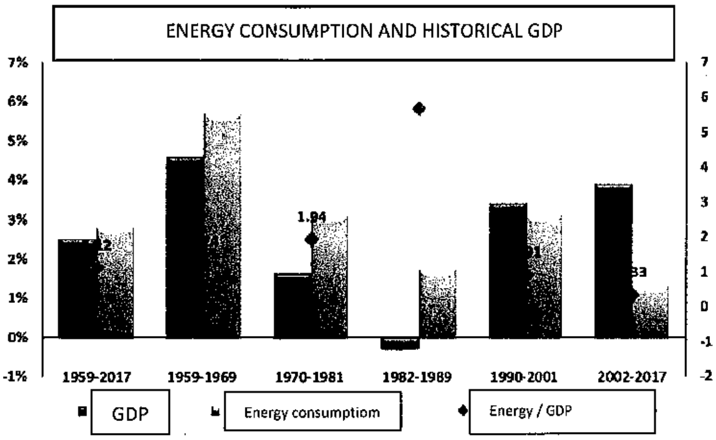
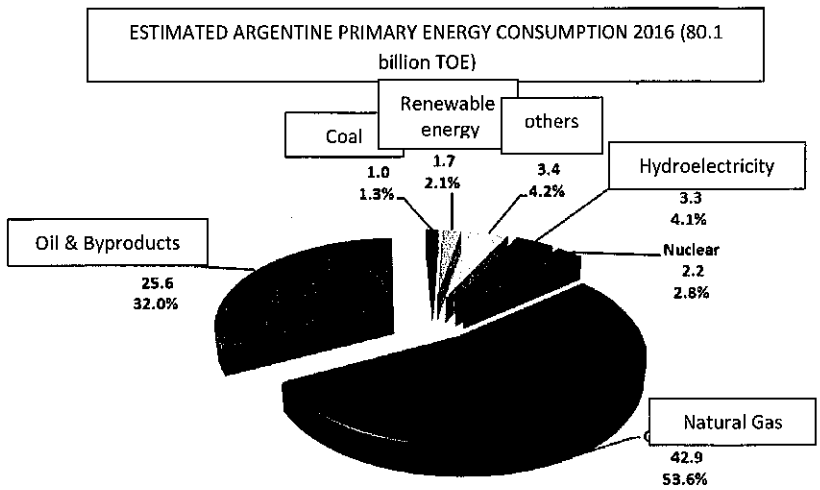
HISTORICAL ECONOMIC PERIOD	ANNUAL GDP	ENERGY CONSUMPTION	ENERGY/GDP ELASTICITY
1959-2017	2.5%	2.8%	1.12
1959-1969	4.6%	5.7%	1.24
1970-1981	1.6%	3.1%	1.94
1982-1989	-0.3%	1.7%	5.67
1990-2001	3.4%	3.1%	0.91
2002-2017	3.9%	1.3%	0.33

The restrictions on the supply of certain energy products such as natural gas in the last cycle of economic growth through to 2011 and the relatively moderate growth in energy demand in broad terms[4] are mainly due to problems in the supply of these energy products, and to a relevant growth in demand from the Residential-Commercial segment in a context of a modest industrial recovery with limited investments in productive expansion by major energy consumers.

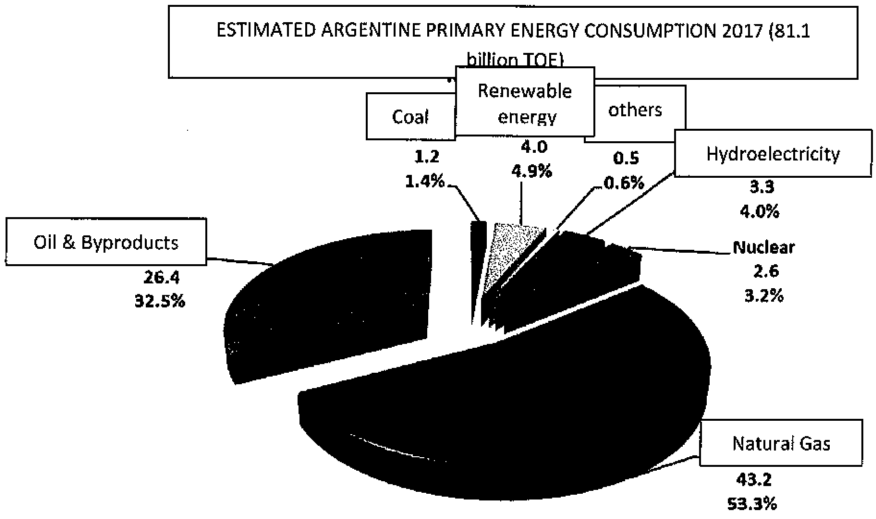


Argentine primary energy consumption is highly dependent on hydrocarbons, which accounted for 86.8% in 2016 and an estimated 87.2% in 2017[5].

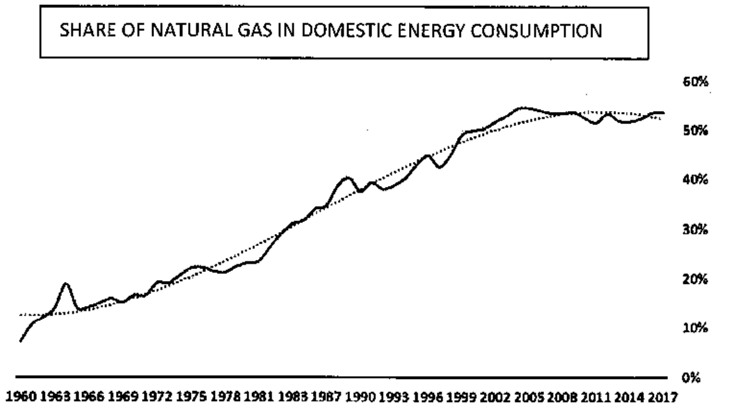


[4] From the analysis of a specific sector such as electricity, it may be observed that the demand growth rate for this energy product is higher than the GDP growth rate.

[5] Latest official data for 2016 and estimate for 2017 by G&G Energy Consultants, expressed in million Tons of Oil Equivalent (TOE) for Primary Energy Consumption.

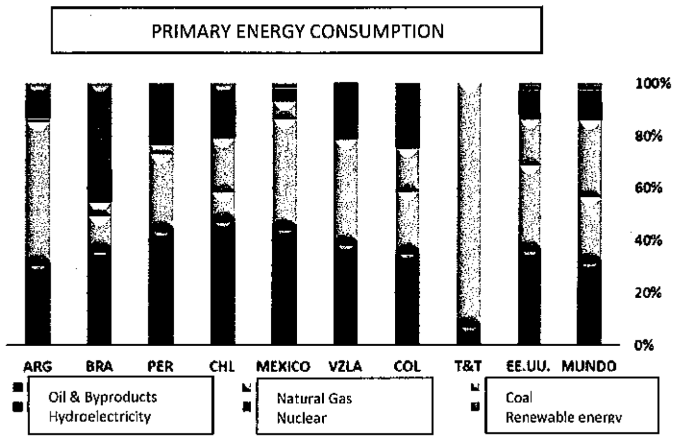


This percentage has dropped slightly in the last five years as a result of the obligation imposed on fuel supplying refineries to incorporate increasing ratios of biodiesel and bioethanol in their diesel and gasoline production. Few countries show this structure of heavy reliance on oil and natural gas byproducts, and typically only those with significant oil and gas reserves. The particularly high reliance on natural gas – an estimated 53.3% in 2017 – 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[6]. 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.



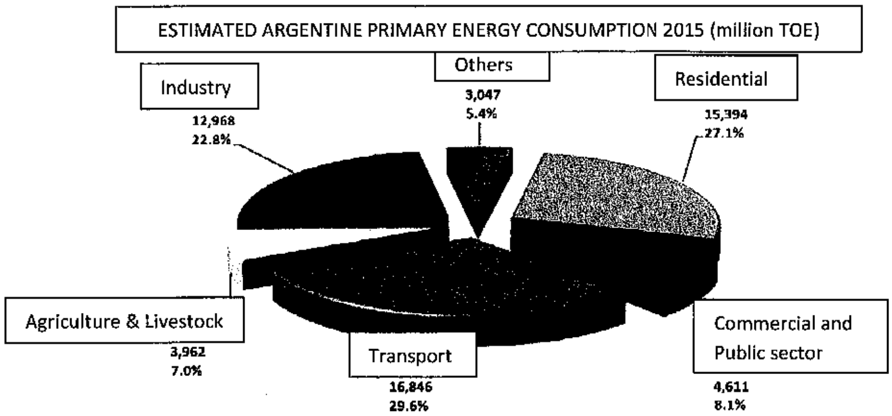
The countries within the region do not have a structure so biased towards hydrocarbons, although they do show a bias in the global average and in the USA.

[6] In the absence of restrictions on gas demand, the share of this product in the primary matrix would be even higher.



Argentine energy consumers, and its economy taken as a whole, must get adapted to a heavy reliance on the availability and supply of natural gas and oil byproducts, and on steam power generation for many years to come, as will be seen later.

Instead, 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 that in other developing countries with a vast territory and medium sized population.

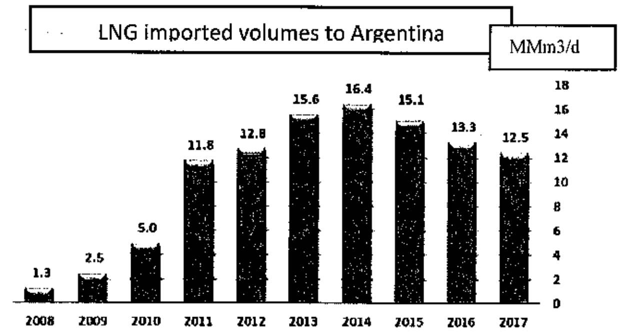


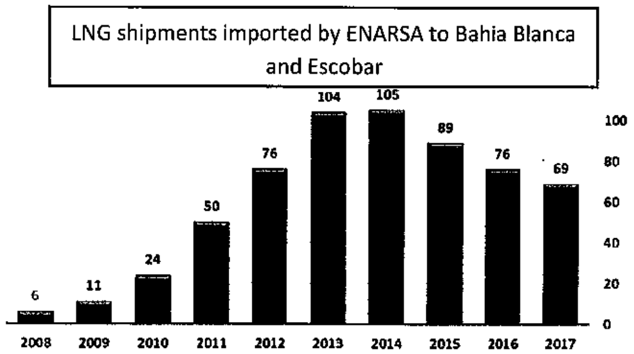
The characteristics of the Argentine energy supply and demand are summarized below:

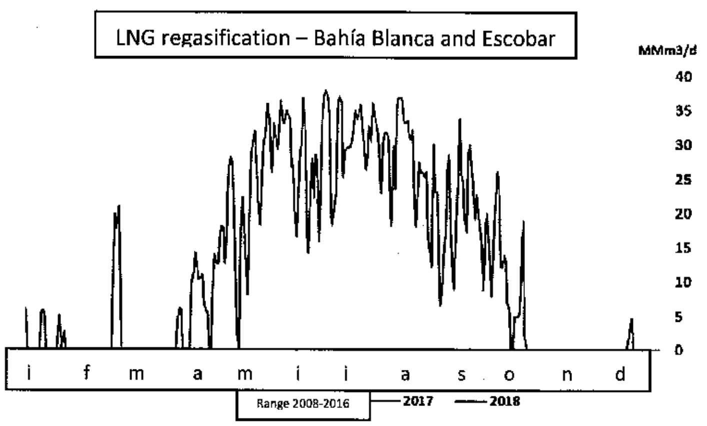
- An atypical breakdown featuring Oil and Gas as the predominant energy sources, typical only of large hydrocarbon exporters such as countries in the Middle East, Russia, African LNG exporters, or Venezuela.
- Additionally, 53.3% of consumption relies on natural gas, with gas penetrating consumption, 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.

Liquefied Natural Gas and Gas imported from Bolivia

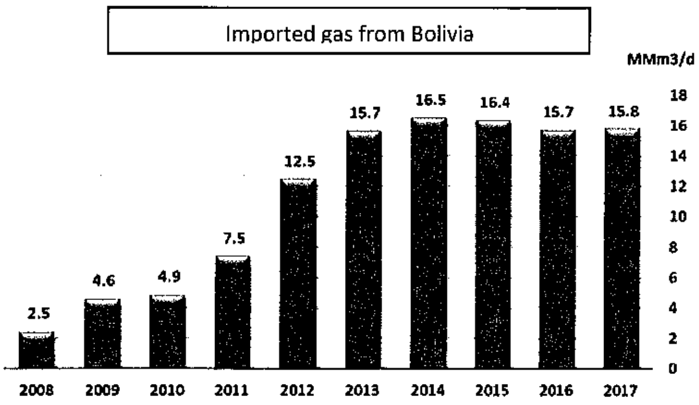
To supplement local gas production, Argentina has been importing gas from Bolivia increasingly, in addition to imports of LNG from various suppliers, which recorded explosive growth in early years, as its plants work at full capacity during winter seasons. Imports of LNG by YPF-ENARSA's regasification terminals 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. The mild winter of 2017 reduced the need to import gas, as the demand for gas and electricity decreased.

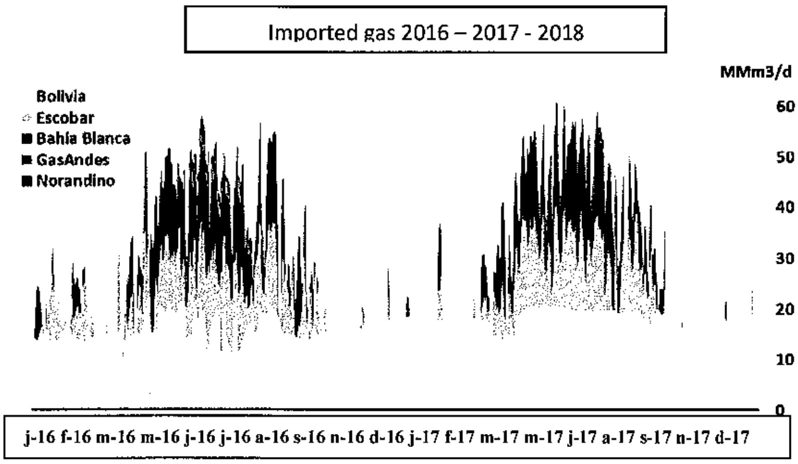






Similarly, imports of gas from Bolivia have increased, thus normalizing YPFB's contractual performance after certain breaches in some months of 2016, specifically in winter months when it incurred a 4 MMm3/d default in respect of the Deliver-or-Pay volumes agreed.





The YPFB-ENARSA agreement contemplates additional increases in the coming years. Bolivia's contractual performance will be conditional on the scope of its contract with Petrobras, which will expire in 2019, and new contracts with other Brazilian companies. Meeting both the growing domestic demand in Bolivia and the exports to Brazil and Argentina will not be possible without new gas discoveries and developments.

Imports far exceed exports of natural gas, even though as from late 2017 some exports were made to Chile subject to the commitment to reimport the same volumes in the year of export, with increasing injections of regasified LNG following the moderate optimization of the regasification capacity of the two terminals Bahía Blanca and Escobar.

Specific Condition of the Argentine Electricity Sector

With the purpose of meeting electricity demand, electricity supply in Argentina has evolved unevenly over the years, with periods of increased supply in response to the prevailing policies.

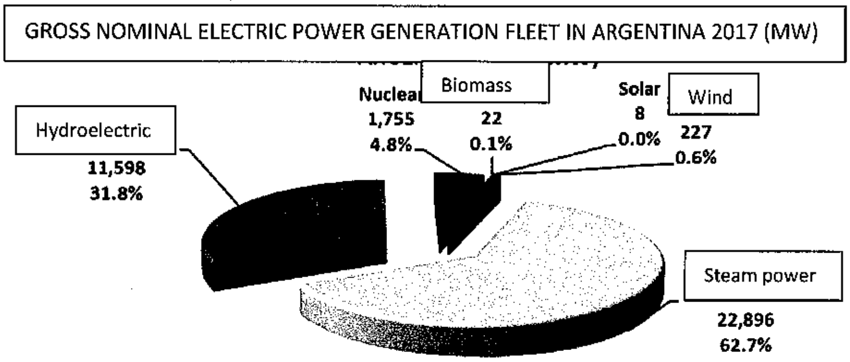
Although CAMMESA has preliminarily estimated a nominal power of 36,505 MW installed in late 2017, a 7.5% increase equivalent to nominal available power of 2,535 MW[7], representing effective available power because most of the equipment is new, available operating power in the 2017/2018 summer season is close to 28,500 MW plus a rotating reserve of approximately 1,800 MW, according to estimates by G&G Energy Consultants. The difference between nominal and effective power in late 2017 was due to generation restrictions in certain units caused by insufficient supply of fuel, difficulties in reaching the nominal yield, and recurrent maintenance tasks or technical limitations in some generation units.

[7] 1,154 MW were incorporated in 2016.

During 2017, 755 MW were incorporated in the form of gas turbines at new or existing power plants. Considerable capacity of 1,209 MW was incorporated at the closure of combined cycles.

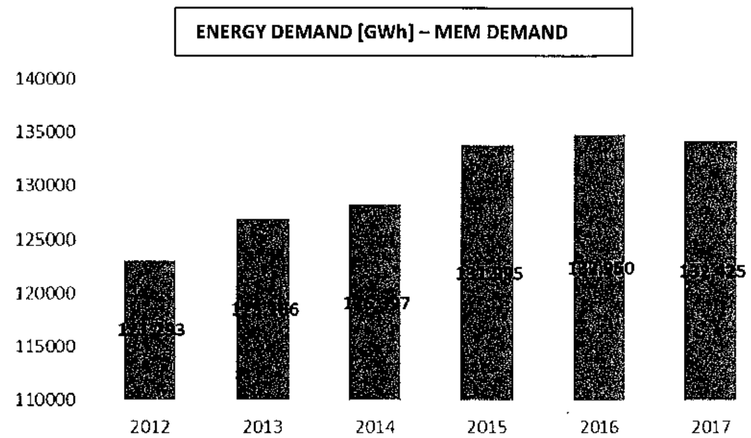
In addition, small emergency power units were incorporated, comprising mainly diesel engines, with a generation capacity of 608 MW. These power units were located in different regions to meet peak demand in small cities considering the sub-transmission and transformation restrictions faced by various locations or regions.

Furthermore, renewable power units started to be incorporated, totaling 52 MW (solar, wind and biomass) which are expected to record significant growth between 2018 and 2020. No nuclear power generation capacity was incorporated, and the revamping of turbine-generators at the Yacyretá hydroelectric power plant increased availability by 350 MW.



The financial restrictions of the Government have had an impact on the rate of incorporation of hydroelectric and nuclear power plants in the past, as a result of the large investments required and the long terms of execution. The recurrent fiscal crises of the Argentine Government have resulted in delays and/or suspension of these large projects.

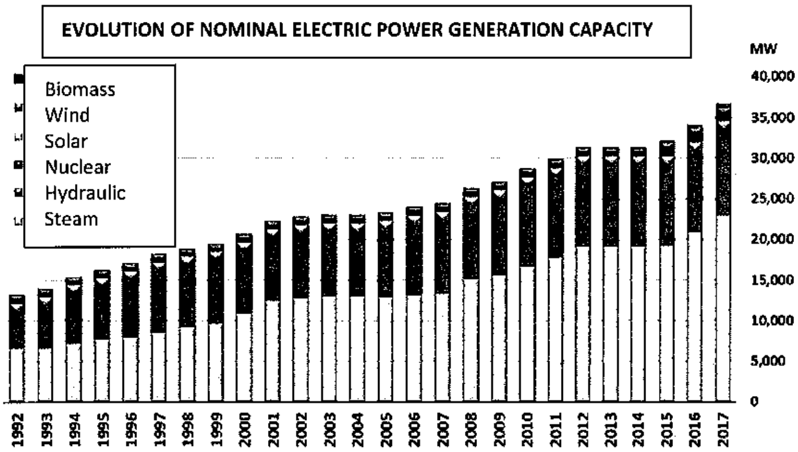
Gross electricity demand recorded a slight decrease of 0.39% in 2017 (including consumption by the company at electric power generation plants and losses in transmission and distribution systems) compared with 2016.



The greatest increase in maximum gross demand was recorded in January 2017, when the maximum demand was 1.46% 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. An important number of steam power generating units show high unavailability on a recurrent basis, being unable to generate electricity in particular during the winter season, when fuel restrictions cause a reduction in available effective power.

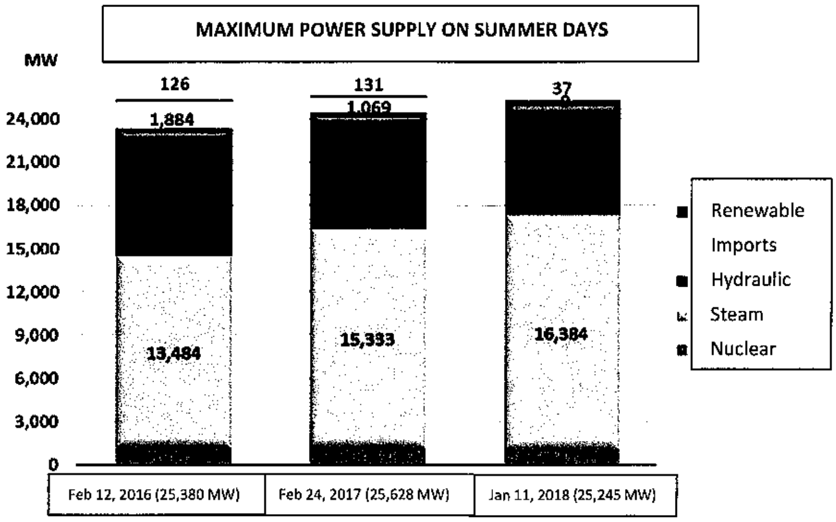


NOMINAL ELECTRICITY GENERATION CAPACITY (MW) - DECEMBER 2017												
REGION	ST	GT	CC	DI	STEAM POWER	NUCLEAR	HYDROELECTRIC	SOLAR	WIND	BIOGAS	TOTAL	%
CUYO	120	90	374	40	624	0	1,129	8			1,761	4.8%
COMAHUE	0	631	1,282	92	2,005	0	4,769				6,773	18.6%
NORTH-WESTERN	261	676	1,472	372	2,780	0	218		58		3,057	8.4%
CENTRAL	200	671	534	101	1,505	648	918			4	3,075	8.4%
GREATER BA-LITORAL-BA	3,870	3,559	6,587	895	14,911	1,107	945		0	18	16,982	46.5%
NORTH-EASTERN	0	33	0	303	336	0	3,100				3,436	9.4%
PATAGONIA	0	347	188	0	535	0	519		168		1,222	3.3%
MOBILE				200	200						200	0.5%
TOTAL	4,451	6,006	10,436	2,003	22,896	1,755	11,598	8	227		36,505	100.0%

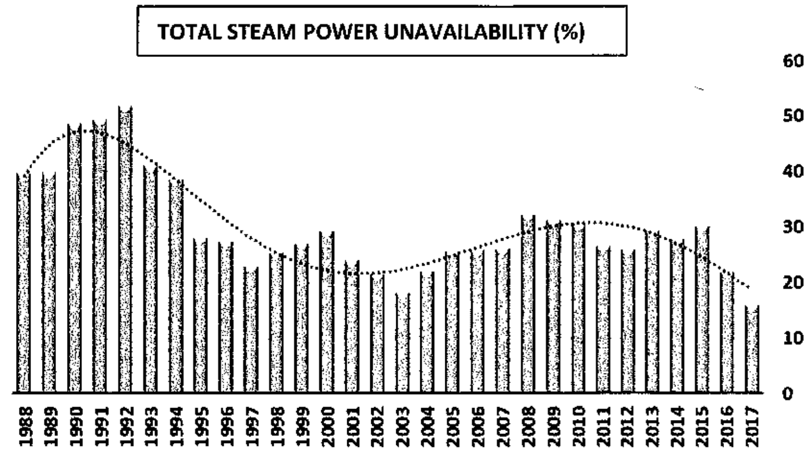
In February 2017, the demand for power and daily energy on a Business Day exceeded the historical record[8]. On February 24, 2017, moderate forced restrictions on demand were set, with imports of power below those for 2016 and a significantly higher rotating reserve compared with 2016. The local electricity generation fleet supplied 24,559 MW of the 25,628 MW consumed, plus a rotating reserve of 1,614 MW.

In early 2018, maximum demand exceeded the levels recorded in 2017. However, there is greater excess generation capacity, with steam power generation playing a leading role.

[8] On December 30, 2017, power and daily energy demand on a Saturday exceeded the historical record. On February 26, 2017, the daily energy demand on a Sunday exceeded the historical record. In both cases, demand is significantly lower than on a Business Day.



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.



The increase in effective available power improved significantly in the last two years after increases in remuneration to electricity generators, which speeded up the repair of units that were recurrently unavailable, in addition to the incorporations indicated earlier.

The companies making up Grupo Albanesi continued to invest in various power plants, with the incorporation of 300 MW in 2017, 320 MW in early 2018 and 435 MW in generation projects under construction.

The new generation capacity incorporated in 2017 corresponds to the international public bidding called under SEE Resolution No. 21/2016 of the Ministry of Energy and Mining, in which Grupo Albanesi was the awardee of bids for 420 MW.

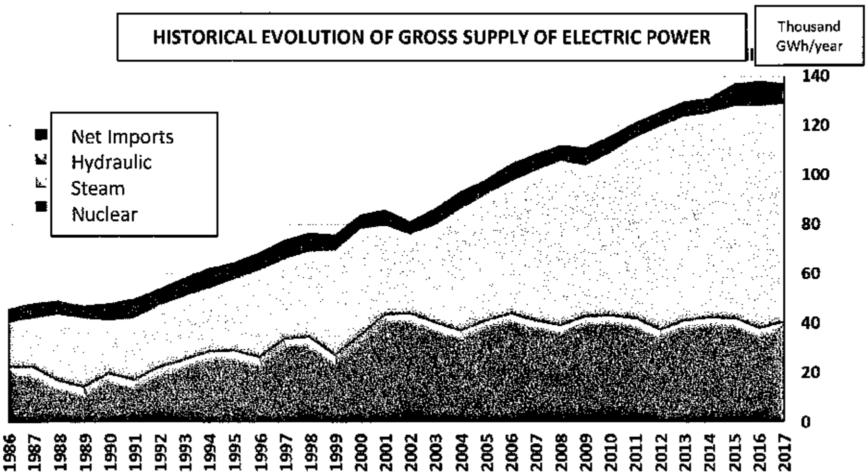
- In September 2017, the **Ezeiza Power Plant** owned by Generación Mediterránea S.A. obtained authorization to operate two SGT800 Siemens turbines of 50 MW each, and a third 50 MW turbine was authorized to operate on February 3, 2018.
- In August 2017, the **Independencia Power Plant** owned by Generación Mediterránea S.A. obtained authorization to operate a SGT800 Siemens turbine incorporating 50 MW of additional capacity, and a second turbine with the same capacity on February 1, 2018.

- In May 2017, the **Riojana Power Plant** owned by Generación Mediterránea S.A. obtained authorization to operate a new SGT800 Siemens turbine of 50 MW, adding to the existing 40 MW.
- In July 2017, the **Modesto Maranzana Power Plant** owned by Generación Mediterránea S.A. incorporated 100 MW of nominal capacity, adding to the existing 250 MW.
- Work at the **Roca Power Plant** for the closure of the combined cycle with the incorporation of a 60 MW steam turbine to the existing 130 MW gas turbine is being completed.

In addition, various companies making up Grupo Albanesi were awarded spot contracts with CAMMESA for expanding their capacity in the coming years. Within the framework of the international public bidding for the closure of combined cycle and cogeneration projects called under SEE Resolution No. 287-E/2017 of the Ministry of Energy and Mining, Grupo Albanesi was awarded three projects to install 375 MW of new capacity (350 MW of contracted power).

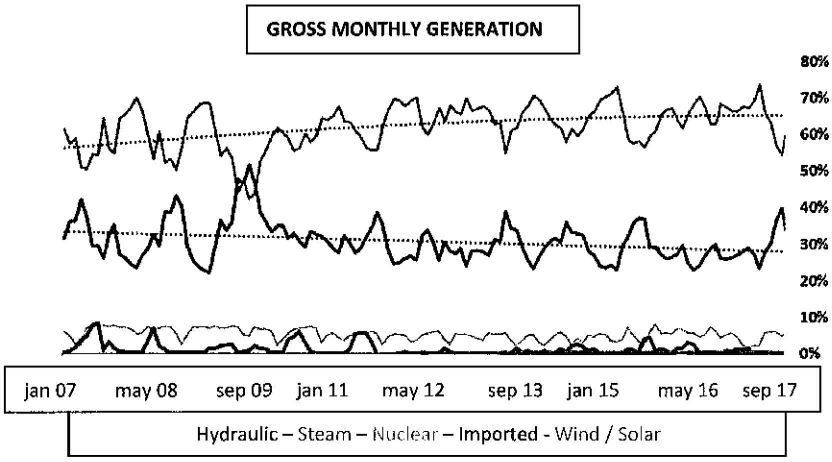
- A cogeneration project with 100 MW contracted power in the province of Santa Fe.
- A cycle closure project with 113 MW contracted power at the Modesto Maranzana Power Plant in the province of Córdoba.
- A cycle closure project with 138 MW contracted power at the Ezeiza Power Plant in the province of Buenos Aires.

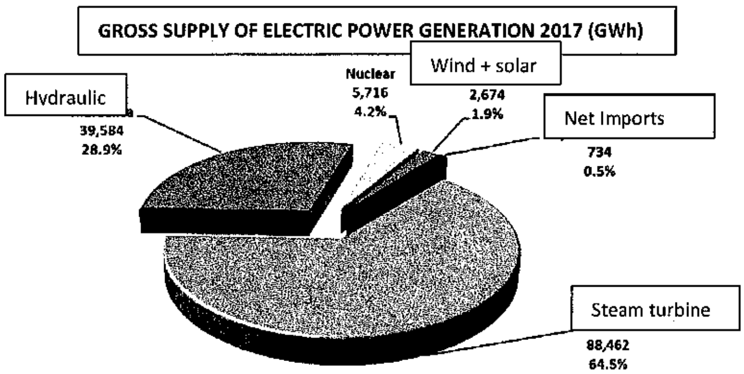
Gross Electricity Demand – including losses in the transmission and distribution system, and the company's own consumption at generating units – has shown a significant growth in steam electric power supply in recent decades, accompanied by a mild increase in the hydroelectric power supply due to the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



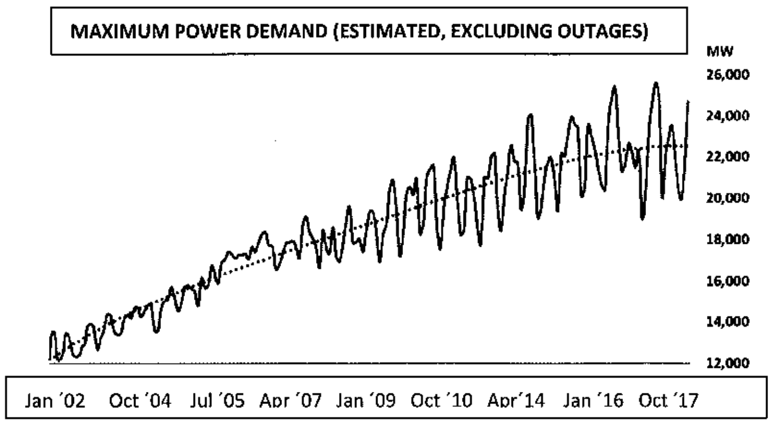
Hydroelectric power supply varies significantly from one month to another throughout the year. It also varies from one year to another due to the higher or lower incidence of rainfalls in the Northeastern region, or of rainfall and snow in Comahue, Cuyo and Northweastern region, to a lesser extent.

The excellent participation of the hydroelectric sector from the winter season of 2009 until early 2010, which reached 50%, is to be considered as a very favorable situation for Argentina, as it minimizes import of fuels for steam power generation. Severe droughts have been recorded since then, which increased the cost of energy supply. Good hydroelectric generation levels were recorded in 2017.

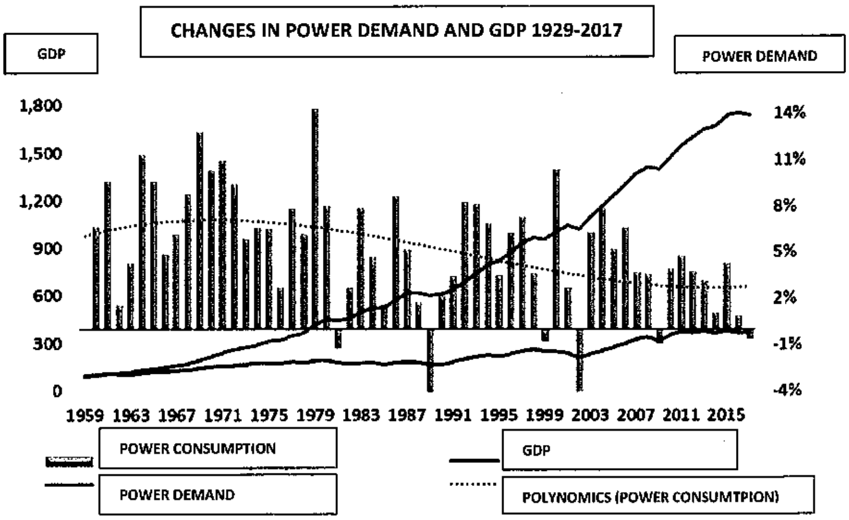


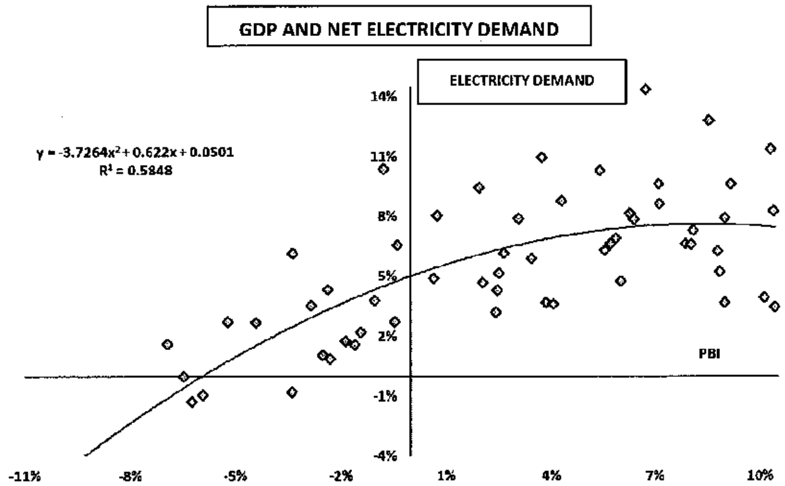


A slowdown in electricity demand growth rates was observed in 2016 and 2017. This long-term trend reflects moderation in electricity demand in periods of economic downturn, such as 2016, or of tariff adjustments as in 2017, despite the 2.8% growth in the GDP.



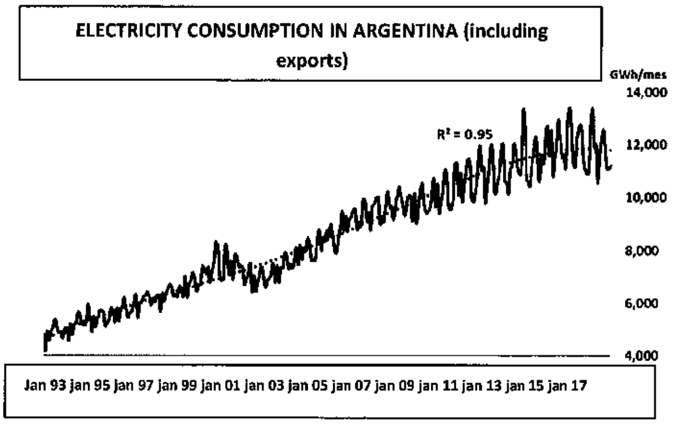
The correlation between the evolution of the GDP and electricity demand shows a significant dispersion; however, it may be concluded that when there is a significant reduction in GDP, the electricity demand falls relatively moderately. It should also be considered that in a context of low economic growth, electricity demand increases at rates higher than GDP.



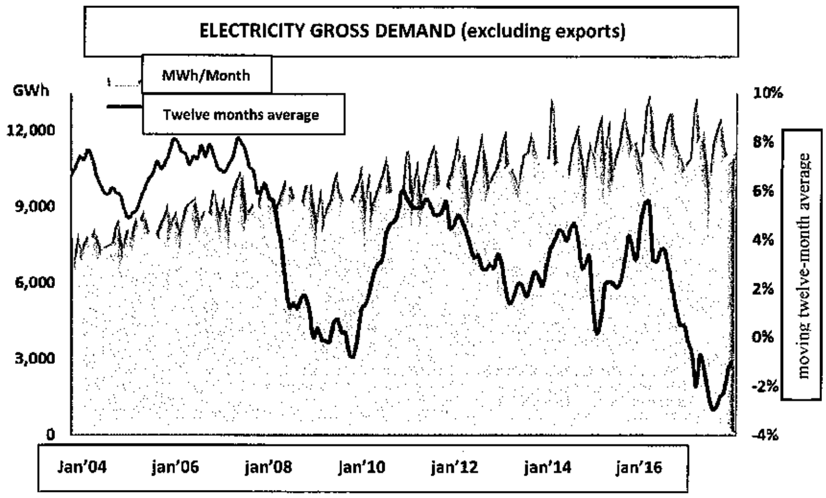


CAMMESA divides Argentina into regions with similar characteristics from the demand point of view, as well as on the basis of the socio-economic characteristics and the integration of each electricity subsystem. Demand is concentrated in the Buenos Aires-Litoral region, which accounts for 62.5% of the total electricity demand of the country. Growth rates in other regions, such as the Northwest, Comahue and Patagonia, are higher than the rest; however, the changes in the current structure will not be significant in the future.

Electricity demand over the year grew after the decrease following the restrictions on industrial electricity consumption in the 2007 winter season, and the international bank and economic crisis in late 2008 and early 2009, reflecting a strong increase in the industrial activity and massive consumption in the economy. However, electricity demand reversed the growth trend since the middle of 2011, and from 2016 to the end of 2017 it showed a decrease in demand reflected by the moving twelve-month average.



The end of 2015, with the beginning of the economic recession, brought a change in the trend towards a decreasing demand for electricity at the end of 2017, with a 0.0% stability in 2016 compared with 2015, and a -0.9% reduction in 2017.



A direct inter-annual analysis, as opposed to the moving twelve-month average, which is useful to see the changes in the inertial trend, shows a growth rate from 5 to 10% in 2010 and beginning of 2011, with an abrupt slowdown including negative values in 2012 and beginning of 2013, with growth being stimulated after the 2012 winter. December 2013 and January 2014 showed spectacular residential and commercial demand due to the heat wave which affected the central area of Argentina during those periods, which in December 2014 was reverted with a sharp fall in demand when temperatures became normal. The economic activity has fallen since the end of 2015, mainly in the industrial sector, which is very important to total electricity consumption. In 2017, the industrial activity recovered; however, annual demand showed a -0.9% reduction.

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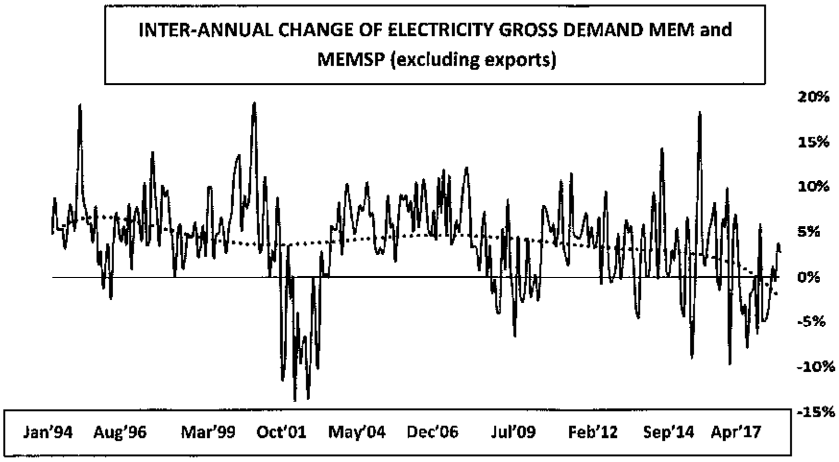
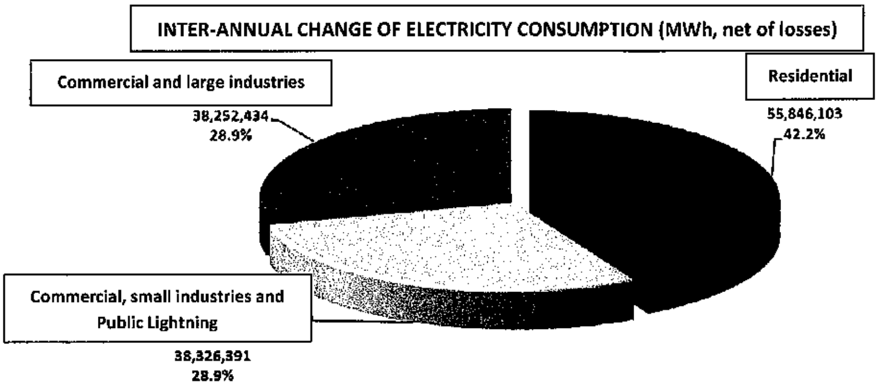


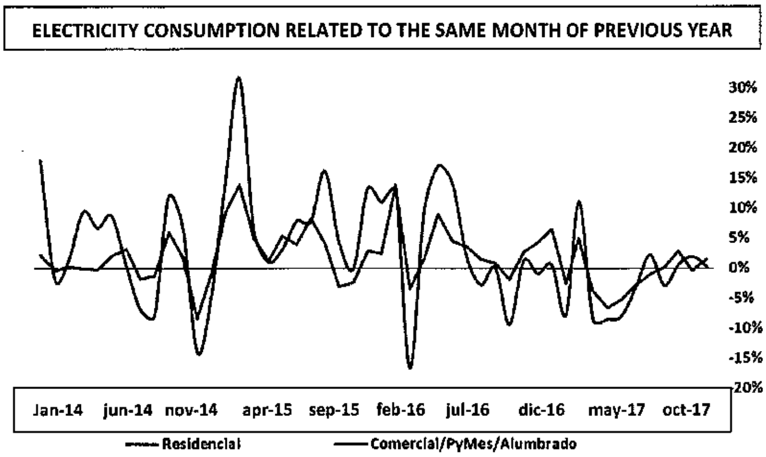


The residential electricity demand segment, however, grew 3.0% in 2016 compared with 2015, a figure higher than 2.1% recorded in the recessionary 2014 compared to 2013 (a -2.5% reduction in GDP), but lower than 7.7% recorded in 2015 (growth of 2.5%). In 2017, this segment decreased -2.1%.

The commercial electricity demand segment – which in the new classification of CAMMESA we understand includes Public Lightning and small industries - grew 3.2% in 2016 compared with 2015, higher than 0.2% in 2014, and lower than 3.8% in 2015. In 2017, this segment decreased -0.6%.

The electricity tariff adjustments implemented in February 2016, followed by adjustments to natural gas in April 2016, may partly affect the demand of residential and commercial consumers.

The industrial activity stopped falling at the beginning of 2017, and it seems to be reverting the negative trend of the last two years.



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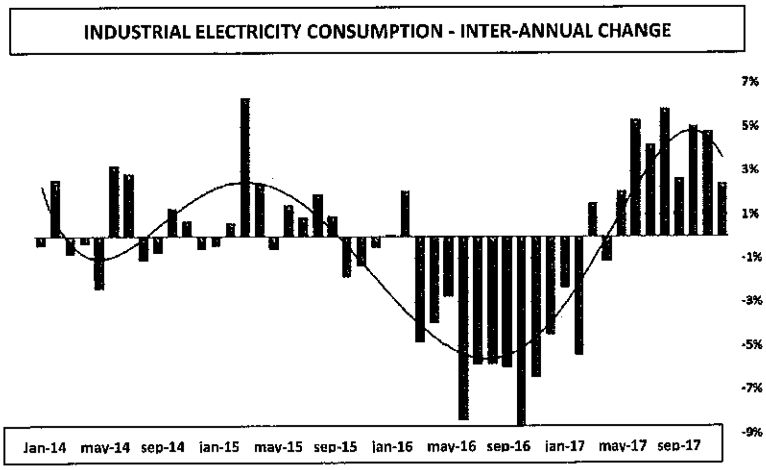
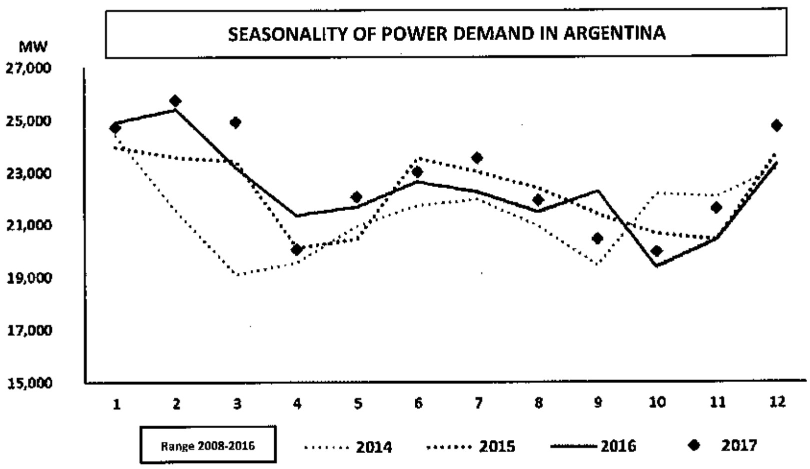


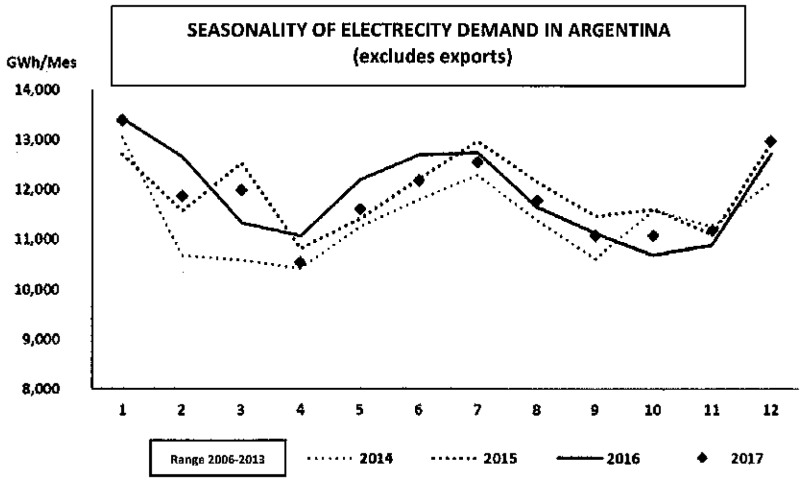
The increase in electricity demand exerts pressure on the supply of fuels to the steam power fleet. The demand for power affects the available steam power generation fleet to meet the maximum power demand during winter night hours or summer afternoon hours.

Nor even the 2015, 2016 and 2017 winters marked new maximum records of power due to warm temperatures that had an incidence on the demand in 2015, due to the economic recession in 2016 and an unusually warm winter in 2017. In the summer of 2017, a new record was set with high temperatures in Buenos Aires, with maximum power consumption of 25,628 MW and 526 GWh on February 24, 2017.



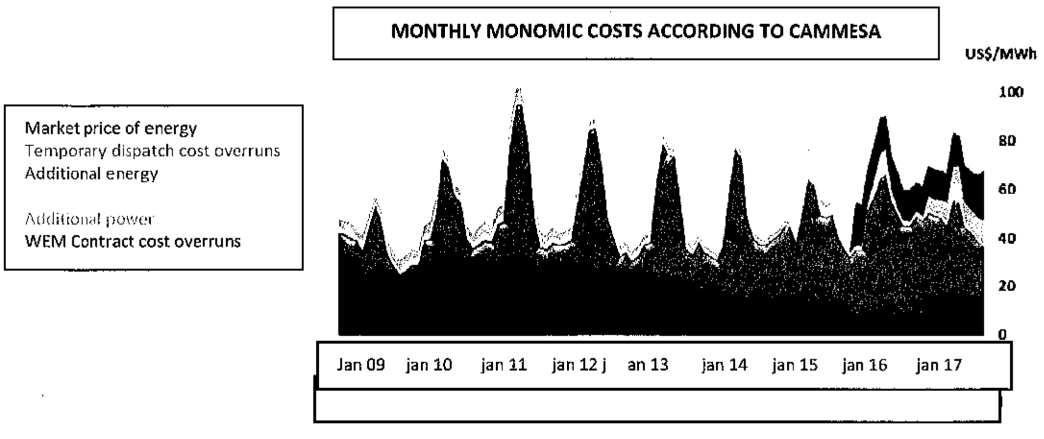
CHANGES IN RECORD ELECTRICITY CONSUMPTION IN RECENT YEARS						
DAY	PREVIOUS RECORDS		CURRENT RECORDS		VARIATION	MW
	POWER (MW)					
Saturday	25-Feb-17	22,390	*30-Dec-17*	*22,543*	*0.7%*	*153*
Sunday	27-Dec-15	21,973	*28-Feb-17*	*22,346*	*1.7%*	*373*
Business day	12-Feb-16	25,380	*24-Feb-17*	*25,628*	*1.0%*	*248*
DAY	ENERGY (GWh/d)				VARIATION	GWh
Saturday	18-Jan-14	477.9	***30-Dec-17***	***478.4***	***0.1%***	***0.5***
Sunday	27-Dec-15	432.9	*26-Feb-17*	*437.6*	*1.1%*	*4.7*
Business day	24-Feb-17	526.3	***11-Jan-18***	***527.4***	***0.2%***	***1.1***

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 demand for electric power is at its high in the afternoon and night during summer, and only at night during winter. This is due to the heavy use of electric heaters because of the difference in cost and ease of use in relation to natural gas.



The generation monomic cost of CAMMESA is almost transferred in full as effective price only to the industrial segment of the electricity market as from 2018, and partially to residential and commercial consumers despite the increases agreed for the seasonal price of energy as from February 2016, which continued in 2017 and for which even higher prices are expected for 2018.

CAMMESA amended its cost setting procedure for fuels in 2016, and now computes the real cost of gas imported from Bolivia as LNG and the price of local gas increased in 2016. The fact that CAMMESA has corrected its methodology, which used to consider all imported gas at the same price as local gas, has contributed in 2016 to contain the costs of steam electric power generation with the reduction in the price of import of fuels that has an impact on the Temporary Dispatch Surcharge.



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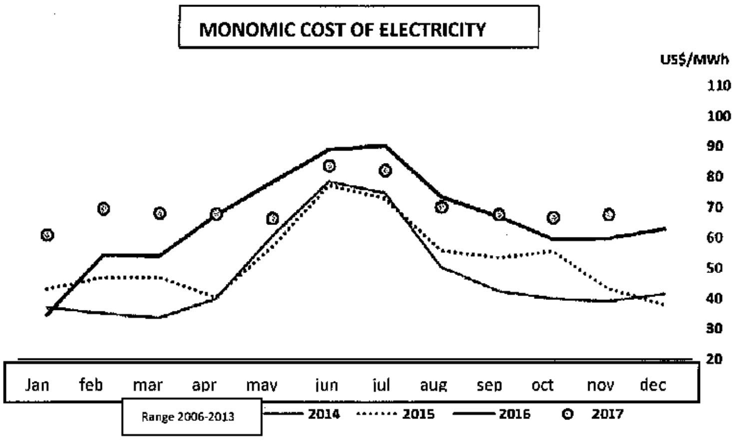

It is likely that in line with the recent increase in the international prices of oil and fuels, the cost of fuel imports will have an upward impact on the final prices that the government will transfer to electricity consumers through tariff adjustments which are expected for February 2018.

Combined cycles play a leading role in steam power supply, with limited supplement of steam turbine units (with preferred consumption of Fuel Oil and Carbon between 2014 and 2017), and gas turbine units. This structure of growing steam power dispatches and fossil fuel consumption is expected to continue over the coming years. It is also expected that a future change in the supply structure and in generation using renewable energy sources will take several years and will require substantial expansions in the electricity transmission capacity as well as substantial investments. The new hydroelectric and nuclear projects will require years to materialize, as well as significant investments measured in billion dollars to achieve changes in the reliance on these fuels.

3. DESCRIPTION OF OUR ASSETS

3.1 Electricity

ASA's electricity generation assets include its interests in GMSA, GROSA and Solalban Energía S.A.

GENERACIÓN MEDITERRÁNEA S.A.

GMSA is controlled by ASA., which holds 95% of its capital stock and votes.

GMSA operates six thermal power stations with a total installed capacity of 900 MW, and has undertaken new projects that will provide additional 275 MW, at the closure of the combined cycles of gas turbine 6 and 7 units at the Modesto Maranzana Power Plant and the gas turbines at the Ezeiza Power Plant. Below is the most relevant information on the energy generation by each Plant.

Modesto Maranzana Power Plant

One of the main objectives of GMSA in 2017 as regards the contracts marketed in the Forward Market under the Energía Plus methodology was to renew those expiring in that period. This was achieved by transferring cost increases incurred during the year to the new prices.

In compliance with the WEM Supply Contract executed with CAMMESA as per ES Resolution 220 for 45 MW of the gas turbine unit 05, the availability targets stipulated in the contract were fulfilled, thus avoiding penalty charges due to significant unavailability events during the year.

The generation of basic demand related to the combined cycle fulfilled the availability targets agreed upon in the declaration of power established by ES Resolution 19/2017, thus maximizing remuneration per power. This was due, among other things, to the preventive work done and detailed in point 3.

The open cycle units reached an average annual availability for MMARTG03 of 95%, 95% for MMARTG04, and 96% for MMARTG05, with an overall average annual availability of 95% for open cycle turbines as a whole, having exceeded the levels achieved in 2016, where average availability was 90%.

Since the gas turbine 06 and 07 units were added, they have maintained their availability at 98%, and no significant penalties have been recorded.

Lastly, the combined cycle has an average annual availability of 98% as a whole, having exceeded the availability of 90% recorded in 2016.

Independencia Power Plant

During 2017, the WEM Supply Contract operated normally, achieving the availability targets stipulated in the contract, thus avoiding penalty charges due to significant unavailability events during the year.

The gas turbine 03 recorded an availability of 97% since it was in operation, meeting the power agreed upon in the Contract for Wholesale Demand.

Lastly, the energy generated in 2017 by unit was 205,041 MWh.

Riojana Power Plant

In 2017, it had an average plant availability of 90%.

Since the addition of the new unit, the energy generated amounted to 42,930 MWh.

La Banda Power Plant

In 2017, the availability targets were met, achieving full remuneration for Fixed Cost power. The Plant had an average plant availability of 100%.

Frías Power Plant

In 2017, the Frías Power Plant reached an average availability of 93%, achieving full remuneration per power envisaged in the Contract for Demand. The Power Plant recorded generated power amounting to 261,022 MWh.

Ezeiza Power Plant

Since the beginning of its operation in October 2017, the availability of both units was of 98%, which easily allowed to fulfill the availability agreed upon in the Contracts for Demand signed within the framework of Resolution 21/2016.

GENERACIÓN ROSARIO S.A.

GROSA is controlled by ASA, which holds 95% of its capital stock and votes.

GROSA's main asset is the Sorrento Steam Power Plant located in Rosario, province of Santa Fe. On April 27, 2011, GROSA signed a 10-year lease agreement with an option to extend it for a further 7-year term with Central Térmica Sorrento S.A. The agreement, which took effect on November 1, 2010, contemplated the lease of the Sorrento Power Plant and all of the assets located at the plant. In connection with this contract, on December 9, 2010 a request for notification of change of ownership of the Sorrento Power Plant by Generación Rosario S.A. was filed with the Energy Secretariat. Through this filing, it was requested that CAMMESA and the WEM agents be notified of the transfer of ownership of the Sorrento Power Plant to Generación Rosario S.A.

The Power Plant currently delivers 160 MW to the electrical grid. Power is generated by one single Ansaldo dual-fuel turbine which can operate simultaneously with gas and fuel-oil supplied by ships from its own port and offloading facilities.

In 2017, the unit maintained average plant availability of 91%.

With the addition of more efficient units and the reduction in electricity demand, dispatch by the unit in 2017 was only 22% compared with 60% in 2016. Thus, during the year under analysis, energy generation reached 228,538 MWh, compared with 785,228 MWh in 2016. Availability of power and electrical energy generated are regulated under SEE Resolution No. 19/2017.

SOLALBAN ENERGÍA S.A.

ASA holds a significant 42% equity interest in Solalban Energía S.A., a company set up in March 2008 and owned by Solvay Indupa S.A. and ASA.

Solalban Energía S.A.'s main asset is its steam power station located at the Bahía Blanca Petrochemical Center in the province of Buenos Aires.

The open cycle features of this power station are identical to those of GMSA's expansion: two PWPS SwiftPac60 turbogenerators. Each of these units generates 60 MW using two gas turbines that transmit power to a single generator.

The Power Plant has a dual function: on the one hand, it is a self-generation unit for the energy used by Solvay Indupa S.A.I.C. through a dedicated line not connected to the National Interconnected System, and on the other, it sells surplus energy generated on the Energía Plus market, by injecting it into the SADI.

4. ENVIRONMENT

Corporate Environmental Management System

The Company has an Environmental Management System certified under ISO 14001:2015 standard. This certification has been obtained for the entire corporation and comprises all the operating power plants of Grupo Albanesi (Generación Rosario S.A., Central Térmica Roca S.A. and Generación Mediterránea S.A. and Steam Power Plants: Modesto Maranzana, La Rioja, Independencia, La Banda and Frías).

This shared system enables the execution of unified and coordinated procedures in all power plants, sharing criteria for addressing environmental aspects of the business, significant assessments and operational controls adopted in response to those matters. Supported by standardized documentation implemented within a work framework based on a co-operative and supportive interaction between the parties, sustained growth has been achieved, subject to regular evaluation of performance and continuing improvement processes.

5. HUMAN RESOURCES

Human Capital management

Under the motto "Work together and better" and guided by our corporate values, **Attract, Motivate and Retain** are the three pillars on which the human capital management of the group is based. With the purpose of transforming the company in a market reference, we are undergoing a change process where our ambition is to convert every person in a value adding agent who contributes to maximizing the results of the business and client satisfaction at each stage of the value chain.

In that sense, three characteristics have been defined for each of the policies to be implemented:

- **Homogenization**, as a way to identify best practices and capitalize knowledge and individual experience of our staff, transforming it into group strength.
- **Formalization**, as a tool to consolidate our processes and allow for a work framework focused on the efficiency of each position.
- **Streamlining**, as a way to avoid waste at each stage of the processes and maximize results and client satisfaction.

Below we describe the main actions by activity.

Employment opportunities

We have launched **"MOBI"**, our mobility and internal searches program aimed at covering vacant positions, where internal opportunities prevail over the market, thus representing a powerful engine of motivation and professional development. This tool allows maximizing results since we search in the market for the last link of the chain, with the consequent benefit of shorter learning curves and integration.

Compensation and benefits

To ensure internal equity and external competitiveness, the market practice is monitored twice a year through general market surveys with specific cut-off for the sector. Further, the Group participates as guest in surveys sponsored by companies leading the energy and oil sector.

Two increases were granted in the year in line with the labor market practice.

The Performance Management Program to assess the staff in terms of expected behavior and potential to support development of capabilities is maintained.

Training and development

Emphasis was put on the development of capabilities to ensure progress in the content of work positions, both as regards technical skills and management capabilities. In addition, the policy of scholarships for specialization purposes (postgraduate and MBA courses) aimed at developing the general vision of the business was continued.

Internal communication, climate

The use of available communication tools was strengthened to keep the staff updated about the company's activities.

In addition, to adjust the Human Resources programs, an internal climate survey was conducted which has allowed designing actions focused on the development of the organization.

Work relations

On June 8, 2017, GMSA, CTR and AESA and the Federación Argentina de Trabajadores de Luz y Fuerza signed a conventional Memorandum of Understanding, whereby they recognized that the work relations among them would be governed by a collective bargaining agreement.

The collective bargaining agreement will be in force for 3 years as from January 1, 2018 and is applicable for the power plants CTMM, CTI, CTRi, CTLB, CTF, CTR and CT Timbúes.

In that line, an agreement was signed with the union that represents the professionals of Agua y Energía APUAYE.

Corporate social responsibility

In the context of strengthening relations with the community where the group operates, we ratify our decision as to the development and promotion of education. Among other programs, we highlight our actions in the city of Río Cuarto in the Province of Córdoba, in the community of 25 de mayo in the Province of La Pampa, and in the cities of La Banda and Frías in the Province of Santiago del Estero.

6. SYSTEMS AND COMMUNICATIONS

During 2017, 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 continually monitored to check compliance with sector-specific objectives and internal controls, and to ensure quality and continuing improvement.

To enhance synergy between the Systems and Communications area and the Management Systems area, responsible for the support and maintenance of SAP, INFOR and other management systems, in December 2017 both areas were merged into the Systems and Information Technology Management.

Projects and objectives accomplished during 2017 are summarized below:

- Azure is added as an external data center as a contingency site.
- HANA Cluster is implemented for production SAP.
- Beginning of the AD implementation at corporate level with only one active directory.
- Beginning of corporate departmental printing, allowing for the printing at any facility from any area of the company.
- Progress in terms of document digitalization across the organization, including filters and advanced search engines.
- Addition of a legal portal to follow up the contracts of Grupo Albanesi.
- The head office data center is fed with electricity from a generator.
- A switchboard is installed at the Ezeiza plant.

The new Systems and Information Technology Management will continue in 2018 with the investment processes aimed at improving productivity and the efficiency of existing processes, as well as adding innovative technologies, thus allowing to continue with the process to improve the actions focused on ensuring security, confidentiality, completeness and availability of the information.

Some of the projects for 2018 include:

- Refurbishment of the DC at the new power plant in Timbúes and the follow-up of Arroyo Seco power plant project, with state-of-the-art infrastructure, communications and hardware technology.
- Completing the AD implementation at corporate level with only one active directory.
- Finishing the contingency site.
- Completing the implementation of the corporate departmental printing.
- Completing the implementation of the Success Factors to improve employee management.
- Assessment of alternatives to improve the maintenance and purchases management process at company plants, currently supported by the INFOR software, with its pertinent implementation project.
- Development of the new gas commercial system.
- Assessment and improvement of management processes for demand, support and project portfolio of the Systems and Information Technology Management.
- Commencement of a process for adjusting the setup of the cameras and monitoring system through CCTV.
- Assessment and improvement of the Information Security policies and processes.

7. ECONOMIC AND FINANCIAL POSITION

The following table shows the consolidated borrowings at December 31, 2017:

	Borrower	Principal	Balance at 12.31.17 (Pesos)	Interest rate (%)	Currency	Date of Issue	Maturity date
Debt securities							
International NO	GMSA/ GFSA (1)	USD 266,000,000	5,193,548,514	9.625%	USD	7/27/2016	7/27/2023
Class V NO	GMSA	$1,668,870	1,772,166	BADLAR + 4%	ARS	6/30/2016	6/30/2018
Class VI NO	GMSA	USD 34,696,397	645,463,488	8.0%	USD	2/16/2017	2/16/2020
Class VII NO	GMSA	$553,737,013	582,507,103	BADLAR + 4%	ARS	2/16/2017	2/16/2019
Class VIII NO	GMSA	$312,884,660	311,693,229	BADLAR + 5%	ARS	8/28/2017	8/28/2021
Class II NO (GFSA(1))	GMSA	$8,200,001	8,238,319	BADLAR + 6.5%	ARS	3/8/2016	3/8/2018
Class III NO (GFSA(1))	GMSA	$4,154,999	4,348,576	BADLAR + 5.6%	ARS	7/6/2016	7/6/2018
Class I NO co-issuance	GMSA	USD 20,000,000	376,309,075	6.68%	USD	10/11/2017	10/11/2020
Class II NO	ASA	$25,820,000	26,977,339	BADLAR + 4%	ARS	10/25/2016	10/25/2018
Class III NO	ASA	$255,826,342	252,248,867	BADLAR + 4.25%	ARS	6/15/2017	6/15/2021
Subtotal			**7,403,106,676**				
Other liabilities							
CAMMESA	GMSA/ GROSA		202,762,819				
Supervielle Loan	GMSA	USD 4,480,785	83,377,263	7.25%	USD	10/20/2017	4/22/2019
Financial lease	GMSA		66,786,739				
Subtotal			**352,926,821**				
Total financial debt			**7,756,033,497**				

(1) Company absorbed by GMSA as from January 1, 2017 (See Note 40.b)

Albanesi S.A.

On June 15, 2017, Class III NO was issued for a total amount of $ 255,826,342 at BADLAR rate plus 425 basis points. Final maturity is 48 months following the date of issuance.

Payment was fully made in kind, partially settling Class I NO for $ 52,519,884 and Class II NO for $203,306,458, respectively.

This contributed to improving the Company's financing profile.

Generación Mediterránea S.A.

During fiscal year 2017, GMSA set out to improve its financing profile, extend its loan maturities and reduce its borrowing costs, ensuring that all funding needs were met for investing in the extension of the power plants' capacity and their effective operation.

On August 28, 2017 Class VIII NO was issued for a total amount of $312,884,660 maturing 48 months after issuance. Interest is accrued at the private bank BADLAR plus a 5% margin. Payment was fully made in kind, partially settling GMSA's Class V NO and Generación Frías' Class II and Class III NO.

On October 11, 2017, Class I NO were issued (GMSA and CTR co-issuance) for a total nominal value of USD 30 million, USD 20 million of which were allocated to GMSA. Interest is accrued at a rate of 6.68%, maturing 36 months following the date of settlement of the funds.

On December 5 the International Bond was reopened for a total amount of USD 86 million, resulting in a total amount of USD 336 million disbursed under that bond. Of the total amount, USD 266 million were allocated to GMSA. The NO are subject to the same conditions as those under the original issue. The issue price was 110.875%.

Funds obtained were used to refinance existing liabilities. Early repayment was made of ICBC Argentina S.A.'s Syndicated Loan amounting to USD 40 million, the loan granted by Cargill for USD 26 million, and the loan from BAF Latam Trade Finance Fund B.V. for USD 20 million.

During the period, hedge contracts were entered into in respect of the payment of interest made on January 27, 2018.

Generación Rosario S.A.

During the year 2017, the Company made further investments within the framework of the mutual commitment agreement entered into with CAMMESA on May 30, 2016 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.

At the closing date of these financial statements, filings of payments to suppliers of materials and services were made with CAMMESA amounting to $69,090,754, and disbursements were received from CAMMESA amounting to $66,921,596.

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

Analysis of results:

	Fiscal year ended December 31:			
	2017	**2016**	**Variation**	**Variation %**
	GWh			
Sales by type of market				
Sales of Electricity Res. 95/529/482/22/19 and Spot	765	1,257	(493)	(39%)
Sales under Energía Plus	744	709	35	5%
Sales to CAMMESA Res. No. 220	664	629	36	6%
Sales of Electricity Res. 21	25	-	25	100%
	2,198	**2,595**	**(397)**	**(15%)**

Sales by type of market (in millions of pesos):

	Fiscal year ended December 31:			
	2017	**2016**	**Variation**	**Variation %**
	(in millions of pesos)			
Sales by type of market				
Sales of Electricity Res. 95/529/482/22/19 and Spot	432.3	520.9	(88.6)	(17%)
Sales under Energía Plus	939.0	764.8	174.2	23%
Sales to CAMMESA Res. No. 220	1,213.0	1,108.9	104.1	9%
Sales of Electricity Res. 21	178.3	-	178.3	100%
Total	**2,762.7**	**2,394.6**	**368.1**	**15%**

Results for the fiscal years ended December 31, 2017 and 2016 (in millions of pesos)

	Fiscal year ended December 31:			
	2017	**2016**	**Variation**	**Variation %**
Sale of energy	2,762.7	2,394.6	368.1	15%
Net sales	**2,762.7**	**2,394.6**	**368.1**	**15%**
Purchase of electricity	(793.7)	(601.2)	(192.5)	32%
Gas and diesel consumption by the plant	(130.0)	(667.7)	537.7	(81%)
Salaries and social security contributions	(157.3)	(101.7)	(55.6)	55%
Pension plan	(0.4)	(0.5)	0.1	(20%)
Maintenance services	(185.8)	(117.2)	(68.6)	59%
Depreciation of property, plant and equipment	(300.4)	(174.7)	(125.7)	72%
Insurance	(30.7)	(24.0)	(6.7)	28%
Sundry	(52.9)	(47.8)	(5.1)	11%
Cost of sales	**(1,651.2)**	**(1,734.8)**	**83.6**	**(5%)**
Gross income	**1,111.5**	**659.8**	**451.7**	**68%**
Salaries and social security contributions	-	(0.4)	0.4	(100%)
Taxes, rates and contributions	(3.8)	(2.2)	(1.6)	73%
Doubtful accounts	-	(3.8)	3.8	(100%)
Turnover tax recoveries	19.7	-	19.7	100%
Selling expenses	**15.9**	**(6.4)**	**22.3**	**(348%)**
Salaries and social security contributions	-	(5.4)	5.4	(100%)
Fees and compensation for services	(49.9)	(32.9)	(17.0)	52%
Directors' fees	(32.4)	-	(32.4)	(100%)
Per diem, travel and entertainment expenses	(1.8)	(3.3)	1.5	(45%)
Taxes and rates	(1.6)	(1.7)	0.1	(6%)
Sundry	(13.5)	(5.5)	(8.0)	145%
Administrative expenses	**(99.2)**	**(48.8)**	**(50.4)**	**103%**
Gain/(loss) on investments in related companies	(7.0)	(2.5)	(4.5)	180%
Other operating income	16.9	12.4	4.5	36%
Operating result	**1,038.2**	**614.5**	**423.7**	**69%**
Commercial interest	17.6	29.2	(11.6)	(40%)
Interest on loans, net	(358.1)	(338.6)	(19.5)	6%
Exchange differences, net	(301.5)	(166.0)	(135.5)	82%
Bank expense	(6.3)	(14.8)	8.5	(57%)
Other financial results	(52.3)	14.1	(66.4)	(471%)
Financial results, net	**(700.6)**	**(476.1)**	**(224.5)**	**47%**
Income before tax	**337.6**	**138.4**	**199.2**	**144%**
Income tax	(91.6)	(85.1)	(6.5)	8%
Net income	**245.9**	**53.3**	**192.6**	**361%**
Other comprehensive income for the fiscal year	**442.5**	**617.3**	**(174.7)**	**(28%)**
Total comprehensive income for the fiscal year	**688.4**	**670.5**	**17.9**	**3%**

Sales:

Net sales were worth $ 2,762.7 million in the fiscal year ended December 31, 2017, as against $ 2,394.6 million in the fiscal year 2016, which is equivalent to an increase of $ 368.1 million (15%).

During the year ended December 31, 2017 energy dispatch reached 2,198 GWh, 15% lower than the 2,595 GWh in the fiscal year 2016.

Below is a description of Company's main revenues, and their variation during the year ended December 31, 2017, as against the previous fiscal year

(i) $939.0 million from sales under Energía Plus, up 23% from the $764.8 million in the fiscal year 2016. This variation is attributed to the favorable effect on prices of the higher exchange rate.

(ii) $1,213.0 million from sales of electricity on the spot market to CAMMESA under the framework of Resolution 220/07, representing a 9% increase with regard to the $ 1,108.9 million in the fiscal year 2016. This variation is explained by the increase in prices due to a higher exchange rate, and an increase in sales volumes due to the start-up of the new turbines.

(iii) $ 432.3 million from sales of electricity under Resolution 95/529/482/22/19 and on the sport market, representing a decrease of 17% with regard to the $ 520.9 million for the fiscal year 2016. This variation is attributed to the management of surplus volumes of electricity generation carried out by CAMMESA.

(iv) $178.3 million from energy sold under Resolution 21, representing an increase of 100%. This variation is explained by the start-up of new turbines in the fiscal year 2017.

Cost of sales:

The total cost of sales for the fiscal year ended December 31, 2017 was $1,651.2 million, compared with $1,734.8 million in the fiscal year 2016, showing an increase of $83.6 million (or 5%).

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

(i) $793.7 million corresponding to purchases of electricity, representing an increase of 32% compared with $601.2 million recorded in the fiscal year 2016, due to the effect of exchange rate variation.

(ii) $130.0 million for gas and diesel consumption at the plant, which represented a decrease of 81% as against $ 667.7 million in the fiscal year 2016. This variation was attributed to a change in the calculation of gas consumption by CAMMESA.

(iii) $185.8 million for maintenance services, up 59% from the $117.2 million in the fiscal year 2016. This increase is explained by the higher dollar exchange rate and the start-up of the new turbines.

(iv) $300.4 million for depreciation of PP&E, up 72% from the $174.7 million in the fiscal year 2016. This variation was mainly due to the higher depreciation value of buildings, installations and machinery as a result of their revaluation at December 31, 2017 and 2016, and the start-up of new projects.

(v) $157.3 million in salaries, wages and social security contributions, which represented an increase of 55% with respect to the $101.7 million in the fiscal year 2016. This increase was mainly attributable to higher salaries and new hires.

(vi) $30.7 million in insurance, up 28% from the $24.0 million in the fiscal year 2016 as a result of the exchange rate variation and the start-up of new turbines.

Gross result:

The gross result for the year ended December 31, 2017 was a profit of $ 1,111.5 million, compared with a profit of $659.8 million in the fiscal year 2016, representing an increase of 68%. This was attributable to the exchange rate variation and the start-up of the new turbines.

Selling expenses:

Selling expenses for the year ended December 31, 2017 amounted to a $15.9 million gain, compared with $6.4 million loss for the fiscal year 2016, representing an improvement of $22.3 million (or 348%). On March 3, 2017, the tax collections division of the Revenue Bureau of the Province of Tucumán established that GMS would be exempt from turnover tax in the jurisdiction of Tucumán, and corrected the tax calculation as from the period December 2011 (see Note 41 to the consolidated financial statements).

Administrative expenses:

The administrative expenses for the year ended December 31, 2017 amounted to $99.2 million, compared with $48.8 million in the fiscal year 2016, reflecting an increase of $50.4 million (or 103%).

The main components of the Company's administrative expenses are listed below:

(i) $49.9 million in fees and compensation for services, up 52% from the $32.9 million in the previous fiscal year.

(ii) $13.5 million in sundry expenses, up 145% from the $5.5 million in the previous fiscal year. The main variations were attributable to office expenses, taxes and rates.

(iii) No salaries and wages and social security contributions attributable to administration were recorded in fiscal 2017, representing a decrease of 100% with respect to $5.4 million in the fiscal year 2016. The reduction in the payroll was mainly due to the hiring of services provided by third parties.

(iv) $32.4 million in directors' fees in the fiscal year 2017.

Operating result:

The operating result for the year ended December 31, 2017 was a profit of $ 1,038.2 million, compared with a profit of $ 614.5 million in the fiscal year 2016, reflecting an increase of 69%. The increase was mainly due to the effect of a higher exchange rate on the operating activities of the controlled companies, the start-up of new projects and the high availability of the power plants throughout the year.

Financial result:

The financial result for the year ended December 31, 2017 was a loss of $700.6 million, compared with a loss of $476.1 million in the fiscal year 2016, reflecting an increase of 224.5%.

The most salient aspects of this variation are as follows:

(i) $358.1 million loss corresponding to financial interest, up 6% from the $338.6 million loss in fiscal year 2016 as a result of an increase in the financial debt generated by investment projects.

(ii) $52.3 million loss generated by other financial results, compared with a $14.1 million gain in the fiscal year 2016.

(iii) $301.5 million loss due to net exchange differences, reflecting an increase of 82% compared with the $166.0 million loss in the previous fiscal year.

Result before tax:

During the year ended December 31, 2017, the Company recorded profit before tax of $ 337.6 million, compared with a profit of $ 138.4 million in the previous year, reflecting an increase of 144%.

Income tax determined for the current year amounted to $91.6 million, compared with $85.1 million in the previous fiscal year.

Net result:

The net result for the fiscal year ended December 31, 2017 was a gain of $245.9 million, compared with a $53.3 million gain in the fiscal year 2016, reflecting an increase of 361%.

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

	12.31.17	12.31.16	12.31.15	12.31.14
Non-current Assets	11,409.8	5,856.6	3,298.0	2,367.9
Current Assets	2,389.8	2,573.2	654.8	526.8
Total Assets	**13,799.6**	**8,429.8**	**3,952.8**	**2,894.7**
Equity attributable to owners of the parent	2,579.1	1,924.5	1,269.8	652.4
Equity non-controlling interest	134.8	100.9	69.4	50.0
Total equity	**2,713.9**	**2,025.4**	**1,339.2**	**702.4**
Non-Current Liabilities	8,628.1	5,567.1	1,601.1	1,355.0
Current Liabilities	2,457.6	837.3	1,012.6	837.2
Total Liabilities	**11,085.7**	**6,404.4**	**2,613.7**	**2,192.2**
Total equity and Liabilities	**13,799.6**	**8,429.8**	**3,952.9**	**2,894.7**

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

	12.31.17	12.31.16	12.31.15	12.31.14
Ordinary operating income	1,038.2	614.5	372.5	272.3
Financial result	(700.6)	(476.1)	(329.3)	(318.5)
Ordinary net income/(loss)	**337.6**	**138.4**	**43.2**	**(46.2)**
Income tax	(91.6)	(85.1)	9.5	11.9
Result for the fiscal year	**245.9**	**53.3**	**52.7**	**(34.3)**
Discontinued operations	-	-	(16.1)	(6.5)
Income/(loss) for the fiscal year	**245.9**	**53.3**	**36.6**	**(40.8)**
Other comprehensive income	442.5	617.3	605.5	255.2
Total comprehensive income	**688.4**	**670.5**	**642.1**	**214.4**

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

	12.31.17	12.31.16	12.31.15	12.31.14
Cash flows generated by (applied to) operating activities	170.7	(818.7)	69.6	329.4
Cash flows applied to investment activities	(1,962.2)	(1,373.9)	(218.2)	(174.8)
Cash flows generated by (applied to) financing activities	1,315.7	2,716.2	77.9	(157.8)
(Decrease) /Increase in cash and cash equivalents	**(475.7)**	**523.6**	**(70.7)**	**(3.3)**

5. Ratios presented comparatively with the previous fiscal year:

	12.31.17	12.31.16	12.31.15	12.31.14
Liquidity (1)	0.97	3.07	0.65	0.63
Solvency (2)	0.23	0.30	0.49	0.30
Tied-up capital (3)	0.83	0.69	0.83	0.82
Indebtedness ratio (4) (*)	5.61	5.01	2.52	1.91
Interest coverage ratio (5)	3.52	2.26	2.38	2.56
Return on equity (6)	0.11	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

(*) According to the guidelines in the prospectus of the International Bond for calculation of the indebtedness ratio, at December 31, 2017, that ratio totaled 5.43.
(**) Amounts not covered in the Audit Report.

9. CORPORATE STRUCTURE

Share Capital

At December 31, 2017 the share capital was made up of 62,455,160 ordinary registered non-endorsable shares of $1 par value and one vote each.

The corporate structure during the year ended December 31, 2017 was as follows:

- Armando Roberto Losón 50 % (31,227,580 shares)
- Holen S.A. 30 % (18,763,548 shares)
- Carlos Alfredo Bauzas 20 % (12,491,032 shares)

Following the merger with takeover process described in point 3.6 of this Annual Report, the Company, through the decision of the Extraordinary General Shareholders' Meeting held on October 18, 2017 increased the share capital from $62,455,160 to $ 64,451,745 through the issue of 1,966,585 new ordinary registered shares with a face value of $1 and one vote each.

The Shareholders' Meeting referred to approved the delegation to the Board of Directors of the Company, under the terms of article 188 of the Commercial Company Law, of the decision relating to the date of issue of the 1.966.585 new shares corresponding to the capital increase, and their delivery to the shareholders of the absorbed companies.

To this end, the issue of the shares referred to was approved by resolution of the Minutes of the Board of Directors dated January 11, 2018, and the corresponding entry was recorded on the Company's Share Registry Book No. 1.

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 amount involved relating 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 2017, all decisions were carried unanimously by these two organs.

Remuneration 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 No. 19.550 and articles 1 to 7 of Chapter III, Heading II of the Rules of the CNV.

10. OUTLOOK FOR FISCAL YEAR 2018

10.1 <u>Outlook for the Electricity Generation Market</u>

The need to continue offering a high availability of the existing electric power generation units has 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 hired capacity close to 3,300 MW.

In 2017, it was necessary to achieve more efficient generation to start decreasing the costs of electricity generation. Through ES Resolution No. 287/2017, the SEE made new calls for the implementation of efficient steam power generation projects focused on the closure of combined cycles and co-generation power stations.

The bids for renewable energies awarded will contribute a nominal power of 3,000 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 420/2016.

In this regard, income obtained by power generating companies will require significant adjustment in order to cover their costs and investments, and to supply fuels in the case of steam power generators. One example is the decision to dollarize and increase existing electricity generators' remuneration through Resolution 19/2017, and the Agreement to increase the availability of Steam Power Generation signed in 2014 between generators and the Energy Secretary to allow for an increase in the generation supply for the 2015 winter after settling receivables in favor of generators, which will be invested in such increase in supply.

The peso devaluation and the inflationary process were overshadowed in their impact by the dollarization of the compensation to generators and the 600% 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 2017, with the aim of restoring the regulatory rules that legally govern the Electricity Sector. The same is expected for 2018 to regularize the market, allowing steam power generators to acquire their fuels and enter into contracts with private consumers, whether industries, businesses or electricity distributors.

To guarantee availability at generating units, the effective entry of committed units will be required if the economy resumes a path of growth in the coming years. To this end, the regulatory readjustment process partially implemented since February 2016 will need to be consolidated for the significant investor interest shown in 2016 and 2017 to materialize. However, it is likely that there will be capacity surpluses in 2018 and 2019, if demand continues falling due to the tariff adjustments.

This will require a continued readjustment of income 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 which ended on December 31, 2017, even when there are pending actions to readjust 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 have 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[9] 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 introduction of renewable energy plants poses a challenge to the system since they work uninterruptedly. The support to be provided by steam power units to these units seems essential.

[9] The Embalse nuclear power station will be more than two years out of operation as from early 2016 after the Néstor Kirchner nuclear power station (Atucha II) becomes partially operative; therefore, there was no net addition of relevant power.

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 and the important SEE Resolution 19/2017.

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.

Company Outlook for Fiscal Year 2018

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 2018 to guarantee the high availability of its units.

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 situation

During the next fiscal year the Group expects to 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 taking part in 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 $ 229,474,392, leading to cumulative earnings of $352,742,465 at December 31, 2017.

The General Shareholders' Meeting will deliberate and decide regarding the destination of the cumulative earnings indicated above, taking into account the existing restrictions stemming from the obligations undertaken by the Company.

12 ACKNOWLEDGEMENTS

The Board of Directors wishes to thank all the employees of the Company for their work during the year under review, which has been essential to the achievement of the Company's 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, who have worked toward better management of the business throughout the year.

City of Buenos Aires, March 12, 2018.

THE BOARD OF DIRECTORS

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

Albanesi S.A.

REPLIES - EXHIBIT IV - Annual report for the fiscal year ended 12.31.17

Report on the degree of 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 Stock Exchanges and Mercados Argentinos S.A. ("BYMA"). All transactions between related parties are reported in the financial statements.
Recommendation I.2: Ensuring the existence of mechanisms that prevent conflicts of interest.		X		Conflicts of interests are resolved by a decision of the Board of Directors by majority vote, as set forth in the bylaws, and the Director that might be involved in the conflict abstains from voting. The Policies and Procedures Manual of Human Resources and the Code of Ethics and Conduct were approved by Minutes of the Board of Directors' Meeting dated 4/28/2016, and they are currently working on their implementation.
Recommendation I.3: **Preventing the improper use of proprietary information.**		X		The Company has a Code of Ethics and Conduct approved by Minutes of the Board of Directors' Meeting 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 proprietary information and the treatment of its disclosure.

PRINCIPLE II. PROVIDE THE BASIS FOR A SOLID ADMINISTRATION AND SUPERVISION OF THE ISSUER				
Recommendation II. 1: Ensuring 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 Minutes of the Board of Directors' Meeting 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, and state that they are not included in the Company's payroll. In addition, in the framework of the formalization of internal procedures, the Company approved by Minutes of the Board of Directors' Meeting 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. In addition, in the framework of the formalization of internal procedures, the Company approved by Minutes of the Board of Directors' Meeting 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 Minutes of the Board of Directors' Meeting 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 Minutes of the Board of Directors' Meeting dated April 25. 2016 approved the Policies and Procedures Manual of Human Resources, which is currently under implementation.
II.1.2				There are no further policies implemented.
II.1.3		X		Although the Company does not have a specific policy, the Company has several mechanisms to provide information to its Directors and Managers well in advance, to keep them informed at the time of decision-making. These mechanisms basically include the drafting of the following reports in charge of the Company's management divisions and its subsidiaries: 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. In addition, 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 above 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: Ensuring an effective corporate Management Control.				
II.2.1	X			The Board of Directors receives the monthly economic and financial report which shows the development of the budget and the business plan, and verifies compliance therewith based on information received.
II.2.2	X			Control by the Board of Directors is performed on a monthly basis. The respective management division prepares the Operations, Maintenance, Environmental and Safety Report of the companies controlled by the Issuer. It also prepares the Monthly Economic and Financial Report contemplating all the management aspects of the Issuer. There is a process in place for the assessment of 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 Minutes of the Board of Directors' Meeting 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: Communicating 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. There are no Operation Regulations of the Board of Directors, but the Company is working on some guidelines to be incorporated to the Code of Corporate Governance which is to be approved during 2018.
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 said 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 Companies 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 18, 2017.
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 and its amendment of 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, has 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 respected 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 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. The Company through Minutes of the Board of Directors' Meeting 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 the ongoing training of its members through financing and the enrollment in training courses at universities and/or specific entities. The Company, through the Minutes of the Board of Directors' Meeting dated April 25, 2016 approved the Policies and Procedures Manual of Human Capital, in which the policies and procedures for education and professional training of staff and executives are defined; its implementation is currently in progress.
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 companies controlled by the Issuer have risk management systems whereby all necessary issues for comprehensive management of the risks inherent in environment, compliance with regular audits, security, as well as predictive and preventive maintenance are covered.
III.2		X		In view of its functioning and control over this matter, the Company does not consider it necessary to have a Risk Management Committee. The main risk factors of the activity are related to maintenance, hygiene, safety and the environment of the Company's subsidiaries; the Environmental Management System establishes 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 since the Issuer is an investment company that only has equity

				interests in other entities. Subsidiaries have a particular division that handles the Risk Management System and specific areas for maintenance, environment and safety reporting to the Plant Management of each of them.
III.4			X	Not applicable since the Issuer is only a holding company. However, in the case of its subsidiaries, the documentation for the Environmental Management System (planning, procedures, records) is defined by the area that administers the Environmental Management System. The Environmental 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 subsidiaries as required by regulations in effect for all power plants in the Wholesale Electric Market (MEM).
III.5	X			This control is specifically mentioned in the Annual Report, with a detail of the different issues relating to the performance of control of the Company's comprehensive 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: Guaranteeing 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 area for Internal Audit, which is responsible for the evaluation and control of the Company's internal processes and 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 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 established by current regulations.
PRINCIPLE V. OBSERVE THE RIGHTS OF SHAREHOLDERS				
Recommendation V.1: Ensuring 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. The Company, in the website of Grupo Albanesi (www.albanesi.com.ar), provides specific information for investors. In the website, the Company provides detailed information of the Issuer, as required by the CNV for each issuance of securities. The Company has developed a section within the website to include not only corporate information (by-laws, economic group, composition of the governing body, financial statements, annual report, among others) but also information important for users in general.
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 2017 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. During 2016, the Company worked on the analysis of the convenience of a formal policy that establishes 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 works necessary to approve these documents during 2018.
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	In the year ended 12.31.15 new authorities were appointed; the directors appointed were familiarized with the tasks the Company was carrying out in relation to the formalization of the Code of Corporate Governance. In the next Annual Meeting, the term of office of directors will be renewed.
Recommendation V.3: Ensuring 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: Establishing 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: Ensuring 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 a significant growth in the last few years is the reinvestment of profits in the development of new projects. Within the process of formalization of the Corporate Governance policies, the Company is evaluating the possibility of establishing a special content on this point which regulates in due course the procedure for the distribution of dividends.
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. MAINTAINING A DIRECT AND RESPONSIBLE RELATIONSHIP WITH THE COMMUNITY				
Recommendation VI: Disclosing 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. In the website, the Company provides detailed information of the Issuer, as required by the CNV for each issuance of securities. The Company has developed a section within the website to include not only corporate information (by-laws, economic group,

				composition of the governing body, financial statements, annual report, among others) but also information important for users in general.
VI.2			X	The companies controlled by the Issuer are developing internal processes to issue in the future the respective Social Responsibility and Environmental Balance Sheet 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 by-laws, 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 aid of Human Resources, 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. Within the process of formalization of the Corporate Governance policies, the Company is analyzing the best way to articulate the internal procedures to regulate, when appropriate, the other points considered in this recommendation.
PRINCIPLE VIII. ENCOURAGE BUSINESS ETHICS				
Recommendation VIII: Ensuring ethical conduct at the Issuer.				
VIII.1		X		The issuer has a Corporate Code of Conduct, which was approved by Minutes of the Board of Directors' Meeting 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 by-laws.			X	The Company does not consider it necessary to include provisions related to good corporate governance practices in the wording of the Company Bylaws.

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

Albanesi S.A.

Consolidated Financial Statements

For the financial year No. 25 commenced on January 1, 2017 and
ended December 31, 2017
presented in a comparative format
Stated in pesos

Corporate name:	Albanesi S.A.
Legal address:	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

By-laws or incorporation agreement:	June 28, 1994
Latest amendment:	October 18, 2017 (in progress)
Registration with the Superintendency of Commercial Companies under number:	6,216 of Book 115, Volume A of Corporations
Expiration of By-laws or incorporation agreement:	June 28, 2093

CAPITAL STATUS (See Note 14)			
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

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

Albanesi S.A.

Consolidated Statement of Financial Position

At December 31, 2017 and 2016

Stated in pesos

	Notes	12.31.2017	12.31.2016
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	10,953,281,351	5,366,612,435
Investments in associates	9	373,737,083	293,807,569
Investments in other companies		129,861	129,861
Deferred tax assets	22	11,565,410	1,497,552
Other receivables	11	69,362,026	64,287,587
Trade receivables	12	1,698,757	130,234,824
Total non-current assets		**11,409,774,488**	**5,856,569,828**
CURRENT ASSETS			
Inventories	10	56,467,876	31,358,120
Other receivables	11	1,051,241,318	1,341,638,457
Trade receivables	12	1,174,211,047	532,137,414
Other financial assets at fair value through profit or loss		9,631,484	136,206,567
Cash and cash equivalents	13	98,296,792	531,824,982
Total current assets		**2,389,848,517**	**2,573,165,540**
Total Assets		**13,799,623,005**	**8,429,735,368**

The 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, 2017 and 2016
Stated in pesos

	Notes	12.31.2017	12.31.2016
SHAREHOLDERS' EQUITY			
Share Capital	14	62,455,160	62,455,160
Legal reserve		4,381,440	1,942,908
Optional reserve		101,010,691	-
Technical revaluation reserve		2,063,110,832	1,760,090,123
Other comprehensive income		(4,636,682)	(3,397,653)
Unappropriated retained earnings		352,742,465	103,449,223
Equity attributable to the owners		**2,579,063,906**	**1,924,539,761**
Non-controlling interest		**134,822,815**	**100,881,306**
Total Equity		**2,713,886,721**	**2,025,421,067**
LIABILITIES			
NON-CURRENT LIABILITIES			
Provisions	19	7,405,069	9,135,552
Deferred tax liabilities	22	795,895,279	928,044,072
Other debts	17	6,619,454	-
Defined benefit plan	23	11,467,462	5,173,822
Loans	18	7,023,696,572	4,180,163,453
Trade payables	16	783,012,955	444,542,066
Total non-current liabilities		**8,628,096,791**	**5,567,058,965**
CURRENT LIABILITIES			
Other liabilities	17	280,744,642	89,629,740
Social security debts	20	15,470,820	7,996,685
Defined benefit plan	23	97,837	3,250,194
Loans	18	732,336,925	462,358,204
Derivative financial instruments		-	2,175,000
Current income tax, net		9,426,369	2,649,551
Tax payables	21	26,591,732	21,366,445
Trade payables	16	1,392,971,168	247,829,517
Total current liabilities		**2,457,639,493**	**837,255,336**
Total Liabilities		**11,085,736,284**	**6,404,314,301**
Total liabilities and equity		**13,799,623,005**	**8,429,735,368**

The 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 Comprehensive Income

For the fiscal years ended December 31, 2017 and 2016

Stated in pesos

	Notes	12.31.2017	12.31.2016
Sales revenue	25	2,762,689,881	2,394,591,655
Cost of sales	26	(1,651,159,759)	(1,734,807,566)
Gross income		**1,111,530,122**	**659,784,089**
Selling expenses	27	15,881,742	(6,373,727)
Administrative expenses	28	(99,151,087)	(48,805,112)
Income from interests in associates	9	(6,983,485)	(2,475,883)
Other operating income	29	16,892,358	12,395,336
Operating income		**1,038,169,650**	**614,524,703**
Financial income	30	92,289,993	59,267,755
Financial expenses	30	(439,068,550)	(383,381,046)
Other financial results	30	(353,839,134)	(151,993,657)
Financial results, net		**(700,617,691)**	**(476,106,948)**
Income before taxes		**337,551,959**	**138,417,755**
Income tax	22	(91,648,256)	(85,147,371)
Income for the year		**245,903,703**	**53,270,384**
Other Comprehensive Income			
Items to be reclassified into income/loss			
Translation difference		-	(160,774)
Effect of hyperinflation		-	126,973
Reclassification conversion reserve		-	2,891,772
Items not reclassified into income/loss			
Revaluation of property, plant and equipment		132,313,779	866,401,222
Change in income tax rate – Revaluation of property, plant and equipment		251,812,859	-
Revaluation of property, plant and equipment in Associate		92,792,999	53,155,523
Pension plans		(1,005,351)	(2,919,332)
Impact on income tax		(33,377,335)	(302,218,661)
Other comprehensive income for the year		**442,536,951**	**617,276,723**
Comprehensive income for the year		**688,440,654**	**670,547,107**

The 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 Comprehensive Income (Cont'd)

For the fiscal years ended December 31, 2017 and 2016
Stated in pesos

		12.31.2017	12.31.2016
Income for the year attributable to:			
Owners of the company		229,474,392	48,770,643
Non-controlling interest		16,429,311	4,499,741
Comprehensive income for the year attributable to:			
Owners of the company		654,524,145	637,984,209
Non-controlling interest		33,916,509	32,562,898
Earnings per share attributable to the owners of the company			
Basic and diluted earnings per share	**31**	3.67	0.99

The 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 Changes in Equity

For the fiscal years ended December 31, 2017 and 2016

Stated in pesos

	Attributable to Shareholders									
	Shareholders' contributions	Retained earnings								
	Share Capital (Note 14)	Legal reserve	Optional reserve	Technical revaluation reserve	Translation reserve	Other comprehensive income	Unappropriated retained earnings	Total	Non-controlling interest	Total equity
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
As resolved by the General 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 the non-controlling interest	-	-	-	-	-	-	-	-	(1,085,000)	(1,085,000)
Contributions from non-controlling interest in subsidiaries	-	-	-	-	-	-	-	-	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
Income for the year	-	-	-	-	-	-	48,770,643	48,770,643	4,499,741	53,270,384
Balances at 12.31.16	**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**
As resolved by the General Ordinary Shareholders' Meeting held on April 18, 2017:										
- Legal reserve	-	2,438,532	-	-	-	-	(2,438,532)	-	-	-
- Optional reserve	-	-	101,010,691	-	-	-	(101,010,691)	-	-	-
Contributions from non-controlling interest in Subsidiaries	-	-	-	-	-	-	-	-	25,000	25,000
Reversal of technical revaluation reserve	-	-	-	(123,268,073)	-	-	123,268,073	-	-	-
Other comprehensive income for the year	-	-	-	426,288,782	-	(1,239,029)	-	425,049,753	17,487,198	442,536,951
Income for the year	-	-	-	-	-	-	229,474,392	229,474,392	16,429,311	245,903,703
Balances at December 31, 2017	**62,455,160**	**4,381,440**	**101,010,691**	**2,063,110,832**	-	**(4,636,682)**	**352,742,465**	**2,579,063,906**	**134,822,815**	**2,713,886,721**

The 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 Cash Flows

For the fiscal years ended December 31, 2017 and 2016

Stated in pesos

	Notes	12.31.2017	12.31.2016
Cash flow provided by operating activities:			
Income for the year		245,903,703	53,270,384
Adjustments to arrive at net cash flows provided by operating activities:			
Income tax		91,648,256	85,147,371
Income from investments in associates	9	6,983,485	2,475,883
Depreciation of property, plant and equipment	7 and 26	300,441,166	174,705,961
Present value of receivables and debts		6,366,250	(7,153,738)
Decrease in provisions	19	(1,730,483)	(813,944)
Bad debts	12	(76,869)	3,846,924
Income/(Loss) from the sale of property, plant and equipment		(12,909,670)	4,063,150
(Loss) from changes in the fair value of financial instruments	30	(62,852,932)	(85,329,475)
Interest and exchange differences and other		739,020,566	193,962,234
Accrual of benefit plans	23	365,922	494,142
Changes in operating assets and liabilities:			
(Increase) in trade receivables		(190,101,546)	(288,177,318)
Decrease/ (Increase) in other receivables (1)		(647,642,915)	(1,052,520,574)
(Increase) in inventories		(25,109,756)	(15,460,898)
(Decrease) / Increase in trade payables		(495,961,999)	245,280,039
(Decrease) in defined benefit plans		(799,980)	(1,702,209)
Increase / (Decrease) in other liabilities		218,519,436	(134,560,011)
Increase in social security charges and taxes		1,221,442	3,751,583
Payment of income tax		(2,593,799)	-
Cash flows provided by /(used in) operating activities		**170,690,277**	**(818,720,496)**
Cash flows from investment activities:			
Collection of dividends		5,880,000	-
Payments for acquisition of property, plant and equipment	7	(2,127,117,691)	(1,188,178,887)
Collection from the sale of property, plant and equipment		17,304,288	-
Payment of derivative instruments		(2,175,000)	-
Acquisition of bills of exchange		-	(25,148,121)
Subscription of mutual funds		(4,056,710)	(90,669,067)
Redemption of mutual funds		142,596,724	-
Collection of financial instruments		29,224,783	7,403,600
Loans granted		(23,813,701)	(77,343,215)
Cash flows (applied to) investment activities		**(1,962,157,307)**	**(1,373,935,690)**
Cash flows from financing activities:			
Dividends paid to non-controlling interest		-	(1,085,000)
Contributions from non-controlling interest in subsidiaries		25,000	25,000
Payment of loans	18	(3,875,474,739)	(2,051,395,916)
Payment of interest	18	(697,381,560)	(263,607,636)
Borrowings	18	5,888,567,520	5,032,246,562
Cash flows generated by financing activities		**1,315,736,221**	**2,716,183,010**
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		**(475,730,809)**	**523,526,824**
Cash and cash equivalents at the beginning of year		517,167,118	(38,660,701)
Financial results of cash and cash equivalents		56,860,483	32,300,995
Cash and cash equivalents at the end of year	13	98,296,792	517,167,118
		(475,730,809)	**523,526,824**

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

1) It includes advances to suppliers for the purchase of property, plant and equipment for $ 150,263,250 at December 31, 2017 and $ 882,328,198 at December 31, 2016.

Consolidated Statement of Cash Flows (Cont'd)
For the fiscal years ended December 31, 2017 and 2016
Stated in pesos

Material transactions not entailing changes in cash

	Notes	12.31.2017	12.31.2016
Capital increase		-	(58,000,000)
Acquisition of property, plant and equipment not yet paid	7	(1,356,709,200)	(31,231,087)
Advances to suppliers applied to the acquisition of property, plant and equipment	7	(891,719,089)	-
Other comprehensive income for the period		442,536,951	617,276,723
Financial costs capitalized in property, plant and equipment	7	(1,395,645,338)	(448,835,499)
Offsetting of dividends		-	41,669,827
Issuance of Negotiable Obligations paid in kind	12	(745,045,691)	-
Assignment of credits with directors to RGA	18	(20,785,080)	-
Dividends offset against receivables		-	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 its related companies, AISA and AESA, is engaged in the generation and sale of electricity and has focused on the gas transportation and sale business through RGA.

In recent years, the main strategy of Albanesi Group has been focused on achieving vertical integration, drawing on its vast experience and reputation in the natural gas sale market (obtained 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 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	
			12.31.2017	12.31.2016
GMSA	Argentina	Electric power generation	95%	95%
GFSA [(1)]	Argentina	Electric power generation	-	95%
GROSA	Argentina	Electric power generation	95%	95%
Solalban Energía S.A.	Argentina	Electric power generation	42%	42%
GLSA	Argentina	Electric power generation	95%	95%
GECE [(2)]	Argentina	Electric power generation	95%	-

(1) Company merged with GMSA within the framework of the merger through absorption process as described in Note 39.2.
(2) Company created in the current year together with Armando R. Loson, Holen S.A. and Carlos A. Bauzas (Note 8).

Albanesi Group had at the date these consolidated financial statements were signed a total installed capacity of 1,410 MW, representing 6.2% of the total installed thermoelectric capacity in Argentina, it being expanded with additional 435 MW with all the new projects awarded and currently under way.

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

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

As a result of the merger, the power plants CTI, CTRi and CTLB owned by the merged companies have been transferred to GMSA (see Note 39.1).

Furthermore, in 2016 GMSA (the merging and continuing company) absorbed GFSA as part of a merger process. On November 15, 2016, a final merger agreement was signed which established as effective date of the merger January 1, 2017. The merger was approved by the CNV on March 2, 2017 and registered with the Superintendency of Commercial Companies on March 17, 2017 (See Note 39.2).

NOTE 1: GENERAL INFORMATION (Cont'd)

Furthermore, in 2017 ASA (merging and continuing company) has been part of a merger process in which AISA was merged. On November 21, 2017, a final merger agreement was signed which established as effective date of the merger January 1, 2018. The merger was approved by the CNV on January 11, 2018 and is pending registration with the Superintendency of Commercial Companies. At the date of issue of these consolidated financial statements neither ASA nor AISA received a notification that confirms their registration with such Agency. (See Note 39.3).

In 2015, ASA entered the capital markets. On November 20, 2015, it obtained 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. Thus, the Company issued Class I Negotiable Obligations for $ 70 million on December 29, 2015; Class II Negotiable Obligations for $ 220 million on October 25, 2016; and Class III Negotiable Obligations for $ 256 million on June 15, 2017.

On July 7, 2016, under CNV Resolution No. 18110, GMSA, GFSA and CTR obtained authorization for the co-issuance in the domestic and international markets of simple guaranteed unsubordinated negotiable obligations, not convertible for shares. On July 27, 2016, Negotiable Obligations were issued for USD 250 million and on December 5, 2017 additional Negotiable Obligations for USD 86 million were issued, both falling due on July 27, 2023. Both issuances are unconditionally and fully guaranteed by ASA.

On August 8, 2017, through the Extraordinary Shareholders' Meeting of ASA, the creation of a program was approved for the co-issuance of simple negotiable obligations not convertible for shares with CTR for a total outstanding nominal value of up to USD 100,000,000 (US Dollars hundred million) or its equivalent in other currencies.

Below is a detail of the most important information for each of the thermal power plants operated by the subsidiaries of ASA:

Central Térmica Modesto Maranzana:

GMSA is the owner of Central Térmica Modesto Maranzana (CTMM), located in the city of 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 35 MW each, and each block with a Frame Gas Turbine 5, a Generator and a Steam Turbine in a single axis system.

In October 2008, GMSA completed the first stage of the project to extend the Power Plant. To this end, two new aero-derivative gas turbines FT8-3 SwiftPac 60 PWPS of 60 MW were installed and started-up. Each has two aero-derivative gas turbines of 30MW that transmit their power to a single generator thus offering great flexibility in the operation.

Continuing with its expansion process, CTMM installed a third PWPS FT8-3 SwiftPac 60 turbine of 60 MW in 2010, which became operative in September of that year, thus reaching an installed capacity of 250 MW at the Power Plant.

On March 28, 2016, GMSA signed an agreement with Siemens Industrial Turbomachinery AB for CTMM for the provision and assembly of two Siemens SGT-800 turbines of 50MW nominal each. This enlargement was made under an agreement signed pursuant to SE Resolution No. 220/07. The two Siemens SGT-800 turbines were put into commercial operation in the MEM on July 6, 2017. The installed capacity of the Power Plant thus increased from 250 MW to 350 MW.

NOTE 1: GENERAL INFORMATION (Cont'd)

Modesto Maranzana Power Plant (Cont'd)

Under SEE Resolution 287 - E/2017 dated May 10, 2017, the Energy Secretariat instructed CAMMESA to call for tenders for new thermal generation and co-generation with closed combined cycle technology, with a commitment to be available to satisfy demand in the MEM. GMSA participated as bidder and was awarded two closed combined cycle projects under SEE Resolution 926 - E/2017.

One of those projects is the closure of the combined cycle of the TG06 and TG07 units at CTMM, located in Río Cuarto. The project consists in the installation of a new 50 MW Siemens SGT800 gas turbine (with a guaranteed power of 47.5 MW) and the conversion into combined cycle of the three gas turbines (3x1 configuration). For such conversion, a recovery boiler will be installed at the gas turbines exit, which will produce steam in two pressures to feed a SST-600 steam turbine that will deliver a further 65 MW to the network; also, the necessary infrastructure will be installed for its operation and maintenance. The project for the closure of CTMM combined cycle will enable contributing a further 112.5 MW to SADI. The addition of a new gas turbine will cause an additional demand for fuel to the system. The addition of the turbo steam machine will contribute 65 MW, without additional consumption of fuel, with the complete cycle recording a specific consumption of 1590 Kcal/kWh in the closure of the combined cycle.

This project was awarded by EES Resolution No. 926 - E/2017 on October 17, 2017 and is expected to become operative in mid-2020.

GMSA and CAMMESA signed the Wholesale Demand contract on December 14, 2017.

Central Térmica Independencia

The power plant Central Térmica Independencia (CTI) is located in the city of San Miguel de Tucumán, Province of Tucumán. CTI was out of service, and in 2011 Albanesi Group executed all the works necessary to install 120 MW with PWPS technology, and to refurbish the existing ancillary facilities. It obtained authorization for commercial operation on November 17, 2011.

On June 30, 2016, within the framework of the bidding process called for by the Energy Secretariat through Resolution SE No. 21, GMSA signed a Contract for Wholesale Demand for CTI for the installation of the new thermal generation capacity. The project consists in the installation of 100 MW (92 MW undertaken) in two stages.

For this purpose, on April 30, 2016, a contract was executed with Siemens Industrial Turbomachinery AB for the purchase of the first SGT-800 turbine of 50 MW, paying on December 2016 50% and financing the remaining 50% in 24 installments as from September 2017. On August 10, 2017, in compliance with the Contract for Wholesale Demand, the commercial operation was obtained for the first stage, for a maximum power of 49.6 MW while operated with natural gas and 46.5 MW while operated with diesel. It is connected to SADI at the transformer station (ET for its acronym in Spanish) INDEPENDENCIA 132 KV of TRANSNOA, province of Tucumán.

NOTE 1: GENERAL INFORMATION (Cont'd)

Central Térmica Independencia (Cont'd)

For this purpose, on August 9, 2016, a contract was executed with Siemens Industrial Turbomachinery AB for the purchase of a second SGT-800 turbine of 50 MW, paying on March 2017 50% and financing the remaining 50% in 24 installments as from April 2018. The parts belonging to the second turbine and chimneys are already at the plant. The price of the turbine is USD 20 million.

On February 1, 2018, authorization for commercial operation was obtained for the second stage, for a maximum power of 49 MW while operated with natural gas and 47 MW while operated with diesel.

The total invested in the two stages was USD 79 million.

Central Térmica Riojana

Central Térmica Riojana (CTRi for its acronym in Spanish) is located in the province of La Rioja and has 4 power generation units: Turbogrupo Fiat TG21 of 12MW, Turbogrupo John Brown TG22 of 16MW, Turbogrupo Fiat TG23 of 12MW and Turbogrupo Siemens SGT 800 TG24 of 50 MW, for which an addenda was executed with CAMMESA for the increase in the installed capacity by 50MW under SE Resolution No. 220/07.

The Turbogrupo Siemens was acquired through a contract with Siemens Industrial Turbomachinery AB signed on September 7, 2015. On May 20, 2017, the commercial operation was obtained for a maximum power of 46.68 MW while operated with natural gas and 45 MW while operated with diesel. It is connected to SADI at the ET La Rioja.

Central Térmica La Banda

Central Térmica La Banda (CTLB) is located in the province of Santiago del Estero and has currently two power generation units Turbogrupo Fiat TG21 of 16 MW and Turbogrupo Fiat TG22 of 16 MW.

Central Térmica Frías

Central Térmica Frias (CTF) is located in the province of Santiago del Estero and has currently 60 MW of nominal thermal power generation capacity through one turbine with PWPS technology which consist 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.

The turbine purchase agreement contemplated financing by PWPS of USD 12 million for 4 years, as from the provisional acceptance. This amount is disclosed under non-current trade payables for the equivalent to $223,788,000.

NOTE 1: GENERAL INFORMATION (Cont'd)

Central Térmica Ezeiza (Ezeiza Thermal Power Plant)

Central Térmica Ezeiza (CTE) is situated in the province of Buenos Aires, and has 3 Siemens SGT-800 turbines of 50 MW each. This Power Plant was created under SEE Resolution 21/2016.

The commercial operation of the TG02 and TG03 units was authorized on September 29, 2017 to operate for a total of 93 MW, with tariffs denominated in US dollars, for a term of 10 years. They are connected to SADI at the ET TORRES 132 kV in the province of Buenos Aires. Both turbines form part of the first stage of a total project for 150 MW.

For this purpose, on April 30, 2016, a contract was executed with Siemens Industrial Turbomachinery AB for the purchase of the mentioned turbines, paying on September 2016 50% and financing the remaining 50% in 24 installments as from September 2017.

As regards the second stage of the project, on August 9, 2016, a contract was executed with Siemens Industrial Turbomachinery AB for the purchase of a third SGT-800 turbine of 50 MW, paying on March 2017 50% and financing the remaining 50% in 24 installments as from April 2018. The price of the turbine is USD 20.3 million. Authorization for commercial operation of the second stage was obtained on February 3, 2018. The total invested in the two stages was USD 160 million.

Under SEE Resolution 287 - E/2017 dated May 10, 2017, the Energy Secretariat instructed CAMMESA to call for tenders for new thermal generation and co-generation with closed combined cycle technology, with a commitment to be available to satisfy demand in the MEM.

GMSA participated as bidder and was awarded two closed combined cycle projects under SEE Resolution 926 - E/2017.

Another awarded project was the closure of combined cycle of CTE TG01, TG02 and TG03 units, located in the province of Buenos Aires. The project related to this bidding process consists in i) the installation of a fourth Siemens SGT-800 gas turbine of 50 MW and ii) the conversion into combined cycle of the four gas turbines. For the conversion into combined cycle, a steam recovery boiler will be installed at the gas exhaust of each of the gas turbines, which will produce steam in two pressures to feed two steam turbines (2x1 configuration) that will deliver 44 MW each to the network.

The project for the closure of CTE combined cycle will enable contributing a further 138 MW to SADI. Although the new gas turbine to be installed will consume additional fuel, the inclusion of two steam turbines will contribute a further 88 MW without additional fuel consumption, and the two full cycles will have a specific consumption of 1,590 Kcal/KWh.

This project was awarded under SEE Resolution 926 - E/2017 on October 17, 2017 and its placing into service is planned for mid-2020. GMSA and CAMMESA signed the Wholesale Demand contract on December 14, 2017.

NOTE 1: GENERAL INFORMATION (Cont'd)

Co-generation Project Arroyo Seco

GECE is developing a co-generation project in Arroyo Seco, province of Santa Fe. The project will include the installation of a SGT800 Siemens gas turbine with a nominal capacity of 100 MW and a heat recovery steam generator (HRSG), which uses the exhaust gas of the turbine to generate steam. In this way, the Company will generate (i) electricity sold under a contract signed with CAMMESA within the framework of a public bidding under EES Resolution No. 287/2017 and awarded through EES Resolution No.820/2017 for a term of 15 years, and (ii) steam, to be provided to Louis Dreyfus y Cía. S.A. Ltda. For the plant located in Arroyo Seco.

GECE and CAMMESA signed the Wholesale Demand contract on November 28, 2017.

On August 9, 2017, the Company entered into a contract with Siemens in which it agreed to the purchase of a Turbine for SEK 270,216,600 million. The contract is for the purchase of the SGT800 Siemens gas turbine, including whatever is necessary for its installation and start up.

At the date of these consolidated financial statements, two advances have been paid to Siemens for the gas turbine which account for 20% of the contract.

Central Térmica Sorrento

Central Térmica Sorrento is a thermal power plant located in Rosario, province of Santa Fe, and 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, and can be supplied by ship at the plant´s port and docking facility.

NOTE 2: REGULATORY ASPECTS RELATED TO ELECTRICITY GENERATION

The Group's revenue from electricity generation activity derives from sales to Large Users on the Forward Market, for surplus demand for energy (ES Resolution 1281/06); from sales to CAMMESA (Compañía Administradora del Mercado Mayorista Eléctrico S.A.) under SE Resolution 220/07, and from sales under SE Resolutions 21/16 and 19/17. In addition, the excess electricity generated under the modalities of SE Resolutions No. 1281/06 and 220/07 is sold on the Spot Market, in accordance with the regulations in force in the Wholesale Electricity Market (MEM) administered by CAMMESA.

a) Regulations on Energía Plus, Resolution No. 1281/06

It provides that the existing energy sold on the Spot Market follows 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 ASPECTS RELATED TO ELECTRICITY GENERATION (Cont'd)

a) Regulations on Energía Plus, Resolution No. 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 MEM agents whose generating units were authorized for operation after September 5, 2006 and (ii) they must have fuel supply and transportation contracts.

The regulation 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 MEM at the moment, only for the electricity consumption in 2005 ("Basic Demand").

• The electricity consumed by GU300 above their Basic Demand must be supplied by new generation (Energía Plus) and contracted at 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.

At the date of these consolidated financial statements, almost all the nominal power of 135 MW available is under contract. The duration of these contracts is from1 to 2 years.

b) MEM Supply Contract (Resolution No. 220/07)

In January 2007, the Energy Secretariat issued Resolution No. 220/07 authorizing the execution of Supply Contracts between MEM 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 MEM agents or do not have the generation facilities to be agreed under these commercially authorized offers, or are not interconnected with MEM at that date. In this regard, the execution of Supply Contracts was foreseen as another way to generate incentives for the development of additional energy projects.

These Supply Contracts are entered into between generating agents and CAMMESA, with a duration of 10 years or a shorter term that may exceptionally be established. The valuable consideration for availability of generation and energy will be established in each contract based on the costs accepted by the ES. 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.

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 MEM administered by CAMMESA.

GMSA and CAMMESA entered into various Wholesale Electric Market (MEM) supply contracts: For CTMM it agreed a power of 45 MW for TG5 and for a term of 10 years counted as from October 2010, and 89.9 MW for TG6 and 7 and a duration of 10 years counted as from July 2017; for CTI it agreed a power of 100 MW and a duration of 10 years counted as from November 2011; for CTF it agreed a power of 55.5 MW and a duration of 10 years counted as from December 2015, and for CTRi it agreed a power of 42 MW and a duration of 10 years counted as from May 2017.

NOTE 2: REGULATORY ASPECTS RELATED TO ELECTRICITY GENERATION (Cont'd)

b) MEM Supply Contracts (Resolution No. 220/07) (Cont'd)

The agreements set forth a remuneration made up of 5 components:

i) fixed charge for power hired, affected by monthly average availability; the remunerated price is:

Thermal power Plant	Fixed charge for power hired	Hired power
	USD/MW-month	MW
CTMM TG 5	USD 16,133	45
CTI TG 1 and 2	USD 17,155	100
CTF	USD 19,272	55.5
CTMM TG 6 and 7	USD 15,930	89.9
CTRi TG 24	USD 16,790	42

ii) The fixed charge recognizes transportation costs plus other generating agents' own costs

iii) the variable charge associated with the energy effectively prescribed under the contract and which purpose is to remunerate the operation and maintenance of the Plant

Thermal power Plant	Variable charge in USD/MWh	
	Gas	Diesel
CTMM TG 5	USD 7.83	USD 8.32
CTI TG 1 and 2	USD 7.52	USD 7.97
CTF	USD 10.83	USD 11.63
CTMM TG 6 and 7	USD 8.00	USD 10.50
CTRi TG 24	USD 11.44	USD 15.34

iv) a variable charge for repayment of fuel costs, all of them at reference price; and

v) a discount for penalties.

These penalties are applied to the hours in which 92% of the agreed upon power has not been reached and are valued on a daily basis and according to the operating condition of the machine and the market situation.

c) Sales under SE Resolution No. 21/2016

Through SE Resolution No. 21/2016 dated March 22, interested generating, co-generating and self-generating agents are called for to offer new thermal generation capacity and associated energy production, with the commitment to be available at MEM during the summer periods of (2016/2017 and 2017/2018) and for the winter season of 2017.

Through SE Note No. 161/2016 the Energy Secretariat made public the bidding process whereby 1000 MW of thermoelectric power was expected to be installed. Power to be installed must arise from new generation projects. Offers cannot commit, at each connection point proposed, a generation capacity lower than 40 MW total and, in turn, the net power of each generating unit forming the offer for location may not be lower than 10 MW. Equipment committed in the offers must have dual capacity of fuel consumption to operate interchangeably and consumption must not exceed 2,500 kilocalories per kWh.

NOTE 2: REGULATORY ASPECTS RELATED TO ELECTRICITY GENERATION (Cont'd)

c) Sales under SE Resolution 21/2016 (Cont'd)

Finally, through SE Resolution No. 155/2016 the first projects awarded by SE Resolution No. 2172016 were reported among which were CTE and the enlargement of CTI.

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 arises from availability of power and energy generated as established in each contract based on the costs accepted by the ES. Sales under this modality are denominated in US dollars and paid by CAMMESA.

The agreements set forth a remuneration made up of 5 components:

i) fixed charge for power hired, affected by monthly average availability; the remunerated price is:

Thermal power Plant	Fixed charge for power hired USD/MW-month	Hired power MW
CTE TG 1 and 2	USD 21,900	93
CTE TG 3	USD 20,440	46
CTI TG 3	USD 21,900	46
CTI TG 4	USD 20,440	46

ii) The fixed charge recognizes transportation costs plus other generating agents' own costs

iii) the variable charge associated with the energy effectively prescribed under the contract and which purpose is to remunerate the operation and maintenance of the Plant

Thermal power Plant	Variable charge in USD/MWh	
	Gas	Diesel
CTE TG 1 and 2	USD 8.50	USD 10.00
CTI TG 3 and 4	USD 8.50	USD 10.00

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.

d) Sales under SE Resolution No. 19/2017

On March 22, 2013 the Energy Secretariat published SE Resolution No. 95/13 that aimed at adapting the system for the remuneration of the power generation plants not subject to special regimes, such as Energía Plus and MEM Supply Contracts.

SE Resolution No. 529/14 was published on May 20, 2014, amending and extending application of SE Resolution No. 95/13. The main change was 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.

NOTE 2: REGULATORY ASPECTS RELATED TO ELECTRICITY GENERATION (Cont'd)

d) Sales under SE Resolution No. 19/2017 (Cont'd)

As established by SE Resolution No. 529/14, commercial management and fuel dispatch were to be centralized in the Dispatch Management Agency (CAMMESA) as from February 2014. Costs associated with the operation were no longer recognized as the contractual relationships between the MEM Agents and their suppliers of fuels and related inputs became extinguished. SE Resolution No. 1281/06 (Energía Plus) was excluded from these regulations.

SE Resolution No. 482/15 was published on July 10, 2015, amending and extending application of SE Resolution No. 529/14. The main change was 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".

The balance not recognized for this item amounts to $ 31,708,050.

On March 30, 2016, SE Resolution No. 22/16 was published amending SE Resolution No. 482/15 above mentioned. The main change was the increase in the remuneration payable to the generators, implemented through a price increase.

There was a 70% increase in the fixed charge remunerating available power and of 40% in the variable cost for the energy generated.

Thermal power Plant	Classification	Fixed cost as per Res. No. 22 $/MWhrp
CTLB / CTRi	TG Units with Power (P) < 50 MW (small)	152.30
CTMM CC 1 and CC 2	CC Units with Power (P) < 150 MW (small)	101.20

MinEyM SE Resolution 19-E/17 was published on January 27, 2017, replacing SE Resolution No. 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 MEM contract having a differential remuneration established or authorized by MEM competent authority.

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

NOTE 2: REGULATORY ASPECTS RELATED TO ELECTRICITY GENERATION (Cont'd)

d) Sales under SE Resolution No. 19/2017 (Cont'd)

The new resolution becomes effective on February 1, 2017.

The remuneration system basically comprises 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 May 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 May 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 diesel or fuel oil.
   2.2 Energy operated: The generators will receive 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 generating agent may 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 Use factor < 30% and 1.0 for those with Use factor < 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 consolidated financial statements have been prepared in accordance with FACPCE Technical Pronouncement No. 26, adopting the IFRS issued by the IASB and IFRIC interpretations. All IFRS effective at the date of preparation of these financial statements have been applied.

The presentation in the balance sheet segregates 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 Group 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 consolidated 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 consolidated financial statements in accordance with IFRS requires making estimates and valuations that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of issue of these consolidated 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 consolidated financial statements were approved for issuance by the Company's Board of Directors on March 12, 2018.

Comparative information

Balances at December 31, 2016 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, 2017. 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 recorded significant annual changes. This situation must be considered when assessing and interpreting the Group's financial situation and results disclosed in these consolidated financial statements.

NOTE 4: ACCOUNTING POLICIES

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

4.1 Changes in accounting policies

4.1.1 New accounting standards, amendments and interpretations issued by the IASB

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 exemption for some short-term leases and leases of low-value assets; however, this exemption 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": was amended in January 2016. Entities are required to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. This includes changes from cash flows, such as uses of cash and loan amortization; and changes not entailing cash flows, such as purchases, sales and unrealized exchange differences. The amendments are effective for annual periods beginning on or after January 1, 2017. Application of the amendments did not have an impact on the Group's financial position or the results of its operations; it will only imply new disclosures.

IAS 12 - Income Taxes: was amended in January 2016 to clarify the requirements as regards recognition of deferred tax assets for unrealized losses. The amendments clarify how to account for deferred tax when an asset is measured at fair value and such fair value is below the tax base of the asset.

NOTE 4: ACCOUNTING POLICIES (Cont'd)

4.1) Changes in accounting policies (Cont'd)

4.1.2 New accounting standards, amendments and interpretations not yet effective and not early adopted by the Company

IFRS 9 Financial instruments: the amendment was issued in July 2014. It includes in a single document all phases of the IASB project to replace IAS 39 "Financial instruments: recognition and measurement". These phases comprise classification and measurement, impairment and hedge accounting. This version adds a new model for expected loss impairment and some minor changes to the classification and measurement of financial assets. The new version replaces all earlier versions of IFRS 9 and is effective for annual periods beginning on or after January 1, 2018. The method for the calculation of the receivables impairment allowance will be modified as from January 1, 2018. In this respect, the Group considers that it will not have a significant impact on the allowance amount.

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 Group expects to be entitled. In this regard, the Group has evaluated application of that standard and considers that it will not have a significant impact.

IFRS 17 - Insurance contracts: In May 2017, the IASB issued IFRS 17 which replaces IFRS 4, introduced as a provisional standard in 2004 to account for insurance contracts using the national accounting standards, and resulting in multiple application approaches. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and is effective for annual reporting periods beginning on or after January 1, 2021. Earlier application is permitted if both IFRS 15 and IFRS 9 have also been applied. The Group is analyzing the impact of the application of IFRS 17; however, it estimates that the application thereof will not have an impact on the results of operations or the financial position of the Group.

IFRIC 23 - Uncertainty over income tax treatments: In June 2017, the IASB issued IFRIC 23 which clarifies application of IAS 12 regarding the existence of uncertain tax positions when determining income tax. According to this interpretation, an entity is to reflect the impact of the uncertain tax position using the method that provides better predictions of the resolution of the uncertainty, whether the most likely amount or the expected value method. Also, an entity is to assume that a taxation authority will examine the uncertain positions and will have full knowledge of all relevant information when doing so. IFRIC 23 is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted. The Group is analyzing the impact of the application of IFRIC 23; however, it estimates that the application thereof will not have a significant impact on the results of operations or the financial position of the Group.
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 the Group the ability to direct the financial and operating policies, etc. Subsidiaries are 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.

Companies	Country of incorporation	Main business activity	% participation in decision-making	
			12/31/2017	12.31.2016
GMSA	Argentina	Electric power generation	95%	95%
GFSA (1)	Argentina	Electric power generation	-	95%
GROSA	Argentina	Electric power generation	95%	95%
GLSA	Argentina	Electric power generation	95%	95%
GECE (2)	Argentina	Electric power generation	95%	-

(1) Company merged with GMSA within the framework of the merger through absorption process as described in Note 39.2.
(2) Company created in the current year together with Armando R. Loson, Holen S.A. and Carlos A. Bauzas (Note 8).

NOTE 4: ACCOUNTING POLICIES (Cont'd)

4.3) Revenue recognition

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.

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).

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

b) Transactions and balances

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

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.

NOTE 4: ACCOUNTING POLICIES (Cont'd)

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

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. (AVSA) were restated until liquidation 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 and subsequent de-registration of AVSA from the Venezuela Registry of Commerce.

4.5) Property, plant and equipment

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

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

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

Buildings, facilities, machinery and turbines are measured at their fair value less accumulated depreciation and impairment losses, if any, recognized at the date of revaluation. 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 accounting measurement of land, buildings, facilities, machinery and turbines with their recoverable value calculated as described in the following section.

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.

NOTE 4: ACCOUNTING POLICIES (Cont'd)

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

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. The financial costs capitalized in the carrying value of Properties, Plant and Equipment for the year ended December 31, 2017 and 2016 amounted to $ 1,395,645,338 and $ 448,835,499, respectively. The average capitalization rate used for each year was 25% for 2017 and 22% for 2016.

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

If all types of property, plant and equipment had been measured using the cost model, the carrying amounts would have been the following:

	12.31.2017	12.31.2016
Cost	9,013,109,232	3,261,907,917
Accumulated depreciation	(576,325,907)	(413,424,074)
Residual value	**8,436,783,325**	**2,848,483,843**

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.

NOTE 4: ACCOUNTING POLICIES (Cont'd)

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 fiscal years.

As of December 31, 2017 and 2016, the Group has concluded that the carrying amount of land, buildings, facilities, machinery and turbines does not exceed its recoverable amount.

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 fulfilled. The remaining financial assets are measured at fair value. IFRS 9 "Financial instruments" requires that all the investments in equity instruments are measured at fair value.

a) Financial assets at amortized cost

Financial assets are measured at amortized cost if the following conditions are met:
- the business model of the Company is aimed at keeping the assets to obtain contractual cash flows;
- contractual conditions of the financial asset give rise on specified dates to cash flows that are only payments of the principal and interest on the outstanding principal amount.

b) Financial assets at fair value

If any of the 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.

NOTE 4: ACCOUNTING POLICIES (Cont'd)

4.8) Financial assets (Cont'd)

4.8.3) Impairment losses on 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.

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 amount of the asset is reduced and the amount of the impairment loss is recognized in the statement of comprehensive income. If the financial asset bears a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate under the contract. As a useful measure, the Group may calculate the value of impairment based on the fair value of the financial asset using an observable market price.

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.

4.8.4) 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.

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 receivables and other receivables are recognized at fair value and subsequently measured at amortized cost, using the effective interest method and, when significant, adjusted at time value of money and also considering the receivables with the MEM documented by CAMMESA in the form of Sale Settlements with Maturity Dates to be Determined (Liquidaciones de Venta con Fecha de Vencimiento a Definir - LVFVD), 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, based on an individual analysis of historical performance of accounts receivable to assess the recoverability of the credit portfolio.

NOTE 4: ACCOUNTING POLICIES (Cont'd)

4.10) Inventories

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.

4.11) 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.

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. Trade payables are classified as current liabilities if payments fall due within one year or less. Otherwise, they are classified as non-current liabilities.

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

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 direct 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 Company analyzes loan renegotiation terms to determine if as a result of the quantitative and qualitative changes to their conditions, they should be considered as amended or settled.

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 are recognized when the Group has a present obligation, whether legal or implicit, as a result of past events; a resource outflow will likely be necessary to settle that obligation; and the amount of the obligation can be measured reliably.

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 and the opinion of the Group's legal counsel. 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.

4.18) Income tax and minimum notional income tax

a) Current and deferred income taxes

The income tax charge for the year comprises current tax and deferred tax. 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 neither affect accounting income nor tax income at the moment of being performed.

NOTE 4: ACCOUNTING POLICIES (Cont'd)

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

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.

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.

NOTE 4: ACCOUNTING POLICIES (Cont'd)

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.

b) Legal reserve

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

c) *Optional reserve*

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

d) *Technical revaluation reserve*

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

NOTE 4: ACCOUNTING POLICIES (Cont'd)

4.22) Equity accounts (Cont'd)

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) Retained earnings and accumulated losses

Unappropriated earnings comprise accumulated profits or losses without a specific appropriation; 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
  - Reserves provided by Company by-laws
  - 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 for 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.

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.

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.

a) Market risk

Foreign exchange risk

Sales under Resolutions Nos. 1281/06 (Energía Plus), 220/07, SE Resolution No. 21/16 and SE Resolution 19/17 are denominated in United States dollars. Furthermore the financial debt is mainly denominated in that currency, which means that the business has a genuine coverage for exchange rate fluctuations. However, the Group constantly monitors the exchange rate fluctuations of the main world currencies to define foreign exchange strategies.

Based on the above, in late September 2017, the Group arranged a foreign exchange hedge for USD 8,662,500, which gave it certainty as to the dollar exchange rate applicable to the interest payment on the international bond made on January 25, 2018.

In addition, in November 2017, the Company arranged with Siemens Industrial Turbomachinery AB hedge contracts for the Swedish crown exchange rate for SEK 150,745,000 in relation to the deferred payment.

NOTE 5: FINANCIAL RISK MANAGEMENT (Cont'd)

a) Market risks (Cont'd)

Foreign exchange risk (Cont'd)

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

Captions	12.31.2017				12.31.2016
	Foreign currency			Amount recorded in pesos	Amount recorded in pesos
	Class	Amount	Exchange rate used (1)	$	
ASSETS					
Current Assets					
Cash and cash equivalents	USD	264,394	18.549	4,904,236	2,421,454
Trade receivables	USD	52,855,929	18.549	980,424,633	232,163,378
Total Current Assets				**985,328,869**	**234,584,832**
Total Assets				**985,328,869**	**234,584,832**
LIABILITIES					
Non-Current Liabilities					
Trade payables	USD	12,000,000	18.649	223,788,000	444,542,066
Trade payables	SEK	245,292,500	2.280	559,224,955	-
Loans	USD	324,086,916	18.639	6,040,812,045	3,400,044,529
Total non-current liabilities				**6,823,825,000**	**3,844,586,595**
Current Liabilities					
Trade payables	USD	4,383,799	18.649	81,753,466	91,566,463
Trade payables – Related parties	USD	12,156,586	18.599	226,100,347	107,378,222
Trade payables	SEK	289,707,041	2.280	660,482,514	-
Trade payables	EUR	10,226	22.450	229,561	-
Loans	USD	16,396,647	18.608	305,108,021	191,323,703
Total Current Liabilities				**1,273,673,909**	**390,268,388**
Total Liabilities				**8,097,498,909**	**4,234,854,983**
Assets and liabilities, net				**(7,112,170,040)**	**(4,000,270,150)**

(1) Banco Nación exchange rate prevailing at year-end. In the case of balances with related parties, an average exchange rate is used.
Information required by Appendix G, in compliance with Section 1, Chapter III, Title IV of the restated text of the CNV.

The Company considers that, if all variables remain constant, a devaluation of 1% of US dollar and the Swedish Crown compared to the Argentine peso would increase loss for the year in the following way:

	Argentine peso	
Net asset/(liability) position	**12.31.2017**	**12.31.2016**
US dollars	(58,922,330)	(40,002,702)
Swedish crowns	(12,197,075)	-
	(71,119,405)	**(40,002,702)**

NOTE 5: FINANCIAL RISK MANAGEMENT (Cont'd)

5.1) Financial risk factors (Cont'd)

a) Market risk (Cont'd)

Price risk

Group revenue rely, to a lesser extent, on sales made under Resolution No. 19/17, which replaced SE Resolution No. 22/16. This resolution adapts certain remuneration criteria to economic conditions which are reasonable, foreseeable and efficient, through medium-term commitments. If the terms of the Resolution were repealed or substantially amended, the revenues of the Group might be affected, which would result in a minor adverse impact on the Group's business, the financial condition and the results of operations.

If for any reason not attributable to the Group, the Company is no longer eligible to participate in the Energía Plus Program (SE Resolution 1281/06), Resolution 220/07 and/or SE Resolution 21/16, 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 is limited, the results of the Group could be badly affected.

In addition, the investments of the Group in listed equity instruments are subject to the price risk of the market as a result of the uncertainty regarding the future value of these instruments. Due to the low materiality of investments in equity instruments in connection to the net assets/liabilities position, the Group is not significantly exposed to the risk of the price of instruments.

Furthermore, the Group is not exposed to the price risk of raw materials.

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, 2017, a small portion of the loans in effect had been taken out at floating rates, mainly BADLAR (plus an applicable margin).

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)

Interest rate risk (Cont'd)

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

	12.31.2017	12.31.2016
Fixed rate:	6,298,698,340	3,503,254,743
	6,298,698,340	**3,503,254,743**
Floating rate:	1,457,335,157	1,139,266,914
	1,457,335,157	**1,139,266,914**
	7,756,033,497	**4,642,521,657**

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:

	12.31.2017	12.31.2016
Floating rate:	(14,573,352)	(11,392,669)
Increase in loss for the year	**(14,573,352)**	**(11,392,669)**

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.

Our credit analysis division assesses privately-held corporate customers' payment ability, taking as a basis their financial statements, financial position, market reports, historical behavior towards the Company and other financial creditworthiness factors. Credit limits are set on the basis of the indicators described above, and are regularly monitored by the respective area.

The electricity generators with sales to the spot market, per Resolution 19/17 which replaced SE Resolution 22/16, and generators with contracts under Resolutions Nos. 220/07 and 21/16 receive through CAMMESA the payments for making available the power and energy supplied to the system. As from the consumption of September, CAMMESA has paid on time, according to the conditions set in the contracts.

CAMMESA has been complying with its payment obligations satisfactorily, by the due dates arranged under the respective contracts.

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 Group is expected to meet its commitments assumed as a result of the financial debt arising from any credit facility. The projections take into account payment plans of the Company's debts, compliance with external regulatory requirements and legal requirements.

Temporary cash surpluses are prudently managed until they are used for debt servicing purposes and investment in enlargement projects currently in progress. The 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's financial liabilities classified according to the due dates, considering the remaining period from the respective balance sheet date to their contractual due date. The amounts shown in the table are the non-discounted contractual cash flows.

At December 31, 2017	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	More than 2 years	Total
Trade and other payables	1,208,951,459	232,996,410	596,849,663	228,872,746	2,267,670,278
Loans	404,794,573	740,046,979	720,451,382	6,966,700,614	8,831,993,548
Total	**1,613,746,032**	**973,043,389**	**1,317,301,045**	**7,195,573,360**	**11,099,663,826**
At December 31, 2016	**Less than 3 months**	**Between 3 months and 1 year**	**Between 1 and 2 years**	**More than 2 years**	**Total**
Trade and other payables	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	6,802,675,662
Total	**531,156,294**	**797,037,530**	**1,164,899,498**	**5,134,749,387**	**7,627,842,709**

5.2) Management of capital risk

The objectives of the Group when it administers capital are to secure the Group's 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).

NOTE 5: FINANCIAL RISK MANAGEMENT (Cont'd)

5.2) Management of capital risk (Cont'd)

In the year ended December 31, 2017, the Group incurred long-term indebtedness mainly through the issuance of the international bond. This issuance has improved the indebtedness profile, extending maturity and reducing the financial cost, as it was fully applied to prepay existing financing. Consolidated debt to adjusted EBITDA ratios at December 31, 2017 and 2016 were as follows:

	12.31.2017	12.31.2016
Total loans (*)	7,553,270,678	4,440,040,386
Less: Cash and cash equivalents	(98,296,792)	(531,824,982)
Net debt	7,454,973,886	3,908,215,404
EBITDA	1,328,701,943	779,311,211
Net debt/ EBITDA	**5.61**	**5.01**

(*) Not including the balance with CAMMESA

NOTE 6: CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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 consolidated financial statements were prepared. The estimates that have a significant risk of causing an adjustment to the carrying amounts of assets and liabilities within the next fiscal year are detailed below:

a) Fair value of property, plant and equipment

The Group records its land, buildings, facilities, machinery and turbines following the revaluation model. Under these models, those assets are accounted for at their revalued amount, which is their fair value at the revaluation date less depreciation and subsequent impairment, provided that their fair value can be measured reliably. If a revaluation results in an increase in value, it is recorded in accumulated other comprehensive income and in equity, on the Revaluation Reserve line. A decrease that results from the revaluation must be recognized as an expense to the extent that it exceeds any amount previously charged to the revaluation reserve in relation to the same asset. Group Management is required to make judgments to determine the fair value of these assets.

b) Impairment of assets

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

The electric power generation plants of the subsidiaries or associates of ASA are a cash generating unit, since they represent the lowest level of separation of assets that generate independent cash flows.

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

b) Impairment of assets (Cont'd)

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 is allocated to reduce the carrying amount of the assets of the CGU) in the following order:

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.

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

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

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.

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

Provisions cover contingencies arising in the ordinary course of business and other sundry risks that could create obligations for the Company. In estimating the amounts, 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 $ 4,609,307 and $ 4,686,176 at December 31, 2017 and 2016, respectively.

For more information on the balance of the allowance for bad debts, see Note 19 to our consolidated financial statements.

f) Defined benefit plan

GROSA determines the liabilities related to accumulated bonuses for service length and to the employee benefits plans mentioned, considering all the rights accrued by the beneficiaries until period end, based on an actuarial study performed by an independent professional at that date. The actuarial method applied by the Company is the Projected Benefit Unit method.

NOTE 7: PROPERTY, PLANT AND EQUIPMENT

Captions	ORIGINAL VALUE					DEPRECIATION						NET VALUE	
	Value at beginning of year	Increases (1)	Deletions / Transfers	Revaluation of original values	Value at year end	Accumulated at beginning of the year	For the year (2) and (3)	Decreases	Deletions due to deconsolidation	Revaluation Depreciation Accum.	Accumulated at year end	12.31.2017	12.31.2016
Land	185,110,355	7,915,899	(7,549,077)	32,752,522	218,229,699	-	-	-	-	-	-	218,229,699	185,110,355
Buildings	108,753,899	413,255	791,025,983	(392,351,436)	507,841,701	-	7,943,016	-	-	(7,943,016)	-	507,841,701	108,753,899
Facilities	288,226,199	263,349	769,476,812	50,252,042	1,108,218,402	-	35,144,167	-	-	(35,144,167)	-	1,108,218,402	288,226,199
Machinery and turbines	3,589,969,300	107,458,931	4,695,000,058	175,802,811	8,568,231,100	-	222,770,657	-	-	(222,770,657)	-	8,568,231,100	3,589,969,300
Computer and office equipment	7,975,978	3,530,289	-	-	11,506,267	3,864,828	2,230,798	-	-	-	6,095,626	5,410,641	4,111,150
Vehicles	6,778,518	2,076,550	-	-	8,855,068	1,509,934	1,491,783	-	-	-	3,001,717	5,853,351	5,268,584
Tools	3,225,387	558,224	-	-	3,783,611	1,036,082	649,274	-	-	-	1,685,356	2,098,255	2,189,305
Furniture and fixtures	507,536	21,224	-	-	528,760	261,569	67,077	-	-	-	328,646	200,114	245,967
Works in progress	987,294,546	5,599,362,641	(6,255,413,346)	-	331,243,841	-	-	-	-	-	-	331,243,841	987,294,546
Civil constructions on third party property	15,086,573	315,669	-	-	15,402,242	8,039,312	1,793,827	-	-	-	9,833,139	5,569,103	7,047,261
Installations on third party property	138,972,270	5,457	-	-	138,977,727	62,089,391	19,061,274	-	-	-	81,150,665	57,827,062	76,882,879
Machinery and turbines on third party property	63,119,883	-	-	-	63,119,883	25,897,568	9,289,293	-	-	-	35,186,861	27,933,022	37,222,315
Leasehold improvements in progress	52,862,725	38,697,781	-	-	91,560,506	-	-	-	-	-	-	91,560,506	52,862,725
Inputs and spare parts	21,427,950	10,572,049	(8,935,445)	-	23,064,554	-	-	-	-	-	-	23,064,554	21,427,950
Total at 12.31.2017	**5,469,311,119**	**5,771,191,318**	**(16,395,015)**	**(133,544,061)**	**11,090,563,361**	**102,698,684**	**300,441,166**	-	-	**(265,857,840)**	**137,282,010**	**10,953,281,351**	-
Total at 12.31.2016	**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**

(1) Includes the acquisition of assets of the projects for the start-up and enlargement of the electricity generation plants carried out by the Group in the years 2017 and 2016.
(2) The depreciation charges for the period 2017 and 2016 were allocated to the cost of sales, including $ 154,551,168 and $ 75,593,672 due to a higher value for technical revaluation.
(3) The financial costs capitalized in the carrying value of Property, Plant and Equipment for the year ended December 31, 2017 and 2016 amounted to $ 1,395,645,338 and $ 448,835,499, respectively. The average capitalization rate used for each year was 25% for 2017 and 22% for 2016.

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 4.2.

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 the reorganization proceeding of Central Térmica Sorrento S.A. was initiated. This situation does not affect the lease agreement mentioned above or the electric power generation business.

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.

GECE

In the current year, the Company, with Armando R. Loson, Holen S.A. and Carlos A. Bauzas, created GECE with a capital stock of $ 500,000. The new company was registered with the IGJ under number 13654, Book 85 of Companies by Shares, on July 12, 2017. Capital was fully issued in ordinary registered non-endorsable shares of $ 1 par value each, and entitled to 1 (one) vote per share. ASA holds a 95% interest in that company.

AVSA

On August 15, 2016, the Extraordinary Shareholders' Meeting of AVSA decided the early dissolution and liquidation of the company. The dissolution, liquidation and subsequent de-registration procedures of AVSA before the Commercial Registry of Venezuela were completed on November 24, 2016.

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, 2017 and 2016, the Group's associate is Solalban Energía S.A.

In 2008, ASA, with a 42% interest, together with Solvay Indupa S.A.I.C. created Solalban Energía S.A. aimed at building a power plant with a generation capacity of 165 MW located in the petrochemical area of the city of Bahia Blanca, Province of Buenos Aires.

NOTE 9: INVESTMENT IN ASSOCIATE (Cont'd)

Changes in the investments in the Group's associates for the fiscal year ended December 31, 2017 and 2016:

	12.31.2017	12.31.2016
At beginning of year	**293,807,569**	**243,127,929**
Other comprehensive income	92,792,999	53,155,523
Allocated dividends	(5,880,000)	-
Income/(loss) from interest in associates	(6,983,485)	(2,475,883)
At end of year	**373,737,083**	**293,807,569**

Below is a breakdown of the investments and the value of interests held by the Company in the associate at December 31, 2017 and 2016, as well as the Company share of profits of the associate for the year ended December 31, 2017 and 2016.

Name of issuing entity	Main activity	% share interest		Equity value		Company share of profits	
		12.31.2017	12.31.2016	12.31.2017	12.31.2016	12.31.2017	12.31.2016
Associates							
Solalban Energía S.A.	Electricity	42%	42%	373,737,083	293,807,569	(6,983,485)	(2,475,883)
				373,737,083	**293,807,569**	**(6,983,485)**	**(2,475,883)**

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:

	12.31.2017	12.31.2016
Total non-current assets	1,013,105,900	884,025,285
Total current assets	273,270,786	287,394,801
Total Assets	**1,286,376,686**	**1,171,420,086**
Total equity	**889,850,196**	**699,541,830**
Total non-current liabilities	233,377,671	272,611,435
Total current liabilities	163,148,819	199,266,821
Total Liabilities	**396,526,490**	**471,878,256**
Total liabilities and equity	**1,286,376,686**	**1,171,420,086**

NOTE 9: INVESTMENT IN ASSOCIATE (Cont'd)

Summarized statement of income and statement of comprehensive income:

	12.31.2017	12.31.2016
Sales revenue	966,272,715	853,950,783
Net income/loss for the year	(16,627,345)	(5,894,966)
Other comprehensive income	220,935,711	126,560,774
Total comprehensive income for the year	**204,308,366**	**120,665,808**

Statement of cash flows:

	12.31.2017	12.31.2016
Funds generated by operating activities	27,927,460	29,525,717
Funds used in investment activities	(7,824,197)	(5,549,421)
Funds used in financing activities	(13,990,675)	(10,273,863)
Increase in cash for the year	**6,112,588**	**13,702,433**

The information above shows the balances recorded in the financial statements of the associate (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.

NOTE 10: INVENTORIES

Current	12.31.2017	12.31.2016
Supplies and materials	56,467,876	31,358,120
	56,467,876	**31,358,120**

NOTE 11: OTHER RECEIVABLES

Non-current	Note	12.31.2017	12.31.2016
Value added tax		21,519	-
Minimum notional income tax		68,616,783	40,660,871
Turnover tax credit balance		788	320,945
Sub-total tax credits		**68,639,090**	**40,981,816**
Related parties	32	-	18,750
Loans to Directors	32	-	17,343,215
Other receivables - Gasnor gas pipeline		-	1,106,621
Other receivables with Sorrento Thermal Plant		2,303,576	6,696,385
Other tax credits		278,560	-
Provision for receivables	12	(1,859,200)	(1,859,200)
		69,362,026	**64,287,587**

NOTE 11: OTHER RECEIVABLES (Cont'd)

Current	Note	12.31.2017	12.31.2016
Value added tax		552,210,450	210,327,468
Turnover tax credit balance		29,660,245	-
Other tax credits		8,856,465	8,809,518
Subtotal tax credits		**590,727,160**	**219,136,986**
Advances to suppliers		150,263,250	882,328,198
Insurance to be accrued		930,460	1,184,054
Security deposits and derivative financial instruments		17,850,350	-
Other receivables - Gasnor gas pipeline		-	3,535,190
Related parties	32	81,798,928	79,269,832
Advances to directors	32	170,200	170,200
Loans to Directors	32	25,285,532	-
Minority interest	32	171,602,918	147,691,158
Sundry		12,612,520	8,322,839
		1,051,241,318	**1,341,638,457**

NOTE 12: TRADE RECEIVABLES

	Note	12.31.2017	12.31.2016
Non-Current			
Additional remuneration - trust fund	18.C and 38	-	25,106,756
Remuneration of non-recurring maintenance	18.C and 38	-	104,263,885
Trade receivables		1,698,757	864,183
		1,698,757	**130,234,824**
Current			
Trade receivables		562,014,294	268,101,054
CAMMESA receivables, net	18.C and 38	162,007,752	-
Unbilled sales		452,939,108	265,048,336
Related parties	32	-	1,815,000
Allowance for bad debts		(2,750,107)	(2,826,976)
		1,174,211,047	**532,137,414**

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

NOTE 12: TRADE RECEIVABLES (Cont'd)

The movements of the provision for trade receivables and other receivables are as follow:

		For trade receivables	For other receivables
Balances at December 31, 2015		**839,252**	**-**
Increases	(1)	1,987,724	1,859,200
Balance at December 31, 2016		**2,826,976**	**1,859,200**
Decreases		(76,869)	-
Balances at December 31, 2017		**2,750,107**	**1,859,200**

(1) The charge is shown under Selling expenses
Information required by Appendix E, in compliance with Section 1, Chapter III, Title IV of the restated text by the CNV.

NOTE 13: CASH AND CASH EQUIVALENTS

	Note	12.31.2017	12.31.2016
Cash		466,472	403,220
Checks to be deposited		149,850	18,600,989
Banks		51,782,287	69,918,627
Mutual funds		45,898,183	442,902,146
Cash and cash equivalents (bank overdrafts excluded)		**98,296,792**	**531,824,982**

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

	Note	12.31.2017	12.31.2016
Cash and cash equivalents		98,296,792	531,824,982
Bank overdraft		-	(14,657,864)
Cash and cash equivalents (bank overdraft included)		**98,296,792**	**517,167,118**

NOTE 14: CHANGES IN SHARE CAPITAL

Share capital at December 31, 2017 is comprised of:

Capital	Amount $	Date	Approved by Body/Document	Date of registration with the Public Registry of Commerce
Total at 12.31.2011	**30,100,000**			
Capitalization of debt	10,000,000	12.31.12	Extraordinary Shareholders' Meeting	9.16.13
Capitalization of debt	20,000,000	12.30.13	Extraordinary Shareholders' Meeting	9.25.14
Capital reduction	(55,644,840)	7.16.14	Ordinary Shareholders' Meeting	9.25.14
Capitalization of debt	58,000,000	3.22.16	Extraordinary Shareholders' Meeting	11.08.16
Total at 12.31.2017	**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; therefore, the share capital amounts to $ 62,455,160.

NOTE 15: DISTRIBUTION OF PROFITS

Dividends

Pursuant to General Companies Law No. 19550, 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 capital stock.

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

NOTE 16: TRADE PAYABLES

	Note	12.31.2017	12.31.2016
Non-current			
Suppliers		783,012,955	444,542,066
		783,012,955	**444,542,066**
Current			
Suppliers		939,272,684	98,752,679
Provision for invoices to be received		205,398,784	24,048,997
Related parties	32	248,299,700	125,027,841
		1,392,971,168	**247,829,517**

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

NOTE 17: OTHER DEBTS

	Note	12.31.2017	12.31.2016
Non-Current			
Other income to be accrued		6,619,454	-
Sundry		-	-
		6,619,454	-
Current			
Advances from customers		138,020,424	-
With related parties	32	109,143,830	89,629,740
Directors' fees	32	32,392,009	-
Other income to be accrued		1,188,379	-
		280,744,642	**89,629,740**

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 its fair value.

NOTE 18: LOANS

Non-Current	12.31.2017	12.31.2016
CAMMESA	193,854,659	195,731,948
Finance lease debts	49,445,832	17,776,508
Negotiable obligations	1,792,069,588	566,610,468
International bond	4,967,124,269	2,768,794,593
Foreign loan debt	-	631,249,936
Other bank debts	21,202,224	-
	7,023,696,572	**4,180,163,453**

Current	12.31.2017	12.31.2016
Bank overdraft	-	14,657,864
Finance lease debts	17,340,907	6,819,519
Other bank debts	62,175,039	105,044,425
Foreign loan debt	-	3,840,614
Negotiable obligations	417,488,574	231,544,561
International bond	226,424,245	93,701,898
CAMMESA	8,908,160	6,749,323
	732,336,925	**462,358,204**

NOTE 18: LOANS (Cont'd)

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

	12.31.2017	12.31.2016
Fixed rate		
Less than 1 year	295,778,901	103,210,214
Between 1 and 2 years	25,115,553	-
Between 2 and 3 years	1,065,684,618	604,897,002
More than 3 years	4,912,119,268	2,795,147,527
	6,298,698,340	**3,503,254,743**
Floating rate		
Less than 1 year	436,558,024	359,147,990
Between 1 and 2 years	432,014,029	580,914,777
Between 2 and 3 years	82,316,004	13,455,141
More than 3 years	506,447,100	185,749,006
	1,457,335,157	**1,139,266,914**
	7,756,033,497	**4,642,521,657**

The fair value of Company's international negotiable obligations at December 31, 2017 and December 31, 2016 amounts to approximately $5.8 and $ 2.8 billion, respectively. Fair value was calculated based on the estimated market price of the Company's international negotiable obligations at the end of each fiscal year. The applicable fair value category would be Level 1.

The other loans at variable rates have been stated at fair value. Given the proximity of their issuance, fixed-rate loans do not differ significantly from their fair value.

Fair values are based on the present value of contractual cash flows, applying a discount rate derived from observable market prices of other similar debt instruments, plus the respective credit risk.

Group loans are denominated in the following currencies:

	12.31.2017	12.31.2016
Argentine pesos	1,410,113,431	1,051,153,425
US dollars	6,345,920,066	3,591,368,232
	7,756,033,497	**4,642,521,657**

NOTE 18: LOANS (Cont'd)

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

	12.31.2017	12.31.2016
Loans at beginning of year	**4,642,521,657**	**1,364,719,629**
Loans received	6,656,931,807	5,063,477,649
Loans paid	(4,595,601,979)	(2,051,395,916)
Accrued interest	818,203,876	542,960,455
Interest paid	(722,300,011)	(263,607,636)
Exchange difference	855,142,902	208,332,497
Bank overdraft	(14,657,864)	(55,568,535)
Capitalized expenses	115,793,109	(166,396,486)
Loans at year end	**7,756,033,497**	**4,642,521,657**

At December 31, 2017, the total financial debt amounts to $ 7,756 million. The following table shows the total debt at that date.

	Borrower	Principal	Balance at 12.31.2017	Interest rate	Currency	Date of issuance:	Maturity date:
			(Pesos)	(%)			
Debt securities							
International Bond	GMSA/ GFSA (1)	USD 266,000,000	5,193,548,514	9.625%	USD	7/27/2016	7/27/2023
Class V Negotiable Obligations	GMSA	$1,668,870.	1,772,166	BADLAR + 4%	ARS	6/30/2016	6/30/2018
Class VI Negotiable Obligations	GMSA	USD 34,696,397	645,463,488	8.0%	USD	2/16/2017	2/16/2020
Class VII Negotiable Obligations	GMSA	$553,737,013	582,507,103	BADLAR + 4%	ARS	2/16/2017	2/16/2019
Class VIII Negotiable Obligations	GMSA	$ 312,884,660.	311,693,229	BADLAR + 5%	ARS	8/28/2017	8/28/2021
Class II Negotiable Obligations (GFSA(1))	GMSA	$ 8,200,001.	8,238,319	BADLAR + 6.5%	ARS	3/8/2016	3/8/2018
Class III Negotiable Obligations (GFSA(1))	GMSA	$ 4,154,999.	4,348,576	BADLAR + 5.6%	ARS	7/6/2016	7/6/2018
Class I Negotiable Obligation co-issuance	GMSA	USD 20,000,000	376,309,075	6.68%	USD	10/11/2017	10/11/2020
Class II Negotiable Obligations:	ASA	$ 25,820,000	26,977,339	BADLAR + 4%	ARS	10/25/2016	10/25/2018
Class III Negotiable Obligations	ASA	$ 255,826,342	252,248,867	BADLAR + 4.25%	ARS	6/15/2017	6/15/2021
Subtotal			**7,403,106,676**				
Other debts							
CAMMESA	GMSA/ GROSA		202,762,819				
Supervielle loan	GMSA	USD 4,480,785	83,377,263	7.25%	USD	10/20/2017	4/22/2019
Finance lease	GMSA		66,786,739				
Sub-total			**352,926,821**				
Total financial debt			**7,756,033,497**				

(1) Company absorbed by GMSA as from January 1, 2017 (See Note 40.b)

NOTE 18: LOANS (Cont'd)

The main financial debts are described below.

A) INTERNATIONAL BOND ISSUE

On July 7, 2016, under CNV Resolution No. 18110, GMSA, GFSA and CTR obtained authorization for the co-issuance in the domestic and international markets of simple guaranteed unsubordinated negotiable obligations, not convertible for shares. On July 27, 2016, Negotiable Obligations were issued for USD 250 million, maturing in 7 years. The Negotiable Obligations are unconditionally and fully guaranteed by ASA.

The Bonds have a Fitch B+ rating and a Moody's B3 rating.

This issuance has permitted financing investments under the Company's expansion plans, by reason of the award by the Energy Secretariat of Wholesale Demand Contracts under Resolution No. 115/2016 dated June 14, 2016, as well as the Group's projects under way, totalizing works for the installation of a 460-MW nominal capacity. 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.

On November 8, 2017, under RESFC-2017-19033-APN-DIR#CNV Resolution, GMSA and CTR obtained authorization from the CNV for the reopening of the International Bond. On December 5, 2017, Negotiable Obligations were issued for USD 86 million, with a nominal value of USD 336 million. The negotiable obligations have the same conditions as the originally issued ones.

International Bond:

Principal: Nominal value: USD 336,000,000; amount assigned to GMSA: USD 266,000,000 (Considering the effect of the merger with GFSA).

Interest: Fixed rate of 9.625%

Amortization term and method: Interest on the International Bond shall be paid every six-month period in arrears, on the following dates: January 27 and July 27 of each year, commencing on January 27, 2017 to maturity.

Principal on the NO shall be amortized in a lump sum payment at maturity, that is, on July 27, 2023.

Principal balance on those International NO at December 31, 2017 is USD 266,000,000.

By reason of the international Bond issuance, GMSA has assumed certain standard commitments that are typical of this type of issuances, and the specific conditions are detailed in the respective prospectus. At the date of these consolidated financial statements, GMSA is in compliance with all commitments undertaken under its indebtedness contracts.

NOTE 18: LOANS (Cont'd)

B) LOAN AGREEMENTS – GENERACIÓN MEDITERRÁNEA S.A.

B.1) Negotiable obligations

With the purpose of improving the financial profile of the company, on October 17, 2012, GMSA obtained, under Resolution 16942 of the CNV, authorization for: (i) incorporation of GMSA to the public offering system; and (ii) creation of a global program to issue simple negotiable obligations (non-convertible into shares), for a total outstanding nominal value 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.

In line with the preceding paragraph, on September 26, 2017, GMSA and CTR obtained under RESFC-2017-18947-APN-DIR#CNV Resolution authorization from the CNV for the creation of a program for the co-issuance in the local market of simple negotiable obligations, not convertible into shares, for a total outstanding nominal value of up to USD 100 million (one hundred million United States dollars) or its equivalent in other currencies.

At December 31, 2017 there are outstanding Class V, VI, VII and VIII Negotiable Obligations (GMSA), Class II and III Negotiable Obligations (GFSA) and Class I Negotiable Obligations (GMSA-CTR Co-issuance), issued by the Company for the amounts and under the following conditions:

Class V Negotiable Obligations:

Principal: Nominal value: $ 200,000,000

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

Amortization term and method: Interest on Class V Negotiable Obligations will be paid quarterly in arrears, on 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 proceeds from the issuance of Class V Negotiable Obligations were applied to the repurchase of the remaining balance of GISA Class III Negotiable Obligations, investments and working capital.

On February 16, 2017, Class VI and Class VII Negotiable Obligations were issued, a portion subscribed in cash and the remainder through a voluntary swap for Class IV and Class V (GMSA) and Class II and Class III (GFSA) Negotiable Obligations, improving the Company's indebtedness profile (term and rate). The amount paid of Class V Negotiable Obligations was $64,838,452.

NOTE 18: LOANS (Cont'd)

B) LOAN AGREEMENTS – GENERACIÓN MEDITERRÁNEA S.A. (Cont'd)

B.1) Negotiable obligations (Cont'd)

On August 29, 2017, Class VIII Negotiable Obligations were issued and fully subscribed through a voluntary swap of Class V (GMSA) and Class II and III (GFSA) Negotiable Obligations, improving the Company's indebtedness profile (term and rate). The amount paid of Class V Negotiable Obligations was $132,777,453, with a principal balance outstanding of $2,384,100.

Principal balance on that Negotiable Obligation amounts to $553,737,013 at December 31, 2017.

Class VI Negotiable Obligations:

Principal: Nominal value: USD 34,696,397

Interest: 8% annual nominal, paid quarterly as from May 16, 2017 to maturity.

Amortization term and method: one-off payment once 36 months have elapsed from disbursement of funds.

The negotiable obligations were paid up in cash and in kind, in the latter case through a swap of Class V Negotiable Obligations for USD 448,262.

The proceeds from the issuance of the Class VI Negotiable Obligations were destined to investments in physical assets on the various expansion projects at GMSA and to refinancing liabilities, improving GMSA's financial profile.

Principal balance on those negotiable obligations outstanding at December 31, 2017 is USD 34,696,397.

Class VII Negotiable Obligations:

Principal: Nominal value: $ 553,737,013

Interest: Private Banks BADLAR rate plus a 4% spread. Payable quarterly from May 16, 2017 to maturity.

Amortization term and method: in three payments, 18 (30%), 21 (30%) and 24 (40%) months following disbursement of funds.

The amount was paid in cash and in kind, through the swap of Class II Negotiable Obligations (GFSA) for $55,876,354, Class III Negotiable Obligations (GFSA) for $51,955,592, Class IV Negotiable Obligations for $1,383,920 and Class V Negotiable Obligations for $60,087,834. The proceeds from the issue of Class VII Negotiable Obligations were applied to investments in property, plant and equipment on the various extension projects of GMSA and refinancing of liabilities, improving the Company's indebtedness profile.

Principal balance on that Negotiable Obligation amounts to $553,737,013 at December 31, 2017.

NOTE 18: LOANS (Cont'd)

B) LOAN AGREEMENTS – GENERACIÓN MEDITERRÁNEA S.A. (Cont'd)

B.1) Negotiable obligations (Cont'd)

Class VIII Negotiable Obligations:

Class VIII negotiable obligations were issued on August 28, 2017 and were fully subscribed in kind.

Principal: Nominal value: $ 312,884,660

Interest: Private Banks BADLAR rate plus a 5% spread. Payable quarterly from November 29, 2017 to maturity.

Amortization term and method: one-off payment once 48 months have elapsed from disbursement of funds.

The proceeds from the issue of Class VIII negotiable obligations were fully applied to the refinancing of liabilities, improving the Company's indebtedness profile.

Principal balance on that Negotiable Obligation amounted to $312,884,660 at December 31, 2017.

Class II Negotiable Obligations (GFSA):

Principal: nominal value: $ 130,000,000

Interest: Private Banks BADLAR rate plus 6.5 %

Amortization term and method: Interest will be paid quarterly in arrears, on the following dates: (i) June 8, 2016; (ii) September 8, 2016; (iii) December 8, 2016; (iv) March 12, 2017; (v) June 8, 2017; (vi) September 8, 2017; (vii) December 8, 2017, and (viii) March 12, 2018; if other than a business day, or if such day does not exist, the interest payment date will be the immediately following business day.

Principal will be amortized in 3 (three) consecutive installments, payable on a quarterly basis, with the first two equivalent to 30% and the third one equivalent to 40% of the nominal value of the Class II Negotiable Obligations on the dates on which 18, 21 and 24 months, respectively, have elapsed, counted as from the date of issuance and liquidation, (i) September 8, 2017; (ii) December 8, 2017; (iii) March 12, 2018; if other than a business day, or if such day does not exist, on the immediately following business day. Maturity date of Class II Negotiable Obligation: March 12, 2018

On February 16, 2017, Class VI and VII Negotiable Obligations were issued, a portion in cash and the remainder through a voluntary swap for Class II Negotiable Obligations (GFSA), improving the Company's indebtedness profile (term and rate). The principal amount paid on Class II Negotiable Obligations was $ 51,254,716.

<u>NOTE 18:</u> LOANS (Cont'd)

B) LOAN AGREEMENTS – GENERACIÓN MEDITERRÁNEA S.A. (Cont'd)

B.1) Negotiable obligations (Cont'd)

Class II Negotiable Obligations (GFSA): (Cont'd)

On August 28, 2017, Class VIII Negotiable Obligations were issued and fully subscribed through a voluntary swap of Class V (GMSA) and Class II and III (GFSA) Negotiable Obligations, improving the Company's indebtedness profile (term and rate). The principal amount paid on Class II Negotiable Obligations was $58,245,284.

Principal balance on that Negotiable Obligation amounted to $8,200,001 at December 31, 2017.

Class III Negotiable Obligations (GFSA)

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

Interest: private banks BADLAR rate plus 5.6 %

Amortization term and method: Interest will be paid quarterly in 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; if other than a business day, or if such day does not exist, the interest payment date will be the immediately following business day.

Principal 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 of Class III Negotiable Obligation: July 6, 2018.

The proceeds from the issue of Class III Negotiable Obligations were applied to the repayment of the loan with Puente Hnos. S.A., to the repurchase of the remaining balance of Class I (GFSA) Negotiable Obligations, working capital and investment in property, plant and equipment; with the process to formalize the release of timely granted guarantees having been complied with.

On February 16, 2017, Class VI and VII Negotiable Obligations were issued, a portion in cash and the remainder through a voluntary swap for Class III Negotiable Obligations (GFSA), improving the Company's indebtedness profile (term and rate). The amount amortized on Class III Negotiable Obligation was $ 49,540,493.

On August 29, 2017, Class VIII Negotiable Obligations were issued and fully subscribed through a voluntary swap of Class V (GMSA) and Class II and III (GFSA) Negotiable Obligations, improving the Company's indebtedness profile (term and rate). Principal paid on Class III Negotiable Obligations was $106,304,507.

Principal balance on that Negotiable Obligation amounts to $ 4,154,999 at December 31, 2017.

NOTE 18: LOANS (Cont'd)

B) LOAN AGREEMENTS – GENERACIÓN MEDITERRÁNEA S.A. (Cont'd)

Class I Negotiable Obligation (GMSA and CTR co-issuance)

Class I negotiable obligations were issued on October 11, 2017 and were fully subscribed in cash.

Principal: total nominal value USD 30,000,000; amount assigned to GMSA: USD 20,000,000

Interest: 6.68% annual nominal rate, payable quarterly as from January 11, 2018 to maturity.

Amortization term and method: one-off payment 36 months following disbursement of funds.

The Negotiable Obligations were paid up in cash.

The proceeds from the issue of the Class I Negotiable Obligations will be destined mainly to investments in property, plant and equipment on the various expansion projects at GMSA and CTR and, to a lesser extent, to working capital and refinancing liabilities.

Principal balance on those negotiable obligations outstanding at December 31, 2017 is USD 20,000,000.

B.2) Cargill loan

On June 28, 2017, GMSA obtained a loan from Cargill Limited for USD 16,000,000 in 36 installments, with a grace period of 12 months. Amortization will be in half-yearly installments of principal and interest at LIBOR 360 + 5.5%.

At the date of these consolidated financial statements, the debt has been repaid in full.

B.3) Cargill loan

On July 5, 2017, the Company obtained a loan from Cargill Limited for USD 10,000,000 repayable in 36 installments, with a grace period of 12 months. Amortization will be in half-yearly installments of principal and interest at LIBOR 360 + 5.5%.

At the date of these consolidated financial statements, the debt has been repaid in full.

B.4) Syndicated loan

On June 13, 2017, GMSA obtained a syndicated loan with Banco de Servicios y Transacciones for USD 15,000,000 in 12 consecutive and monthly installments at a fixed rate of 6.5%.

At the date of these consolidated financial statements, the debt has been repaid in full.

NOTE 18: LOANS (Cont'd)

B) LOAN AGREEMENTS – GENERACIÓN MEDITERRÁNEA S.A. (Cont'd)

B.5) Syndicated loan

On August 18, 2017, GMSA obtained a loan from Banco ICBC Argentina S.A. for USD 40,000,000 repayable in 36 installments, with a grace period of 12 months. Amortization will be made in quarterly principal installments and interest will accrue at a 7% fixed rate, payable quarterly.

At the date of these consolidated financial statements, the debt has been repaid in full.

B.6) Loan with CAMMESA (GRISA)

At December 31, 2017, GRISA holds financial debts with CAMMESA for $12,282,819, guaranteed by the assignment of 100% of the present and future credit rights for the sale of electricity in the Spot market of the MEM, from the 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.

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 return obtained by the Dispatch Management Agency (CAMMESA) on financial placements in the MEM. At the closing date of these consolidated financial statements, 30 installments have been paid, totaling $ 16,873,297.

Principal balance on that debt at December 31, 2017 is $12,282,819.

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

On March 13, 2012, GMSA executed a new mutuum 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 energy generation to 130 MW, for an amount equivalent to $ 190,480,000.

The Wholesale Electricity Market will be in charge of paying the installments, as established in Note SE 6157/10 and Note 7375/10, and distribution among the demanding agents will be according to the criteria to be informed by the ES.

At December 31, 2017, the balance for that financing was $190,480,000 and has been disclosed under non-current financial liabilities.

NOTE 18: LOANS (Cont'd)

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

As 18 months have elapsed 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 MEM.

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 SE Resolution No. 529/2014.

Between June 15 and December 14, 2017, GROSA sent nineteen notes to CAMMESA for a total amount of $ 69,090,754 (with taxes), corresponding to the payment of suppliers of materials and services for the period between November 2015 and November 2017. At December 31, 2017, the total amount of disbursements received from CAMMESA is $ 66,921,596.

On August 29, 2017, through Note NO -2017-18461114, the Undersecretariat for Thermal Energy, Transportation and Distribution of Electricity gave its consent to the request by the Company to apply the receivables corresponding to the Additional remuneration for trust funds (created by Section 5 of Resolution No. 95/2013 of the former ES), and the receivables from LVFVD (Sale Settlements with Maturity Dates to be Determined) still pending payment to settle the loans for major maintenance.

On November 16, 2017, CAMMESA issued debit notes which wrote off the LVFVD for remuneration of non-recurring maintenance (for the February 2014-December 2015 period) for a total of $ 40,465,823 and, in addition, issued the sales settlements of that remuneration for non-recurring maintenance, with a defined due date for a total of $ 66,921,596 (including interest on receivables). On December 12, 2017, the balance on the mutuum dated May 30, 2016 was offset with the LV for non-recurring maintenance remuneration; the debt with CAMMESA being fully offset.

At December 31, 2017, the receivables with CAMMESA amount to 84,978,956 and are recorded under current trade receivables.

NOTE 18: LOANS (Cont'd)

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

On January 26, 2018, GROSA filed a report with CAMMESA to establish that, according to the interpretation by GROSA, the mutuum agreement between Generación Rosario S.A. and CAMMESA, entered into on March 13, 2012 and its subsequent addendum dated February 14, 2014, could be terminated. The events that strengthen that interpretation are that the TV13 unit of the Central Sorrento was available with 130 MW with capacity to burn natural gas and fuel oil, with an average availability of 120 Mw. In addition, the dispatch of the unit meant quite important economic benefits to the Electric System as a whole, as a result of the generation with fuel oil in replacement of equivalent diesel. These economic benefits for the MEM were sufficient to compensate, consequently, the financing of the work carried out in the unit under the responsibility of the MEM. However, considering that the maximum availability reached has been somewhat lower than the power to be supplied in the mutuum agreement, GROSA would return to the Stabilization Fund the amount arising from the difference between the power to be supplied and the power actually reached between 2014 and 2016 in order to compensate for the lack of availability that would have been verified during the enforcement of the Mutuum Agreement referred to above.

On February 8, 2018, CAMMESA agreed on the interpretation made by GROSA related to the return of the financing, thus imposing a penalty due to the maximum power reached in relation to that to be supplied.

Upon the deduction of the penalty, the enforcement and the commitments undertaken by the parties under the Mutuum Agreement will be considered completed.

D) PROGRAM FOR THE ISSUE OF NEGOTIABLE OBLIGATIONS OF ALBANESI S.A.

To improve the Company's financial profile, on November 20, 2015, ASA obtained, under CNV Resolution No. 17887 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 USD 100,000,000 (one hundred million US dollars) or its equivalent in other currencies, in one or more classes or series.

Class I Negotiable Obligations

On December 29, 2015 the Company issued Class I Negotiable Obligations under the conditions described below:
At the date of closing of these consolidated financial statements, the debt has been repaid in full.

Principal: Nominal value: $ 70,000,000

Interest: Private Banks BADLAR rate plus a 5.5% spread.

Amortization term and method: interest on Class I Negotiable Obligation were paid on a quarterly basis, in arrears, on the following dates: March 29, 2016; June 29, 2016; September 29, 2016; December 29, 2016; March 29, 2017; June 29, 2017; September 29, 2017; and December 29, 2017.

The principal on Class I Negotiable Obligations was amortized in three (3) consecutive installments, payable on a quarterly basis, with the first two equivalent to 30% and the third one equivalent to 40% of the nominal value of Negotiable Obligations on the dates in which 18, 21 and 24 months respectively have elapsed, counted as from the date of issue, that is June 29, 2017; September 29, 2017 and December 29, 2017.

NOTE 18: LOANS (Cont'd)

D) PROGRAM FOR THE ISSUE OF NEGOTIABLE OBLIGATIONS OF ALBANESI S.A. (Cont'd)

Class I Negotiable Obligations (Cont'd)

The proceeds from the issue of Class I Negotiable Obligations were fully applied to the partial repayment of 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. The amount paid was $19,500,000.

On June 15, 2017, Class III Negotiable Obligations were issued, with $ 49,384,000 having been subscribed through a swap for Class I Negotiable Obligations, and the remainder through a swap for Class II Negotiable Obligations.

With these two issuances, the Company's indebtedness profile (term and rate) and working capital improved.

Class II Negotiable Obligations:

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

Principal: Nominal value: $ 220,000,000

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

Amortization term and method: interest on Class III Negotiable Obligations will be paid on a quarterly basis, in 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.

Principal on Class II Negotiable Obligations will be paid 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 have elapsed, counted as from the date of issuance; i.e., on April 25, 2018, July 25, 2018 and October 25, 2018.

The proceeds from the issuance of Class II Negotiable Obligations were fully applied to the partial repayment of current liabilities that ASA holds with the related company RGA.

On June 15, 2017, Class III Negotiable Obligations were issued, and subscribed by paying up Class I and Class II Negotiable Obligations, improving the Company's working capital and indebtedness profile (term and rate). The amount paid was $ 194,180,000.

Principal balance on that Negotiable Obligation amounts to $ 25,820,000 at December 31, 2017.

Class III Negotiable Obligations

On June 15, 2017 the Company issued Class III Negotiable Obligations under the conditions described below:

Principal: Nominal value: $ 255,826,342

Interest: Private Banks BADLAR rate plus a 4.25% spread.

NOTE 18: LOANS (Cont'd)

D) PROGRAM FOR THE ISSUE OF NEGOTIABLE OBLIGATIONS OF ALBANESI S.A. (Cont'd)

Class III Negotiable Obligations (Cont'd)

Amortization term and method: interest on Class II Negotiable Obligations will be paid on a quarterly basis, in arrears, on the following dates: September 15, 2017; December 15, 2017; March 15, 2018; June 15, 2018; September 15, 2018; December 15, 2018; March 15, 2019; June 15, 2019; September 15, 2019; December 15, 2019; March 15, 2020; June 15, 2020; September 15, 2020; December 15, 2020; March 15, 2021, and June 15, 2021; if other than a business day, or if such day does not exist, the interest payment date will be the immediately following business day.
Principal on Class III Negotiable Obligations will be paid 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 42, 45 and 48 months have elapsed, counted as from the date of issuance; i.e., on December 7, 2020, March 15, 2021 and June 15, 2021; if other than a business day, or if such day does not exist, the interest payment date will be the immediately following business day.

The issuance of Class III Negotiable Obligations was fully paid up with in-kind contributions as follows: a partial payment of Class I Negotiable Obligations for $ 52,519,884 and of Class II Negotiable Obligations for $ 203,306,458.

Outstanding principal balance on that Negotiable Obligation amounts to $ 255,826,342 at December 31, 2017.

NOTE 19: ALLOWANCES AND PROVISIONS

	For contingencies
Balances at December 31, 2015	**9,949,496**
Decreases	(813,944)
Balances at December 31, 2016	**9,135,552**
Decreases	(1,730,483)
Balances at December 31, 2017	**7,405,069**

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

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

NOTE 20: SOCIAL SECURITY DEBTS

Current	12.31.2017	12.31.2016
Salaries payable	144,803	18,076
Social security charges payable	8,572,475	3,636,211
Provision for vacation pay	6,753,542	4,342,398
	15,470,820	**7,996,685**

NOTE 21: TAX PAYABLES

	12.31.2017	12.31.2016
Current		
Withholdings to be deposited	7,197,071	7,797,174
National Fund of Electric Energy	881,364	271,417
Value added tax payable	4,864,792	-
Turnover tax payable	165,390	154,348
Minimum notional income tax provision, net of prepayments	12,520,161	11,574,132
Others	962,954	1,569,374
	26,591,732	**21,366,445**

NOTE 22: 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.

	12.31.2017	12.31.2016
Deferred tax assets:		
Deferred tax assets to be recovered over more than 12 months	11,565,410	1,497,552
	11,565,410	**1,497,552**
Deferred tax liabilities:		
Deferred tax liabilities to be settled over more than 12 months	(795,895,279)	(928,044,072)
	(795,895,279)	**(928,044,072)**
Deferred tax (liabilities), net	**(784,329,869)**	**(926,546,520)**

The gross transactions recorded in the deferred tax account are as follows:

	12.31.2017	12.31.2016
Opening balances	(926,546,520)	(548,354,489)
Charge to income statement	(76,218,873)	(75,973,370)
Expense charged to other comprehensive income	218,435,524	(302,218,661)
Closing Balances	**(784,329,869)**	**(926,546,520)**

NOTE 22: INCOME TAX (Cont'd)

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 12.31.16	Charge to income statement	Expense charged to other comprehensive income	Balances at 12.31.17
		$		
Deferred tax - Assets (Liabilities)				
Property, plant and equipment	(1,121,600,353)	(257,774,653)	218,734,414	(1,160,640,592)
Investments	(11,071,840)	10,596,460	-	(475,380)
Trade receivables	(13,862,380)	12,003,885	-	(1,858,495)
Other receivables	1,424,742	1,502,806	-	2,927,548
Inventories	3,700,217	(3,700,217)	-	-
Trade payables	-	-	-	-
Taxes	159,395	(428,015)	-	(268,620)
Loans	(955,008)	1,215,000	-	259,992
Allowances and Provisions	7,265,104	(3,186,254)	(298,890)	3,779,960
Sub-total	**(1,134,940,123)**	**(239,770,988)**	**218,435,524**	**(1,156,275,587)**
Deferred tax losses	208,393,603	163,552,115	-	371,945,718
Sub-total	**208,393,603**	**163,552,115**	**-**	**371,945,718**
Total	**(926,546,520)**	**(76,218,873)**	**218,435,524**	**(784,329,869)**

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	(687,475,143)	(130,884,782)	(303,240,428)	(1,121,600,353)
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)	-	-
Taxes	159,395	-	-	159,395
Loans	1,084,227	(2,039,235)	-	(955,008)
Allowances and 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)**

NOTE 22: INCOME TAX (Cont'd)

Tax reform in Argentina

On December 29, 2017, the National Executive Branch enacted Law 27430 on Income Tax. This law introduced several changes to the income tax treatment, among others:

Income tax rate: The income tax rate for Argentine companies will be reduced gradually from 35% to 30% for fiscal years beginning on or after January 1, 2018 until December 31, 2019 and to 25% for fiscal years beginning on or after January 1, 2020.

Tax on dividends: A tax is levied on dividends or profits distributed, among others, by Argentine companies or permanent establishments to: individuals, undivided estates or foreign beneficiaries, according to the following rates: (i) dividends deriving from profits generated during fiscal years beginning on or after January 1, 2018 until December 31, 2019 will be subject to tax at a rate of 7%, and; (ii) dividends deriving from profits obtained during fiscal years beginning on or after January 1, 2020 will be subject to tax at a rate of 13%.

Dividends on profits obtained until the fiscal year prior to the fiscal year beginning on or after January 1, 2018 will continue to be subject to withholdings, for all beneficiaries, at a rate of 35% of the amount exceeding retained earnings to be distributed free of tax (transition period of equalization tax).

Below is a reconciliation between income tax charged to results and the amount resulting from application of the current tax rate in force in Argentina on the accounting profit, for the fiscal years ended December 31, 2017 and 2016:

	12.31.2017	**12.31.2016**
Income before income tax on continuing operations	337,551,959	138,417,755
Current tax rate	35%	35%
Income/(loss) at the tax rate	**(118,143,186)**	**(48,446,214)**
Permanent differences	(24,549,751)	(20,784,364)
Income from interests in associates	(2,444,220)	(866,559)
Change in the income tax rate (a)	63,007,810	-
Tax losses, expired or non-recognized	(9,518,909)	(15,050,234)
	(91,648,256)	**(85,147,371)**

	12.31.2017	**12.31.2016**
Current taxes	(15,891,432)	(8,103,256)
Deferred tax	(76,218,873)	(75,973,370)
Variation between income tax provision and tax return	462,049	(1,070,745)
Income tax	**(91,648,256)**	**(85,147,371)**

(a) Corresponds to the effect of the application of the changes in income tax rates on deferred tax assets and liabilities, in line with the tax reform detailed above, based on the expected year of realization. The impact of the change in the rate was recognized in income for the year, except in the case of the adjustment to deferred liabilities generated from application of the revaluation model for certain types of property, plant and equipment, as it is related to items previously recognized in other comprehensive income. This impact amounted to $251,812,859 and has been disclosed in the statement of other comprehensive income.

NOTE 22: INCOME TAX (Cont'd)

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.

Accumulated tax losses at December 31, 2017 amount to $ 1,463 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 loss for the year 2013	33,742,603	2018
Tax loss for the year 2014	91,391,781	2019
Tax loss for the year 2015	188,677,652	2020
Tax loss for the year 2016	282,735,493	2021
Tax loss for the year 2017	879,351,066	2022
Total accumulated tax losses at December 31, 2017	**1,475,898,595**	
Non-recognized tax loss carry-forwards	(13,142,598)	
Recognized tax losses	**1,462,755,997**	

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 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, 2017, 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.

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

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

	12.31.2017	12.31.2016
Defined benefit plan		
Non-current	11,467,462	5,173,822
Current	97,837	3,250,194
Total	**11,565,299**	**8,424,016**

Changes in the Company's obligations for benefits at December 31, 2017 and 2016 are as follows:

	12.31.2017	12.31.2016
Present value of the obligations for benefits	11,565,299	8,424,016
Obligations for benefits at year end	**11,565,299**	**8,424,016**

The actuarial assumptions used were:

	12.31.2017	12.31.2016
Interest rate	6%	6%
Salary growth rate	1%	1%
Inflation	15%	30%

At December 31, 2017 and 2016 GROSA does not have assets related to pension plans.

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

	12.31.2017	12.31.2016
Cost of current services	365,922	494,142
Interest charges	2,569,991	1,036,230
Actuarial cost through Other comprehensive income	1,005,350	2,919,334
Total cost	**3,941,263**	**4,449,706**

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

	12.31.2017	12.31.2016
Balances at beginning of year	8,424,016	5,676,519
Cost of current services	365,922	494,142
Interest charges	2,569,991	1,036,230
Actuarial cost through Other comprehensive income	1,005,350	2,919,334
Payments of benefits	(799,980)	(1,702,209)
Closing Balances	**11,565,299**	**8,424,016**

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

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 mortality table "RP 2000" 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, the table "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, 2017.

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, 2017 and 2016 are as follows:

At December 31, 2017	Financial assets/ liabilities at amortized cost	Financial assets/ liabilities at fair value through profit or loss	Non-financial assets/ liabilities	Total
Assets				
Trade receivables, other receivables and other	1,468,903,437	17,980,211	809,629,500	2,296,513,148
Other financial assets at fair value through profit or loss	-	9,631,484	-	9,631,484
Cash and cash equivalents	52,398,609	45,898,183	-	98,296,792
Non-financial assets	-	129,861	11,395,051,720	11,395,181,581
Total	**1,521,302,046**	**73,639,739**	**12,204,681,220**	**13,799,623,005**
Liabilities				
Tax, trade and other payables	2,490,384,338	-	26,591,732	2,516,976,070
Loans (finance leases excluded)	7,689,246,758	-	-	7,689,246,758
Finance leases	66,786,739	-	-	66,786,739
Non-financial liabilities	-	-	812,726,717	812,726,717
Total	**10,246,417,835**	**-**	**839,318,449**	**11,085,736,284**

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

At December 31, 2016	Financial assets/ liabilities at amortized cost	Financial assets/ liabilities at fair value through profit or 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 or 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				
Tax, 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	**5,440,943,681**	**2,175,000**	**961,195,620**	**6,404,314,301**

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, 2017	Financial assets at amortized cost	Financial liabilities at amortized cost	Assets/Liabili ties at fair value	Total
Interest earned	92,289,993	-	-	92,289,993
Interest paid	-	(432,795,543)	-	(432,795,543)
Changes in the fair value of financial instruments	-	-	62,852,932	62,852,932
Exchange differences, net	320,461,756	(622,011,686)	-	(301,549,930)
Other financial costs	-	(121,415,143)	-	(121,415,143)
Total	**412,751,749**	**(1,176,222,372)**	**62,852,932**	**(700,617,691)**

At December 31, 2016	Financial assets at amortized cost	Financial liabilities at amortized cost	Assets/Liabili ties at fair value	Total
Interest earned	59,267,755	-	-	59,267,755
Interest paid	-	(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)**

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

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 or liabilities not based on observable market inputs (i.e. unobservable inputs).

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

At December 31, 2017	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	45,898,183	-	-	45,898,183
Other financial assets at fair value through profit or loss	9,631,484	-	-	9,631,484
Investment in shares	-	-	129,861	129,861
Property, plant and equipment at fair value	-	-	10,402,520,902	10,402,520,902
Total	**55,529,667**	**-**	**10,402,650,763**	**10,458,180,430**
Liabilities				
Derivatives	-	-	-	-
Total	**-**	**-**	**-**	**-**

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 or loss	136,206,567	-	-	136,206,567
Investment in shares	-	-	129,861	129,861
Property, plant and equipment at fair value	-	-	4,172,059,753	4,172,059,753
Total	**579,108,713**	**-**	**4,172,189,614**	**4,751,298,327**

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.

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

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

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

a) For the determination of the fair value of property and land, market quotations have been used requested from expert external appraisers. The values obtained, in the case of property, include the current status of assets.

b) For determining the fair value of machinery and facilities, an external appraiser has been hired who has used the replacement cost method, determining the components that form part of the power plants and obtaining values from new suppliers in the industry, adding the cost of freight, insurance, assembly and other general expenses. Depreciation was computed according to the consumed useful life of assets, for the case of facilities, the depreciation factor was 72% and 47% at December 31, 2017 and 2016 respectively and for machinery it was 74% and 60% at December 31, 2017 and 2016.
This valuation method is classified according to IFRS 13 as level 3 fair value hierarchy.

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

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

NOTE 25: SALES REVENUE

	12.31.2017	12.31.2016
Sale of electricity Res. No. 95/529/482/22/19 plus Spot market	432,331,711	520,853,535
Energía Plus sales	939,033,852	764,763,473
Sale of electricity Res. No. 220	1,213,035,145	1,108,974,647
Sale of electricity Res. No. 21	178,289,173	-
	2,762,689,881	**2,394,591,655**

NOTE 26: COST OF SALES

	12.31.2017	12.31.2016
Cost of purchase of electric energy	(793,696,763)	(601,201,425)
Cost of gas and gasoil consumption at the plant	(129,959,230)	(667,704,998)
Salaries and social security charges	(157,251,870)	(101,747,518)
Defined benefit plan	(365,922)	(494,142)
Other employee benefits	(7,492,786)	(4,697,376)
Rental	(5,425,378)	(3,631,048)
Fees for professional services	(4,512,256)	(7,081,949)
Depreciation of property, plant and equipment	(300,441,166)	(174,705,961)
Insurance	(30,667,273)	(24,018,274)
Maintenance	(185,766,087)	(117,172,136)
Electricity, gas, telephone and postage	(5,110,765)	(3,804,819)
Duties and taxes	(18,561,557)	(16,837,224)
Travel and per diem	(3,700,534)	(1,343,088)
Security guard and cleaning service	(2,555,419)	(2,976,924)
Miscellaneous expenses	(5,652,753)	(7,390,684)
	(1,651,159,759)	**(1,734,807,566)**

NOTE 27: SELLING EXPENSES

	Note	12.31.2017	12.31.2016
Salaries and social security charges		-	(376,515)
Duties and taxes		(3,777,449)	(2,150,288)
Recovery of Turnover tax	42	19,643,732	-
Bad debts		15,459	(3,846,924)
		15,881,742	**(6,373,727)**

NOTE 28: ADMINISTRATIVE EXPENSES

	12.31.2017	12.31.2016
Salaries and social security charges	(35,968)	(5,372,127)
Other employee benefits	-	(27,755)
Rental	(4,860,605)	(1,156,513)
Fees for professional services	(49,888,745)	(32,883,720)
Insurance	(220,653)	(501,931)
Directors' fees	(32,392,009)	-
Electricity, gas, telephone and postage	(3,864,891)	(2,291,155)
Duties and taxes	(1,556,571)	(1,735,560)
Travel and per diem	(1,758,112)	(3,268,246)
Miscellaneous expenses	(4,573,533)	(1,568,105)
	(99,151,087)	**(48,805,112)**

NOTE 29: OTHER OPERATING INCOME AND EXPENSES, NET

Other operating income	12.31.2017	12.31.2016
Recovery of insurance claim	-	8,491,862
Sales of property, plant and equipment	12,909,670	-
Sundry income	3,982,688	3,903,474
Total other operating income	**16,892,358**	**12,395,336**

NOTE 30: FINANCIAL RESULTS

	12.31.2017	12.31.2016
Financial income		
Interest on loans granted	18,977,003	6,798,695
Commercial interest	73,312,990	52,469,060
Total financial income	**92,289,993**	**59,267,755**
Financial expenses		
Interest on loans	(377,057,608)	(345,378,701)
Commercial and other interest	(55,737,935)	(23,228,043)
Bank expenses and commissions	(6,273,007)	(14,774,302)
Total financial expenses	**(439,068,550)**	**(383,381,046)**
Other financial results		
Exchange difference, net	(301,549,930)	(165,982,755)
Changes in the fair value of financial instruments	62,852,932	85,329,475
Loss from currency position, net	-	(126,973)
Other financial results	(115,142,136)	(71,213,404)
Total other financial results	**(353,839,134)**	**(151,993,657)**
Total financial results, net	**(700,617,691)**	**(476,106,948)**

NOTE 31: EARNINGS (LOSSES) 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 year.

	12.31.2017	12.31.2016
Income for the year attributable to the owners	229,474,392	48,770,643
Weighted average of outstanding ordinary shares	62,455,160	49,460,624
Basic and diluted earnings per share	**3.67**	**0.99**

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

NOTE 32: TRANSACTIONS AND BALANCES WITH RELATED PARTIES

a) Transactions with related parties and associates

		12.31.2017	12.31.2016
		$	
		Profit / (Loss)	
Purchase of gas			
RGA (1)	Related company	(1,733,067,795)	(769,055,961)
Purchase of electric energy			
Solalban Energía S.A.	Related company	(64,793)	(126,875)
Purchase of wines			
BDD	Related company	(2,671,770)	(383,873)
Purchase of flights			
AJSA	Related company	(52,604,104)	(28,231,566)
Sale of energy			
RGA	Related company	68,390,348	43,986,717
Solalban Energía S.A.	Related company	91,365,224	71,021,743
Sale of components and spare parts			
CTR	Related company	-	1,521,776
Leases and services agreements			
RGA	Related company	(37,225,102)	(33,397,118)
Reimbursement of expenses			
CTR	Related company	7,308,485	11,095,382
RGA	Related company	(1,368,169)	(5,575,569)
AESA	Related company	3,402,843	3,562,564
AJSA	Related company	678	-
AVRC	Related company	678	-
BDD	Related company	3,391	-
Financial cost			
RGA	Related company	(29,461,193)	(3,515,702)
Pipeline works			
RGA	Related company	(161,544,407)	-
Work management services			
RGA	Related company	(90,185,100)	-
Interest generated due to loans granted			
AISA	Related company	14,063,307	6,798,695
Directors	Related party	4,913,696	-

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

a) Transactions with related parties and associates (Cont'd)

		12.31.2017	12.31.2016
		$	
		Profit / (Loss)	
Guarantees provided/received			
CTR	Related company	895,200	373,000
RGA	Related company	(49,659,250)	-
AJSA	Related company	122,158	-
Dividends earned			
Solalban S.A.	Related company	5,880,000	-
Fees			
Directors	Related parties	(32,392,009)	-

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

b) Remuneration of key managerial staff

The senior management includes directors (executive and non-executive). Their remunerations at December 31, 2017 and 2016 amounted to $ 14,410,255 and $ 11,347,624, respectively.

	12.31.2017	12.31.2016
Salaries	14,410,255	11,347,624
	14,410,255	**11,347,624**

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

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

Captions	Type	12.31.2017	12.31.2016
NON-CURRENT ASSETS			
Other receivables			
Loans to Directors	Related company	-	17,343,215
Contributions pending paying-in	Minority interest	-	18,750
		-	**17,361,965**
CURRENT ASSETS			
Trade receivables			
CTR	Related company	-	1,815,000
		-	**1,815,000**
Other receivables			
Minority shareholders' accounts	Related parties	171,602,918	147,691,158
AJSA	Related company	841	-
AISA	Related company	80,862,002	66,798,695
AESA	Related company	-	4,036,908
CTR	Related company	936,085	8,434,229
Loans to Directors	Related parties	25,285,532	-
Advances to directors	Related parties	170,200	170,200
		278,857,578	**227,131,190**
CURRENT LIABILITIES			
Trade payables			
BDD	Related company	-	-
Solalban Energía S.A.	Related company	-	541,641
AJSA	Related company	674,260	13,351,020
RGA	Related company	247,625,440	111,135,180
		248,299,700	**125,027,841**
Other debts			
RGA	Related company	108,559,450	89,629,740
BDD	Related company	584,380	-
Directors' fees	Related parties	32,392,009	-
		141,535,839	**89,629,740**

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

d) Loans granted to related parties

	12.31.2017	12.31.2016
Loans to Albanesi Inversora S.A.		
Balances at beginning of year	66,798,695	-
Loans granted	-	60,000,000
Accrued interest	14,063,307	6,798,695
Closing Balances	**80,862,002**	**66,798,695**

	12.31.2017	12.31.2016
Loans to Directors		
Balances at beginning of year	17,343,215	-
Loans granted	23,813,701	17,343,215
Assignment (2)	(20,785,080)	-
Accrued interest	4,913,696	-
Closing Balances	**25,285,532**	**17,343,215**

(2) For assignment of receivables from GROSA Directors to RGA on 6/30/2017.

The loans are governed by the following terms and conditions:

Entity	Amount	Interest rate	Conditions
At 12.31.2017			
Directors	22,585,922	BADLAR + 3%	Maturity date: 3 years
Total in pesos	**22,585,922**		

Entity	Amount	Interest rate	Conditions
At 12.31.2017			
AISA	60,000,000	BADLAR + 3 %	Maturity date: 1 year, renewable automatically until 5 years.
Total in pesos	**60,000,000**		

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 years covered by these consolidated financial statements. Trade payables with related parties arise mainly from gas purchase transactions and fall due in the month following the transaction date. Transactions with related parties in conditions similar to those carried out with independent parties.

NOTE 33: WORKING CAPITAL

At December 31, 2017, the Company reports a deficit in working capital of $ 67,790,976 (calculated as current assets less current liabilities), which means a $ 1,803,701,180 reduction compared to the surplus in working capital at the end of the fiscal year ended December 31, 2016 ($ 1,735,910,204 at December 31, 2016)

It should be noted that EBITDA at December 31, 2017 amounted to $ 1,329 million, in line with projections, which shows compliance with the objectives and efficiency of the transactions carried out by the Group.

NOTE 34: SEGMENT REPORTING

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

Management has determined the operating segment based on reports reviewed by the Board of Directors and used for strategic decision making.

The Board of Directors considers the business as a single segment: the electricity segment. It comprises the generation and sale of electricity and the development of energy projects, execution of projects, advisory, service delivery, management and execution of works of any nature.

The information used by the Board of Directors for decision-making is based primarily on operating indicators of the business. Considering that the adjustments between the prior accounting standards and IFRS refer to non-operating items, such information is not substantially affected by the application of the new standards.

NOTE 35: RESTRICTED ASSETS AND OTHER COMMITMENTS

A. GMSA

A.1 Other commitments

Some of the contractual obligations relating to the supply of electric energy to large customers of the MAT at December 31, 2017 and periods in which those obligations must be fulfilled are detailed below. These commitments are originated in supply contracts (energy and power) entered into between the Company and large users on the Forward Market in accordance with regulations set forth by the Energy Secretariat under Resolution 1281/06 (Energía Plus). They are contracts denominated in United States dollars, entered into with private customers.

	Total	Up to 1 year	From 1 to 3 years
Sale Commitments (1)			
Electric energy and power - Plus	915,309,592	834,436,197	80,873,395

(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, 2017, under SE Resolution No. 1281/06.

NOTE 35: RESTRICTED ASSETS AND OTHER COMMITMENTS (Cont'd)

A.2) Loan BAF Latam Trade Finance Funds B.V.

On February 11, 2015, BAF Latam Trade Finance Funds B.V. became a subordinated beneficiary of the guarantee package provided to UBS AG Stamford Branch under the Contract of Assignment of Fiduciary Rights and Trust for Guarantee Purposes originally executed on May 4, 2011 as collateral for due and proper compliance with all of the payment obligations assumed under the UBS AG Loan. After the UBS AG loan was repaid in full in February 2016, BAF Latam Trade Finance Funds B.V. became the only beneficiary as to all the assets and rights assigned as collateral in accordance with 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 the GMSA rights under the Project Documents.
- All rights of 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 rights of GMSA to collect and receive all payments in cash or in kind, for any item, due to GMSA by any Insurance Company, at this date or in the future.
- 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 right of collection related to the rights assigned in these paragraphs.
- Any and all rights that ASA has or may have with GMSA by reason of any irrevocable capital contribution.
- All the Funds existing in GMSA Account that have been received by GMSA in relation to the assigned rights.

At the date of issue of these consolidated financial statements, and considering that the loan from BAF was repaid on June 28, 2017, GMSA is in the process of releasing the guarantees provided.

B. 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 the reorganization proceeding of Central Térmica Sorrento S.A. was initiated. This situation does not affect the lease agreement mentioned above or the electric power generation business.

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.

NOTE 35: RESTRICTED ASSETS AND OTHER COMMITMENTS (Cont'd)

B. GROSA (Cont'd)

In addition, within the framework of the case file "Central Térmica Sorrento S.A. c/ Generación Rosario S.A. s/Medidas Precautorias" "Central Térmica Sorrento S.A. v. Generación Rosario S.A. on precautionary measures), an attachment was levied on the funds that CAMMESA should settle with GROSA for $ 13,816,696.37, plus the sum of $ 6,900,000 on account of interest, which was recorded by CAMMESA in the settlement dated December 12, 2017. In response to this ruling, a request was filed to replace the precautionary measure for a bond insurance. This request is pending resolution by the court hearing the case at this date.

NOTE 36: EXECUTION OF CONTRACTS TO PURCHASE MACHINERY

Siemens Industrial Turbomachinery AB

On June 14, 2016 a Deferred Payment Agreement was entered into with Siemens Industrial Turbomachinery AB, by means of which, upon compliance of the prior conditions set forth in the agreement, GMSA obtained commercial financing for 50% of the amount of the contract signed for the CTMM plant extension, equivalent to a SEK 177,000,000 (approximately USD 21 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, GMSA will be granted a commercial financing of 50% of the amount of the agreement signed for the enlargement of CTI and the work at Ezeiza, equivalent to SEK 438,960,000 (approximately USD 50.7 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).

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

Commitments (1)		SEK	**Total**	**2018**	**2019**	**2020**
			USD			
Siemens Industrial Turbomachinery AB for the acquisition of two Siemens SGT 800 turbines	CTMM	*177,000,000*	**17,130,142**	10,819,037	6,311,105	-
Siemens Industrial Turbomachinery AB for the acquisition of three Siemens SGT 800 turbines	CTE	*263,730,000*	**28,634,383**	14,795,032	12,514,019	1,325,332
Siemens Industrial Turbomachinery AB for the acquisition of two Siemens SGT 800 turbines	CTI	*175,230,000*	**19,618,519**	9,385,514	8,907,673	1,325,332

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

NOTE 36: EXECUTION OF CONTRACTS TO PURCHASE MACHINERY (Cont'd)

Pratt & Whitney Power System Inc

GFSA signed an agreement with Pratt & Whitney Power System Inc. for the purchase of the FT4000™ SwiftPac® 60 turbine, including whatever is necessary for its installation and start-up. The purchase agreement sets out 4-year financing for USD 12 million by PWPS, upon provisional acceptance by GFSA. This amount is disclosed under non-current trade payables for the equivalent to $223,788,000.

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.

Future contractual obligations of the contract with PWPS by calendar year is as follows:

	Total	2018	2019	2020	2021	2022	2023
Commitments (1)	USD						
PWPS for the purchase of a turbine FT4000TM SwiftPac®	**16,475,401**	750,000	750,000	3,743,495	3,743,495	3,743,495	3,744,916

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

NOTE 37: LONG-TERM MAINTENANCE CONTRACT – CTMM, CTI, CTF AND CTE POWER PLANTS

GMSA and PWPS entered into a global service agreement (Long Term Service Agreement), for the power plants CTMM, CTI and CTF. As set forth in the agreement, PWPS must provide on-site technical assistance on a permanent basis, a remote monitoring system to follow up on the efficient performance of the turbines, 24-hour assistance from the engineering department in the USA, original spare parts in a timely manner and repairs for planned and unplanned maintenance. GMSA entered into an equipment lease agreement whereby PWPS must make available to GMSA under EXW conditions replacement equipment (Gas Generator/Power Turbine) for 72 hours, in case of unplanned placing of equipment out of service. PWPS thus guarantees availability of not less than ninety five percent (95%) to the Power Plants for a contractual year. Also, the Power Plants have their 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 CTRi, CTMM, CTI and CTE power plants. 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 efficient performance of the turbines, 24-hour assistance from the engineering department, original spare parts in a timely manner and repairs for planned and unplanned 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 power plants CTI and CTE) is thus guaranteed.

Compliance with the energy sale agreements is thus guaranteed.

NOTE 38: GMSA – PRESENTATION TO CAMMESA

On June 19, 2015 the Company submitted to CAMMESA a request for recognition of the remuneration for maintenance and investments, as set forth by Resolution No. 529/14 for CTMM. Since the effective date of that Resolution, in February 2014 and until June 2015, 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 No. 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 SE 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.

On June 10, 2016 GMSA submitted to CAMMESA a request for recognition of the remuneration for maintenance and investments, as set forth by Resolution No. 529/14 for CTLB and CTRi. Since the effective date of that Resolution, in February 2014 and until April 2016 inclusive, GLB has generated a total of 60,166MWh, equivalent to the amount of 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 CTLB and CTRi, for a total amount of USD 953,000 plus VAT. The technical team from CAMMESA completed the visits to the power plants and issued a report on CTLB and CTRi which is under economic assessment.

On August 9, 2016, GMSA executed 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.

The new work plan for CTMM was submitted to CAMMESA on December 2, 2016. The work schedule included in the plan is as follows:

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

Between November 2016 and December 2017, GMSA made ten filings through note to CAMMESA for $44,681,566.

NOTE 38: GMSA - PRESENTATION TO CAMMESA (Cont'd)

On August 29, 2017, through Note B-117397-1, the Undersecretariat for Thermal Energy, Transportation and Distribution of Electricity gave its consent to the request by the Company to apply the receivables corresponding to the Additional remuneration for trust funds (created by Section 5 of Resolution No. 95/2013 of the former ES), and the receivables from LVFVD (Sale Settlements with Maturity Dates to be Determined) still pending payment to settle the loans for major maintenance that GMSA is currently performing.

At December 31, 2017, the total amount disbursed and received from CAMMESA was \$19,626,033 and has been offset against receivables for the Remuneration of Non-recurring Maintenance and the Trust Additional Remuneration.

NOTE 39: MERGER THROUGH ABSORPTION

1) GMSA - GISA - GLBSA - GRISA MERGER THROUGH ABSORPTION

On November 10, 2015, GMSA, GISA, GLBSA and GRISA entered into a final merger agreement (the "Final Merger Agreement"), whereby it was decided to merge the companies GISA, GLBSA and GRISA into GMSA (the "Corporate Reorganization").

The Corporate Reorganization allows to enhance and optimize the performance of the economic activities and the operating, administrative and technical structures of the Participating Companies to achieve synergies and operating efficiency through only one operating unit. Considering that the participating companies are electric power generating agents in the MEM 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 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 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 approved under Resolution No. 18003 the Merger through Absorption under the terms of Section 82 of General Companies Law No. 19550, and was registered with the IGJ on May 18, 2016. In turn, on March 22, 2016, the CNV approved under Resolutions Nos. 18004 and 18006 the early dissolution of GISA and the transfer of the public offering from GISA to GMSA, respectively. The dissolutions without liquidation of GISA, GRISA and GLBSA were registered with the IGJ on May 18, 2016.

NOTE 39: MERGER THROUGH ABSORPTION (Cont'd)

2) GMSA–GFSA merger through absorption

On November 15, 2016, GMSA and GFSA entered into a final merger agreement (the "GMSA-GFSA Final Merger Agreement"), whereby it was decided to merge the company GFSA into GMSA (the "GMSA-GFSA Corporate Reorganization").

The GMSA-GFSA Corporate Reorganization comprises the same objectives and benefits as those already mentioned for the merger described in the preceding point; as was explained for that case, the above-mentioned benefits will be obtained without incurring tax costs, as the GMSA-GFSA Corporate Reorganization will be tax free under the terms of Section 77 and following provisions of the Income Tax Law No. 26839.

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

In particular, at GFSA Shareholders' Meeting the following was also approved: (i) the early dissolution without liquidation of GFSA as a result of the merger, and its de-registration 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.

Further, the Shareholders' Meeting of GMSA, within the framework of the merger process, among other issues, approved a 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 the corporate bylaws.

By reason of the merger, and as set forth in the GMSA-GFSA Final Merger Agreement, which was approved by the Extraordinary Shareholders' Meeting of GFSA and the Ordinary and Extraordinary Shareholders' Meeting of GMSA, 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.

On March 2, 2017, the CNV approved under Resolution No. 18537 the Merger through Absorption under the terms of Section 82 of General Companies Law No. 19550 and the capital increase, with the pertinent amendment to the bylaws, decided within the framework of the merger, ordering that the respective documents be sent to the IGJ for registration purposes. The merger was registered with the IGJ on March 17, 2017. Also, by Resolution No. 18538 dated March 2, 2017, the CNV approved the dissolution without liquidation of GFSA, which was registered with the IGJ on March 17, 2017. On May 10, 2017, the CNV approved by Resolution No. 18648 the transfer of the public offering from GFSA to GMSA for the issuance of simple negotiable obligations, not convertible into shares, for a nominal value of up to USD 50,000,000; said public offering had been granted under Resolution No. 17402 whereby Class II and Class III Negotiable Obligations were issued. On July 24, 2017, the CNV approved by Resolution No. 18848 the transfer of authorization No. 18110 of the public offering for the co-issuance of negotiable obligations not convertible for shares for a nominal value of up to USD 250,000,000.

NOTE 39: MERGER THROUGH ABSORPTION (Cont'd)

3) ASA-AISA MERGER THROUGH ABSORPTION

On October 18, 2018, ASA and AISA held their pertinent Extraordinary Shareholders' Meetings, in which the shareholders of each of the companies referred to approved the corporate reorganization process, whereby AISA was merged into ASA (Merger ASA - AISA), as well as the related documentation. In particular, the AISA Shareholders' Meeting approved the early dissolution without liquidation of AISA, as a result of the merger, as well as its de-registration. Further, the Shareholders' Meeting of ASA, within the framework of the merger process, among other issues, approved a capital increase from $ 62,455,160 to $ 64,451,745, by issuing 1,996,585 new ordinary registered non-endorsable shares of ASA, of $1 par value each and entitled to 1 (one) voting right per share, as from the effective merger date (January 1, 2018), 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, the amendment to Section 4 of corporate bylaws was approved.

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 have as main purpose that of investment and they companies they control are electric power generating agents in the MEM 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 Corporate Reorganization will be tax free under the terms of Section 77 and following provisions of the Income Tax Law No. 26839.

NOTE 40: DOCUMENTATION STORAGE

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 that end, it is informed that the Group stores and preserves its corporate books, accounting books and business documents at its principal place of business, located at Av. L.N. Alem 855, Floor 14, City of Buenos Aires.

Furthermore, it is informed that the Company sent its working papers and non-sensitive information for fiscal years not yet statute-barred to its storage services supplier:

Entity responsible for warehousing of information - Domicile
Iron Mountain Argentina S.A. – Av. Amancio Alcorta 2482, City of Buenos Aires
Iron Mountain Argentina S.A. – San Miguel de Tucumán 601, Spegazzini, Ezeiza.

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

NOTE 41: BUSINESS INTERRUPTION INSURANCE COVERAGE

All-risk insurance with business interruption insurance coverage

The Group has taken out all-risk insurance coverage for all the risks of loss or physical damage, whether it is accidental or unforeseeable, including machinery failures and loss of benefits as a result, up to 12 months, directly and totally attributable to any cause. The aim of this policy is to cover the losses caused by the interruption of the activities as a result of the accident, both as regards the profit that is no longer obtained and the expenses the Group continues to bear despite its inactivity, such that the insured may be in the same financial situation as if the accident had not occurred.

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

On October 15, 2017, the all-risk insurance policy of all generators of Albanesi Group was renewed for a further 18 months, with a reduction of 16% in the annual premium rate, an increase in the compensation limit from USD 150 MM to USD 200 MM and a 5% bonus for no loss ratio upon renewal.

Contractors' all-risk and assembly insurance

Works for installation or enlargement of the capacity developed by the Company are insured by a Contractors' all-risk and assembly insurance, which covers all accidental or unforeseeable damages occurred during the execution of a civil work, including damages caused by acts of God, provided that they are not expressly excluded from the policy.

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 42: EXEMPTION GRANTED BY THE GENERAL REVENUE BOARD OF TUCUMÁN

On March 3, 2017, the General Revenue Board of Tucuman resolved to exempt revenue generated by the electricity generation activity from Turnover Tax in that jurisdiction. This exemption is retroactive to the commencement of activities by the Company; therefore, an action has been filed for refund of the amounts of $ 19,643,732 deposited into the provincial tax authorities for this item. In addition, this request exempted from Public Health Tax only the staff assigned to the generation of electricity, and from stamp tax the works and power stations directly affecting performance of Company's activity.

NOTE 43: SUPPLY CONTRACT WITH CAMMESA: AGREED UPON DATE FOR COMMERCIAL OPERATION FOR THE POWER PLANTS

On June 30, 2016, GMSA –as seller– and CAMMESA –as buyer–, on behalf of the MEM, entered into the Supply Contracts for the available power and energy supplied by CTE and CTI. July 1, 2017 was the Agreed upon Date set for the commercial operation of the two power plants.

To secure that the authorization for commercial operation could be obtained by the agreed upon date, both power plants set up a Contract Performance Bond in favor and to the satisfaction of CAMMESA, for amounts equivalent to USD 12,483,000 (CTE) and USD 6,077,250 (CTI).

In case of non-compliance with the date of commercial operation, CAMMESA is entitled to claim the payment of the amounts resulting from the non-compliance; further, and only in the case that the invoiced penalties are not paid after request of payment from CAMMESA, the latter is entitled to foreclose the guarantees mentioned above. Should the Company contest the occurrence of non-compliance or the amounts claimed, CAMMESA must solve this issue prior to being entitled to claim the payment of any penalties.

On June 28, 2017 GMSA made a filing before CAMMESA and the ES, to inform them that CTE and CTI had suffered certain facts that could be considered as a force majeure event or an act of God, which in turn adversely affected the possibility of obtaining the authorization for commercial operation by the Agreed upon Date set on the Supply Contract. In this regard, GMSA explained, argued, and produced the pertinent evidence supporting the existence of certain factors, not attributable to the Company, which implied that the commercial operation was not obtained at the Agreed upon Date set on the Supply Contract. The main causes alleged by GMSA were:

(i) Unfavorable weather conditions, considering the volume of rainfall above average, and its timing (in relation to the tasks being performed at the work site), which delayed the civil works;

(ii) Generalized forcible actions and strikes, owing to the measures adopted by several unions, and certain forcible measures specific to the UOCRA (construction workers' union) that impacted on CTE;

(iii) Delays on the part of EDESUR S.A., the concessionaire of the public utility service of electricity distribution, with the laying of new electricity lines and connection to the "New ET 132 Kv-Line – Cañuelas Spegazzini" (only for CTE).

Considering the mentioned factors, GMSA requested from CAMMESA and the EES to: (i) acknowledge a force majeure event, in the terms of clause 21 of the Supply Contract; (ii) provide an extension of the Agreed upon Date set for commercial operation and, when pertinent (iii) consider the penalties comprised in the Supply Contract as not applicable.

NOTE 43: SUPPLY CONTRACT WITH CAMMESA: AGREED UPON DATE OF AUTHORIZATION FOR THE COMMERCIAL OPERATION OF THE POWER PLANTS (Cont'd)

On August 18, 2017, GMSA made a new filing ratifying its arguments and reserving the right to enlarge the explanations and the evidence brought.

At the date of issuing these financial statements, the proceedings mentioned are pending resolution by CAMMESA, and the eventual later intervention and resolution by the EES; this means that CAMMESA will not be entitled to invoice penalties or collect the amount claimed until the issue is decided upon by the enforcement authority.

Lastly, the commercial operation for CTE and CTI were granted on September 29 and August 10, 2017, respectively.

The Company and its external legal advisors consider that there are defense elements to estimate GMSA's reasonable possibility of success and of obtaining a favorable decision.

Based on the above, at December 31, 2017 GMSA has not recognized any liability.

NOTE 44: SUBSEQUENT EVENTS

a) ASA-AISA MERGER THROUGH ABSORPTION

On January 16, 2018, the CNV approved under Resolution RESFC-2018-19281-APN-DIR#CNV dated January 11, 2018, the Merger through Absorption under the terms of Section 82 of General Companies Law No. 19550 and the capital increase, with the pertinent amendment to the bylaws, decided within the framework of the merger. Both procedures were registered with the Superintendency of Commercial Companies (IGJ) under No. 3452, of book 88, tome: -, Companies by Shares. Furthermore, the dissolution without liquidation of AISA was registered with the IGJ and its de-registration under No. 3453 of Book 88, tome: -, Companies by Shares

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

On January 3, 2018, GMSA obtained from BAF Capital a 12-month loan for USD 10,000,000, with bullet amortization of principal and half-yearly interest payments, at a fixed rate of 6.75%, with the contracts entered into with Axion Energy Argentina S.R.L., Casino del Rosario S.A. and Citromax S.A.C.I. having been assigned in guarantee.

NOTE 44: SUBSEQUENT EVENTS (Cont'd)

c) Borrowings

In January 2018, GMSA entered into three loan agreements with the aim of allocating funds received to investments.

Entity	Principal	Interest rate	Due date
Banco Hipotecario	USD 20,000,000	6.75%	June 2019
ICBC	USD 15,000,000	4%	Mar-18
Banco Citibank N.A.	USD 10,000,000	3.5%	Jan-19

d) Cargill Limited loan

On February 15, 1018, GMSA and CTR agreed to a loan for USD 25,000,000, which was borrowed by GMSA and has been fully guaranteed by ASA suretyship. The term of the loan is 36 months, with principal amortization and a 12-month grace period, as from which it is amortized semi-annually, and accrues interest semi-annually at 6-month LIBOR, plus a 4.25% spread.

e) Execution of contracts for the purchase of machinery

On February 21, 2018, GMSA signed an agreement with BLC Asset Solutions B.V. (BLC) for the purchase of 2 (two) gas turbines, 3 (three) steam turbines and 7 (seven) steam recovery boilers. Such equipment will be installed at the electric power generation plants located in Río Cuarto, Córdoba, and in Ezeiza, Province of Buenos Aires, for expansion through cycle closures at the two power plants. The purchase agreement sets forth financing by BLC of the total price of the equipment agreed at USD149,452,524, for a term of 5 years and 5 months.

f) Authorization for CTE and CTI commercial operation

GMSA obtained authorization for commercial operation for CTI on February 1, 2018, and for CTE on February 3, 2018; both Siemens SGT800 turbines of 50MW each corresponding to the second stage of investments.

g) Agreement between the trade union Federación Argentina de Trabajadores de Luz y Fuerza, GMSA, CTR and AESA

On June 8, 2017, GMSA, CTR and AESA signed with Federación Argentina de Trabajadores de Luz y Fuerza a collective bargaining memorandum of agreement recognizing that the employment relationships between them were governed by an enterprise collective bargaining agreement.

The collective bargaining agreement shall have a duration of 3 years counted as from January 1, 2018 and shall apply to the CTMM, CTI, CTRi, CTLB, CTF, CTR and CT Timbúes thermal power plants.

NOTE 44: SUBSEQUENT EVENTS (Cont'd)

h) CAMMESA financing:

On March 13, 2012, GROSA executed a mutuum 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 energy generation to 130 MW, for an amount equivalent to $ 190,480,000. (See Note 18).

As mentioned in Note 18, on February 8, 2018, CAMMESA set forth in Note B-123920-1 that -as from the economic transaction of February 2018- it will deduct from the GROSA receivables the amount corresponding to the penalty for non-compliance with the availability of the power committed under the mutuum agreement in some months of the period 2014-2016.

Once deducted, CAMMESA considers that the enforcement and commitments undertaken under the mutuum agreement dated March 13, 2012 for $ 190,480,000 have been completed.

NOTE 45: FINANCIAL STATEMENTS TRASLATION INTO ENGLISH LANGUAGE

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

Summary of activity at December 31, 2017 and 2016

1. Brief description of the activities of the issuing company, including reference to relevant circumstances subsequent to the fiscal closing date.

Pursuant to the provisions of National Securities Commission (CNV) General Resolution No. 368/01, as amended, below is an analysis of the results of the operations of Albanesi S.A. (the Company) and its equity and financial position, which should be read in conjunction with the accompanying financial statements.

	Fiscal year ended December 31:			
	2017	**2016**	**Variation**	**Variation %**
	GWh			
Sales by type of market				
Sales of Electricity Res. 95/529/482/22/19 and Spot	765	1,257	(493)	(39%)
Sales under Energía Plus	744	709	35	5%
Sales to CAMMESA Res. No. 220	664	629	36	6%
Sales of Electricity Res. 21	25	-	25	100%
	2,198	**2,595**	**(397)**	**(15%)**

Sales by type of market (in millions of pesos):

	Fiscal year ended December 31:			
	2017	**2016**	**Variation**	**Variation %**
	(in millions of pesos)			
Sales by type of market				
Sales of Electricity Res. 95/529/482/22/19 and Spot	432.3	520.9	(88.6)	(17%)
Sales under Energía Plus	939.0	764.8	174.2	23%
Sales to CAMMESA Res. No. 220	1,213.0	1,108.9	104.1	9%
Sales of Electricity Res. 21	178.3	-	178.3	100%
Total	**2,762.7**	**2,394.6**	**368.1**	**15%**

Summary of activity at December 31, 2017 and 2016

Results for the years ended December 31, 2017 and 2016 (in millions of pesos):

	Fiscal year ended December 31:			
	2017	**2016**	**Variation**	**Variation %**
Sale of energy	2,762.7	2,394.6	368.1	15%
Net sales	**2,762.7**	**2,394.6**	**368.1**	**15%**
Purchase of electricity	(793.7)	(601.2)	(192.5)	32%
Gas and diesel consumption by the plant	(130.0)	(667.7)	537.7	(81%)
Salaries and social security contributions	(157.3)	(101.7)	(55.6)	55%
Pension plan	(0.4)	(0.5)	0.1	(20%)
Maintenance services	(185.8)	(117.2)	(68.6)	59%
Depreciation of property, plant and equipment	(300.4)	(174.7)	(125.7)	72%
Insurance	(30.7)	(24.0)	(6.7)	28%
Sundry	(52.9)	(47.8)	(5.1)	11%
Cost of sales	**(1,651.2)**	**(1,734.8)**	**83.6**	**(5%)**
Gross income/(loss)	**1,111.5**	**659.8**	**451.7**	**68%**
Salaries and social security contributions	-	(0.4)	0.4	(100%)
Taxes, rates and contributions	(3.8)	(2.2)	(1.6)	73%
Doubtful accounts	-	(3.8)	3.8	(100%)
Turnover tax recoveries	19.7	-	19.7	100%
Selling expenses	**15.9**	**(6.4)**	**22.3**	**(348%)**
Salaries and social security contributions	-	(5.4)	5.4	(100%)
Fees and compensation for services	(49.9)	(32.9)	(17.0)	52%
Directors' fees	(32.4)	-	(32.4)	(100%)
Per diem, travel and representation expenses	(1.8)	(3.3)	1.5	(45%)
Taxes and rates	(1.6)	(1.7)	0.1	(6%)
Sundry	(13.5)	(5.5)	(8.0)	145%
Administrative expenses	**(99.2)**	**(48.8)**	**(50.4)**	**103%**
Gain/(loss) on investments in related companies	(7.0)	(2.5)	(4.5)	180%
Other operating income	16.9	12.4	4.5	36%
Operating result	**1,038.2**	**614.5**	**423.7**	**69%**
Commercial interest	17.6	29.2	(11.6)	(40%)
Interest on loans, net	(358.1)	(338.6)	(19.5)	6%
Exchange differences, net	(301.5)	(166.0)	(135.5)	82%
Bank expense	(6.3)	(14.8)	8.5	(57%)
Other financial results	(52.3)	14.1	(66.4)	(471%)
Financial results, net	**(700.6)**	**(476.1)**	**(224.5)**	**47%**
Income before tax	**337.6**	**138.4**	**199.2**	**144%**
Income tax	(91.6)	(85.1)	(6.5)	8%
Net income	**245.9**	**53.3**	**192.6**	**361%**
Other comprehensive income for the year	**442.5**	**617.3**	**(174.7)**	**(28%)**
Total comprehensive income for the year	**688.4**	**670.5**	**17.9**	**3%**

Summary of activity at December 31, 2017 and 2016

Sales:

Net sales were worth $ 2,762.7 million in the year ended December 31, 2017, as against $ 2,394.6 million in the year 2016, which is equivalent to an increase of $ 368.1 million (15%).

During the year ended December 31, 2017 energy dispatch reached 2,198 GWh, 15% lower than the 2,595 GWh in the year 2016.

Below is a description of Company's main revenues, and their variation during the year ended December 31, 2017, as against the previous year.

(i) $939.0 million from sales under Energía Plus, up 23% from the $764.8 million in fiscal 2016. This variation is attributed to the favorable effect on prices due to a higher exchange rate.

(ii) $1,213.0 million from sales of electricity on the spot market to CAMMESA under the framework of Resolution 220/07, representing a 9% increase with regard to the $ 1,108.9 million in fiscal 2016. This variation is explained by the increase in prices due to a higher exchange rate, and an increase in sales volumes due to the start-up of the new turbines.

(iii) $432.3 million from sales of electricity under Resolution 95/529/482/22/19 and on the sport market, representing a decrease of 17% with regard to the $520.9 million for fiscal 2016. This variation is attributed to the management of surplus volumes of electricity generation carried out by CAMMESA.

(iv) $178.3 million from energy sold under Resolution 21, representing an increase of 100%. This variation is explained by the start-up of new turbines in fiscal 2017.

Cost of sales:

The total cost of sales for the year ended December 31, 2017 was $1,651.2 million, compared with $1,734.8 million in 2016, showing an increase of $83.6 million (or 5%).

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

(i) $793.7 million corresponding to purchases of electricity, representing an increase of 32% compared with $601.2 million recorded in fiscal 2016, due to the effect of the exchange rate variation.

(ii) $130.0 million for gas and diesel consumption at the plant, representing a decrease of 81% as against $667.7 million in fiscal 2016. This variation was attributed to a change in the calculation of gas consumption by CAMMESA.

(iii) $185.8 million for maintenance services, up 59% from the $117.2 million in fiscal 2016. This increase is explained by the higher dollar exchange rate and the start-up of the new turbines.

Summary of activity at December 31, 2017 and 2016

(iv) $300.4 million for depreciation of PP&E, up 72% from the $174.7 million in fiscal 2016. This variation was mainly due to the higher depreciation value of buildings, installations and machinery as a result of their revaluation at December 31, 2017 and 2016, and the start-up of new projects.

(v) $157.3 million in salaries, wages and social security contributions, which represented an increase of 55% with respect to the $101.7 million in fiscal 2016. This increase was mainly attributable to higher salaries and new hires.

(vi) $30.7 million in insurance, up 28% from the $24.0 million in 2016 as a result of the exchange rate variation and the start-up of new turbines.

Gross result:

The gross result for the year ended December 31, 2017 was a profit of $ 1,111.5 million, compared with a profit of $ 659.8 million in fiscal 2016, representing an increase of 68%. This was attributable to the exchange rate variation and the start-up of the new turbines.

Selling expenses

Selling expenses for the year ended December 31, 2017 amounted to a $15.9 million gain, compared with $6.4 million loss for fiscal 2016, representing an improvement of $22.3 million (or 348%). On March 3, 2017, the tax collections division of the Revenue Bureau of the Province of Tucumán established that GMSA would be exempt from turnover tax in the jurisdiction of Tucumán, and corrected the tax calculation as from the period December 2011 (see Note 41 to the consolidated financial statements).

Administrative expenses:

The administrative expenses for the year ended December 31, 2017 amounted to $99.2 million, compared with $48.8 million in fiscal 2016, reflecting an increase of $50.4 million (or 103%).

The main components of the Company's administrative expenses are listed below:

(i) $49.9 million in fees and compensation for services, up 52% from the $32.9 million in the previous year.

(ii) $13.5 million in sundry expenses, up 145% from the $5.5 million in the previous year. The main variations were attributable to office expenses, taxes and rates.

(iii) No salaries and wages and social security contributions attributable to administration were recorded in fiscal 2017, representing a decrease of 100% with respect to $5.4 million in fiscal 2016. The reduction in the payroll was mainly due to the hiring of services provided by third parties.

(iv) $32.4 million in directors' fees in 2017.

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Summary of activity at December 31, 2017 and 2016

Operating result:

The operating result for the year ended December 31, 2017 was a profit of $ 1,038.2 million, compared with a profit of $ 614.5 million in fiscal 2016, reflecting an increase of 69%. The increase was mainly due to the effect of a higher exchange rate on the operating activities of the controlled companies, the start-up of new projects and the high availability of the power plants throughout the year.

Financial result:

The financial result for the year ended December 31, 2017 was a loss of $700.6 million, compared with a loss of $476.1 million in fiscal 2016, reflecting an increase of 224.5%.

The most salient aspects of this variation are as follows:

(i) $358.1 million loss corresponding to financial interest, up 6% from the $338.6 million loss in fiscal 2016 as a result of an increase in the financial debt generated by investment projects.

(ii) $52.3 million loss generated by other financial results, compared with a $14.1 million gain in fiscal 2016.

(iii) $301.5 million loss due to net exchange differences, reflecting an increase of 82% compared with the $166.0 million loss in the previous year.

Result before tax:

During the year ended December 31, 2017, the Company recorded profit before tax of $337.6 million, compared with a profit of $138.4 million in the previous year, reflecting an increase of 144%.

Income tax determined for the current year amounted to $91.6 million, compared with $85.1 million in the previous year.

Net result:

The net result for the year ended December 31, 2017 was a gain of $245.9 million, compared with a gain of $53.3 million in fiscal 2016, reflecting an increase of 361%.

Summary of activity at December 31, 2017 and 2016

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

	12.31.17	12.31.16	12.31.15	12.31.14
Non-current Assets	11,409.8	5,856.6	3,298.0	2,367.9
Current Assets	2,389.8	2,573.2	654.8	526.8
Total Assets	**13,799.6**	**8,429.8**	**3,952.8**	**2,894.7**
Equity attributable to owners of the parent	2,579.1	1,924.5	1,269.8	652.4
Equity not attributable to the parent	134.8	100.9	69.4	50.0
Total Shareholders' equity	**2,713.9**	**2,025.4**	**1,339.2**	**702.4**
Non-Current Liabilities	8,628.1	5,567.1	1,601.1	1,355.0
Current Liabilities	2,457.6	837.3	1,012.6	837.2
Total Liabilities	**11,085.7**	**6,404.4**	**2,613.7**	**2,192.2**
Total Shareholders' equity and Liabilities	**13,799.6**	**8,429.8**	**3,952.9**	**2,894.7**

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

	12.31.17	12.31.16	12.31.15	12.31.14
Ordinary operating income	1,038.2	614.5	372.5	272.3
Financial result	(700.6)	(476.1)	(329.3)	(318.5)
Ordinary net income/(loss)	**337.6**	**138.4**	**43.2**	**(46.2)**
Income tax	(91.6)	(85.1)	9.5	11.9
Result for the year	**245.9**	**53.3**	**52.7**	**(34.3)**
Discontinued operations	-	-	(16.1)	(6.5)
Income/(loss) for the period	**245.9**	**53.3**	**36.6**	**(40.8)**
Other comprehensive income	442.5	617.3	605.5	255.2
Total comprehensive income	**688.4**	**670.5**	**642.1**	**214.4**

Summary of activity at December 31, 2017 and 2016

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

	12.31.17	12.31.16	12.31.15	12.31.14
Funds generated by (applied to) operating activities	170.7	(818.7)	69.6	329.4
Funds applied to investment activities	(1,962.2)	(1,373.9)	(218.2)	(174.8)
Funds generated by (applied to) financing activities	1,315.7	2,716.2	77.9	(157.8)
(Decrease) /Increase in cash and cash equivalents	**(475.7)**	**523.6**	**(70.7)**	**(3.3)**

5. Ratios presented comparatively with the previous fiscal year:

	12.31.17	12.31.16	12.31.15	12.31.14
Liquidity (1)	0.97	3.07	0.65	0.63
Solvency (2)	0.23	0.30	0.49	0.30
Tied-up capital (3)	0.83	0.69	0.83	0.82
Indebtedness ratio (4) (*)	5.61	5.01	2.52	1.91
Interest coverage ratio (5)	3.52	2.26	2.38	2.56
Return on equity (6)	0.11	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

(*) According to the guidelines in the prospectus of the International Bond for calculation of the indebtedness ratio, at December 31, 2017, that ratio totaled 5.43.
(**) Amounts not covered in the Audit Report.

6. Brief comment on the outlook for fiscal 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 and fuel allocations defined by CAMMESA. The Company's main objective is to maintain high availability of its units. This ensures that the Company will remain profitable. The Company plans to carry out an exhaustive preventive maintenance plan on power generating units to guarantee high availability of the plants' turbines.

The Company has undertaken investment projects that will lead to a 400 MW increase in its generation capacity.

Summary of activity at December 31, 2017 and 2016

Under SE Resolution 220/07, progress was made in connection with two projects adding total generating capacity of 150 MW, as described below.

Under contracts entered into pursuant to SE Resolution 220/07, progress was made in connection with two projects adding total generating capacity of 150 MW, as described below.

A Siemens SGT-800 gas turbine of 50 MW nominal capacity was installed at CTRi. Authorization for commercial operation was obtained from CAMMESA on May 20, 2017.

In addition, two Siemens SGT-800 gas turbines of 50 MW nominal capacity were installed at CTMM. On July 6, 2017, the turbines were authorized to operate under a contract pursuant to SE Resolution 220/07.

Under the framework of Resolution No. 21/16, the Company presented projects to extend the power generation capacity by 250MW, which were awarded through a bidding process.

The projects are executed under agreements entered into with CAMMESA pursuant to SE Resolution 21/16.

CTI's generating capacity was extended with 100 MW through the installation two Siemens SGT-800 gas turbines of 50 MW each. On August 10, 2017, authorization was obtained from CAMMESA for the commercial operation of the first stage (50 MW), and on February 1, 2018 authorization was obtained for the second stage (50 MW).

Furthermore, construction of a new plant in the Province of Buenos Aires (CTE) was undertaken, with the installation of three Siemens SGT-800 gas turbines of 50 MW, providing generating capacity of 150 MW. On September 29, 2017, authorization was obtained from CAMMESA for the commercial operation of the first stage (100MW), and on February 3, 2018 authorization was obtained for the second stage (50 MW).

Through SE Resolution No. 287 - E/2017 of May 10, 2017, the Energy Secretariat (SEE) instructed CAMMESA to call for interested parties to offer new steam power generation focused on closure of combined cycles and co-generation technology, with the commitment to be available to meet the demand in the MEM.

GMSA participated in that call and was awarded two projects for the closure of combined cycles under SEE Resolution 926 – E/2017.

One of them corresponds to the closure of combined cycle for CTMM's gas turbine 06 and 07 units in the city of Río Cuarto. The project consists in the installation of a new Siemens SGT800 gas turbine of 50 MW power (47.5 MW guaranteed power) and the conversion to combined cycle of the three gas turbines (3x1 configuration). For such conversion, a heat recovery steam generator that will generate steam at two pressures will be installed at the outflow of the gas turbines to feed a steam turbine SST-600 that will supply an additional 65 MW to the network, as well as the necessary infrastructure for its operation and maintenance. The project for closure of the combined cycle at CTMM will allow supplying an additional 112.5 MW to the National Interconnected System (SADI). The incorporation of the new gas turbine will provide an additional demand of fuel to the system. In addition, the steam turbine will supply 65 MW, with no additional fuel consumption, with the complete cycle reaching a specific consumption level of 1590 kcal/kWh at closure of the combined cycle.

Summary of activity at December 31, 2017 and 2016

Another project awarded was the closure of the combined cycle of gas turbine 01, 02 and 03 units at the CTE in the Province of Buenos Aires. The project subject to this offer consists of: i) the installation of a fourth Siemens SGT-800 gas turbine of 50 MW, and ii) the conversion to combined cycle of the four gas turbines. For such conversion, a heat recovery steam generator that will generate steam at two pressures will be installed at the outflow of each gas turbine to feed two steam turbines (2x1 configuration) that will supply 44 MW each to the network. The project for closure of the combined cycle at CTE will allow supplying an additional 138 MW to the SADI. The new gas turbine to be installed will generate additional fuel consumption; however, the incorporation of two steam turbines will add an additional 88 MW with no additional fuel consumption, and both complete cycles will reach specific consumption of 1,590 Kcal/KWh.

The two projects were awarded by SEE Resolution 926 – E/2017 on October 17, 2017, and are expected to become operative by mid-2020.

The Wholesale Demand Contract between GMSA and CAMMESA was signed on December 14, 2017.

Financial situation

During the year, the main objective of the controlled companies was to improve their financing structure and ensure the progress of the investment projects described under the agreed schedules and budgets.

On July 27, 2016, GMSA, CTR and GFSA co-issued an international bond for a total amount of USD 250 million, maturing within 7 years. The international bond is secured by ASA. Of the total amount issued, USD173 million corresponded to GMSA and USD7 million to GFSA. The funds were allocated to the advance settlement of financial loans and the financing of investment projects. On November 8, 2017, GMSA and CTR obtained authorization for the reopening of the global issuance of NO. On December 5, 2017, NOs were issued amounting to USD 86 million for the advance settlement of financial debts.

On October 11, 2017, GMSA and CTR co-issued Class I NO amounting to USD 30 million, of which USD 20 million were allocated to GMSA. The funds will be allocated to fixed assets investments and, to a lesser extent, to working capital and refinancing of liabilities.

At the date of signing these financial statements, the Group obtained loans for the new investment projects.

These measures have contributed to improving working capital and the financial debt profile, extending maturities and reducing the Group's financial cost, thus securing the financing of investment projects.

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REPORT OF THE INDEPENDENT AUDITORS

To the Shareholders, President and Directors of
Albanesi S.A.
Legal address: Leandro N. Alem 855 - 14th Floor
City of Buenos Aires
Tax Registration 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, 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and cash flow consolidated statement 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 2016 are an integral part of the audited consolidated financial statements mentioned above; therefore, they must be considered in connection with these financial statements.

Board's 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 Standards on Auditing, which were adopted in Argentina by the FACPCE (Argentine Federation of Professional Councils in Economic Sciences) through Technical Pronouncement No. 32 and and its corresponding circular letters on adoption. 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 financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the financial statements due to fraud or error. In making those risk assessments, the auditor must consider internal control relevant to the Company's preparation and reasonable presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by the Company's management, as well as evaluating the overall presentation of the 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 financial position of Albanesi S.A. as of December 31, 2017, 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, 2017 there is no debt accrued in favor of the Argentine Integrated Social Security System;

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a) as required by section 21, subsection e), Chapter III, Part IV, 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, 2017 account for:

   e.1) 69 % of the total fees for services billed to the Company for all items during that fiscal year;
   e.2) 9 % 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) 5 % of the total fees for services billed to the Company, its parent companies, subsidiaries and related companies for all items during that year;

b) 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 12, 2018

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 accordance with Section 294 of Law No. 19550, the standards issued by the National Securities Commission (CNV) and Regulations of the Buenos Aires Stock Exchange, we have examined the consolidated statement of financial position of Albanesi S.A. at December 31, 2017, and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and cash flow statement for the year then ended 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 Albanesi S.A.

2. Our examination was carried out in accordance with standards applicable to syndics. These standards require that the examinations of the financial statements be performed in accordance with current auditing standards, and include the verification of the fairness of the significant information contained in the documents examined and their consistency with the information on corporate decisions, which are known to us, as disclosed in the Board and Shareholders' meeting minutes, as well as the conformity of those decisions with the law and by-laws insofar as concerns formal and documentary aspects. To fulfill our professional duties, we have reviewed the work done by the external auditors, Price Waterhouse & Co. SRL, which issued their unqualified opinion on March 12, 2018. 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, 2017, we have verified that it contains the information required by Section 66 of the General Companies Law No. 19550, 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 financial statements at, December 31, 2017, 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 consolidated financial statements of Albanesi S.A. present fairly, in all material respects, its financial position at December 31, 2017, its comprehensive income, changes in its equity and the cash flow for the year then ended, in conformity with professional accounting standards in force 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 Albanesi S.A., 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 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 12, 2018

For the Syndics' Committee
Accountant Marcelo P. Lerner
Full Syndic

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Albanesi S.A.

Separate Financial Statements

At December 31, 2017
presented in a comparative format

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Albanesi S.A.

SEPARATE FINANCIAL STATEMENTS
AT DECEMBER 31, 2017 AND 2016

CONTENTS

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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 separate financial statements of the Company.

Terms	Definitions
/day	Per day
AESA	Albanesi Energía S.A.
AFIP	Federal Administration of Public Revenue
AISA	Albanesi Inversora S.A.
AJSA	Alba Jet S.A.
ASA	Albanesi S.A.
AVRC	Alto Valle Río Colorado S.A.
AVSA	Albanesi Venezuela S.A.
BADCOR	Adjusted BADLAR rate
BADLAR	Interest rate paid by financial institutions on average on time deposits for over one million pesos.
BCRA	Central Bank of the Argentine Republic
BDD	Bodega del Desierto S.A.
CAMMESA	Wholesale Electricity Market Management Company (Compañía Administradora del Mercado Mayorista Eléctrico S.A.)
CC	Combined cycle
IFRIC	International Financial Reporting Interpretations Committee
CNV	National Securities Commission
CTE	Central Térmica Ezeiza
CTI	Central Térmica Independencia, located in San Miguel de Tucumán, Tucumán
CTLB	Central Térmica La Banda, located in La Banda, Santiago del Estero
CTMM	Central Térmica Modesto Maranzana, located in Río Cuarto, Córdoba
CTR	Central Térmica Roca S.A.
CTRi	Central Térmica Riojana, located in La Rioja
CVP	Variable Production Cost
Dam^3	Cubic decameter Volume equivalent to 1,000 (one thousand) cubic meters.
DH	Historical availability
Availability	Percentage of time in which the power plant or machinery, as applicable, is in operation (generating power) or available for power generation, but not called by CAMMESA
DMC	Minimum Availability Committed
DO	Target availability
DR	Registered availability
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 MEM
GE	General Electric
GECE	Generación Centro S.A.
GLSA	Generación Litoral S.A.

GLOSSARY OF TECHNICAL TERMS (Cont'd)

Terms	Definitions
GF	Central Térmica Frías, located in Frías, Santiago del Estero
GFSA	Generación Frías S.A. (absorbed by GMSA)
(GISA)	Generación Independencia S.A. (absorbed by GMSA)
GLBSA	Generación La Banda S.A. (absorbed by GMSA)
GMSA	Generación Mediterránea S.A.
Large Users	MEM agents classified according to their consumption unto: GUMAs, GUMEs, GUPAs and GUDIs
GRISA	Generación Riojana S.A. (absorbed by GMSA)
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	Large Users - Individuals
GW	Gigawatt Unit of power equivalent to 1,000,000,000 watts
GWh	Gigawatt hour Unit of energy equivalent to 1,000,000,000 watts hour
IASB	International Accounting Standards Board
IGJ	Superintendency of Commercial Companies
kV	Kilovolt Unit of electromotive force which is equal to 1,000 volts
kW	Kilowatt Unit of power equivalent to 1,000 watts
kWh	Kilowatt hour Unit of energy equivalent to 1,000 watts hour
The Company/The Group	Albanesi S.A. and its subsidiaries
LGS	General Companies Law
LVFVD	Sales liquidations with maturity date to be defined
MAPRO	Major Scheduled Maintenance
MAT	Futures market
MEM	Wholesale Electric Market
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
ARG GAAP	Argentine Generally Accepted Accounting Principles
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
ON	Negotiable obligations
PWPS	Pratt & Whitney Power System Inc
Resolution 220/07	Regulatory framework for the sale of energy to CAMMESA through the "MEM Supply Contract" under Energy Secretariat Resolution No. 220/07
RG	General Resolution
RGA	Rafael G. Albanesi S.A.
RT	Technical pronouncements
SADI	Argentine Interconnection System
SE	Energy Secretariat
TRASNOA S.A.	Empresa de Transporte de Energía Eléctrica por Distribución Troncal del Noroeste Argentino S.A.
CGU	Cash Generating Unit
USD	US dollars

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Albanesi S.A.

Composition of the Board of Directors and Syndics' Committee
at December 31, 2017

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
Johanna M. Cárdenas

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Albanesi S.A.

Corporate name: **Albanesi S.A.**

Legal address: Av. L.N. Alem 855, 14th floor - City of Buenos Aires

Main business activity: Investing and financial activities

Tax Registration Number: 30-68250412-5

DATES OF REGISTRATION WITH THE PUBLIC REGISTRY OF COMMERCE:

By-laws or incorporation agreement: 28 June, 1994
Latest amendment: October 18, 2017 (in progress)

Registration number with the Superintendency of Commercial Companies: 6216 of Book 115, Volume A of Corporations

Expiration of By-laws or incorporation agreement: 28 June, 2093

CAPITAL STATUS (See Note 18)			
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

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Albanesi S.A.

Separate Statement of Financial Position

At December 31, 2017 and 2016

Stated in pesos

	Notes	12.31.17	12.31.16
ASSETS			
NON-CURRENT ASSETS			
Investments in subsidiaries and associates	6	2,935,370,434	2,210,552,404
Deferred tax assets	21	11,245,167	1,487,052
Other receivables	8	4,006,288	2,098,573
Total non-current assets		**2,950,621,889**	**2,214,138,029**
CURRENT ASSETS			
Other receivables	8	184,150,078	153,351,103
Cash and cash equivalents	9	455,563	151,644
Total current assets		**184,605,641**	**153,502,747**
Total Assets		**3,135,227,530**	**2,367,640,776**
EQUITY			
Share Capital	18	62,455,160	62,455,160
Legal reserve		4,381,440	1,942,908
Optional reserve		101,010,691	-
Technical revaluation reserve		2,063,110,832	1,760,090,123
Other comprehensive income		(4,636,682)	(3,397,653)
Unappropriated retained earnings		352,742,465	103,449,223
TOTAL EQUITY		**2,579,063,906**	**1,924,539,761**
LIABILITIES			
NON-CURRENT LIABILITIES			
Loans	13	250,754,356	218,266,709
Other liabilities	11	24,386,058	356,250
Total non-current liabilities		**275,140,414**	**218,622,959**
CURRENT LIABILITIES			
Loans	13	28,471,850	56,657,120
Other liabilities	11	232,783,368	149,916,999
Tax payables	12	2,809,605	1,230,560
Trade payables	10	16,958,387	16,673,377
Total current liabilities		**281,023,210**	**224,478,056**
Total Liabilities		**556,163,624**	**443,101,015**
Total Liabilities and Equity		**3,135,227,530**	**2,367,640,776**

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Albanesi S.A.

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

Separate Statement of Comprehensive Income

For the fiscal years ended December 31, 2017 and 2016

Stated in pesos

	Notes	12.31.2017	12.31.2016
Gain on investment in subsidiaries and associates	6	305,173,277	82,892,321
Selling expenses	14	(268,672)	-
Administrative expenses	15	(14,671,650)	(1,446,343)
Other operating income	16	3,450,501	1,332,143
Operating income		**293,683,456**	**82,778,121**
Financial expenses	17	(73,996,821)	(32,789,126)
Other financial results	17	29,642	(2,698,425)
Financial results, net		**(73,967,179)**	**(35,487,551)**
Income before tax		**219,716,277**	**47,290,570**
Income tax	21	9,758,115	1,480,073
Net income for the year		**229,474,392**	**48,770,643**
Other Comprehensive Income			
Items reclassified into profit/loss			
Other comprehensive income from interests in subsidiaries		-	2,891,772
Items not reclassified into profit/loss			
Other comprehensive income on investment in subsidiaries and associates		425,049,753	586,321,794
Other comprehensive income for the year		**425,049,753**	**589,213,566**
Comprehensive income for the year		**654,524,145**	**637,984,209**
Earnings per share			
Basic and diluted earnings per share	20	**3.67**	**0.99**

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

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Albanesi S.A.

Separate Statement of Changes in Equity

For the fiscal years ended December 31, 2017 and 2016

Stated in pesos

	Shareholders' contributions	Attributable to Shareholders						
		Retained earnings						
	Share capital (Note 18)	Legal reserve	Optional reserve	Technical revaluation reserve	Translation reserve	Other comprehensive income	Unappropriated retained earnings	Total equity
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**
Capital increase as per Minutes of Shareholders' Meeting dated March 22, 2016	58,000,000	-	-	-	-	-	-	58,000,000
As resolved by the General								
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)
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
Income for the year	-	-	-	-	-	-	48,770,643	48,770,643
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**
As resolved by the General								
Ordinary Shareholders' Meeting held on 18 April, 2017:								
- Legal reserve	-	2,438,532	-	-	-	-	(2,438,532)	-
- Optional reserve	-	-	101,010,691	-	-	-	(101,010,691)	-
Reversal of technical revaluation reserve	-	-	-	(123,268,073)	-	-	123,268,073	-
Other comprehensive income for the year	-	-	-	426,288,782	-	(1,239,029)	-	425,049,753
Income for the year	-	-	-	-	-	-	229,474,392	229,474,392
Balances at December 31, 2017	**62,455,160**	**4,381,440**	**101,010,691**	**2,063,110,832**	**-**	**(4,636,682)**	**352,742,465**	**2,579,063,906**

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

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Albanesi S.A.

Statement of Cash Flows

For the years ended December 31, 2017 and 2016

Stated in pesos

	Notes	12.31.2017	12.31.2016
Cash flow provided by operating activities:			
Income for the year		229,474,392	48,770,643
Adjustments to arrive at net cash flows provided by operating activities:			
Income tax		(9,758,115)	(1,480,073)
Interest, exchange differences and other financial results		73,937,537	34,220,104
Provision for directors' fees		12,076,384	-
Gain on investment in subsidiaries and associates	6	(305,173,277)	(82,892,321)
Changes in operating assets and liabilities:			
Increase in other receivables		(34,665,287)	(70,666,525)
Increase / (Decrease) in trade payables		285,010	(218,604)
Increase/(Decrease) in tax payables		768,954	(3,037,362)
(Decrease) in other liabilities		(3,109,118)	-
Net cash flow applied to operating activities		**(36,163,520)**	**(75,304,138)**
Cash flow from investment activities:			
Liquidation of Company		-	88,279
Collection of dividends		5,880,000	20,615,000
Increase net in other liabilities with subsidiaries		79,028,843	2,453,749
Contributions to subsidiaries		(475,000)	(118,750)
Net cash flow provided by investment activities		**84,433,843**	**23,038,278**
Cash flow from financing activities:			
Loans taken out	13	-	220,000,000
Payment of interest	13	(65,809,756)	(20,947,320)
Payment of principal		(1,116,000)	(19,500,000)
Increase/(Decrease) net in other liabilities with related parties		18,929,710	(127,294,162)
Net cash flow (used in) provided by financing activities		**(47,996,046)**	**52,258,518**
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**274,277**	**(7,342)**
Cash and cash equivalents at the beginning of year		151,644	163,233
Exchange difference of cash and cash equivalents		29,642	4,247
Cash and cash equivalents at the end of year	9	455,563	151,644
		274,277	**(7,342)**

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

Albanesi S.A.

Statement of Cash Flows
For the years ended December 31, 2017 and 2016
Stated in pesos

Significant transactions not representing changes in cash:	**Notes**	**12.31.17**	**12.31.16**
Issuance of Negotiable Obligations paid up in kind	**13**	255,826,342	-
Decrease in Other liabilities due to assignment of credits rights		3,547,468	-
Capital not yet paid in for investments in subsidiaries and associates		-	(356,250)
Distributed dividends offset against other receivables		-	(41,194,827)
Capitalization of other debts		-	(58,000,000)
Decrease in Other liabilities due to offsetting of credits rights		29,042,078	-
Other comprehensive income on investment in subsidiaries and associates		425,049,753	589,213,566

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

Albanesi S.A.

Notes to the separate financial statements:
For the fiscal years ended December 31, 2017 and 2016
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 its related companies, AISA and AESA, is engaged in the generation and sale of electricity and has focused on the gas transportation and sale business through RGA.

In recent years, the main strategy of Albanesi Group has been focused on achieving vertical integration, drawing on its vast experience and reputation in the natural gas sale market (obtained 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 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 creation	Main activity	% of interest decision-making	
			12.31.17	12.31.16
GMSA	Argentina	Generation of electric energy	95%	95%
GFSA (1)	Argentina	Generation of electric energy	-	95%
GROSA	Argentina	Generation of electric energy	95%	95%
Solalban Energía S.A.	Argentina	Generation of electric energy	42%	42%
GLSA	Argentina	Generation of electric energy	95%	95%
GECE (2)	Argentina	Generation of electric energy	95%	-

(1) Company merged with GMSA within the framework of the merger through absorption process as described in Note 26.2.
(2) Company created in the current year together with Armando R. Loson, Holen S.A. and Carlos A. Bauzas (Note 6).

At the date these financial statements were signed, Albanesi Group had a total installed capacity of 1,410 MW, representing 6.2% of the total installed thermoelectric capacity in Argentina, it being expanded with additional 435 MW with all the new projects awarded and currently under way.

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

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

As a result of the merger, the power plants CTI, CTRi and CTLB owned by the merged companies have been transferred to GMSA (see Note 26.1).

Furthermore, in 2016 GMSA (the merging and continuing company) absorbed GFSA as part of a merger process. The final merger agreement was signed on November 15, 2016, whereby the effective merger date was January 1, 2017. The merger was approved by the CNV on March 2, 2017 and registered with the Superintendency of Commercial Companies on March 17, 2017 (See Note 26.2).

NOTE 1: GENERAL INFORMATION (Cont'd)

Furthermore, in 2017 ASA (merging and continuing company) has been part of a merger process in which AISA was merged. The final merger agreement was signed on November 21, 2017, which established as effective date of the merger January 1, 2018. The merger was approved by the CNV on January 11, 2018 and is pending registration with the Superintendency of Commercial Companies. At the date of issue of these separate financial statements neither ASA nor AISA received a notification that confirms their registration with such Agency. (See Note 26.3).

In 2015, ASA entered the capital markets. On November 20, 2015, it obtained 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. Thus, the Company issued Class I Negotiable Obligations for $ 70 million on December 29, 2015; Class II Negotiable Obligations for $ 220 million on October 25, 2016; and Class III Negotiable Obligations for $ 256 million on June 15, 2017.

Below is a detail of the most important information for each of the thermal power plants operated by the subsidiaries of ASA:

Central Térmica Modesto Maranzana:

GMSA is the owner of the power plant Central Térmica Modesto Maranzana (CTMM), 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, with 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 the project to extend the Power Plant. To this end, two new aero-derivative gas turbines FT8-3 SwiftPac 60 PWPS of 60 MW were installed and started-up. Each has two aero-derivative gas turbines of 30MW that transmit their power to a single generator thus offering great flexibility in the operation.

Continuing with the expansion process, in 2010 CTMM installed a third 60 MW PWPS SwiftPac 60, FT8-3 turbine that went into commercial production in September 2010, thus reaching an installed capacity at the Power Plant of 250 MW.

On March 28, 2016, GMSA signed an agreement with Siemens Industrial Turbomachinery AB for CTMM for the provision and assembly of two Siemens SGT-800 turbines of 50MW nominal each. This expansion was carried out under an agreement executed under SE Resolution 220/07, 220/07. On July 6, 2017, the two Siemens SGT-800 turbines were put into commercial operation in the MEM. In this manner, the installed capacity of the Power Plant increased from 250 MW to 350 MW.

Through EES Resolution No. 287/2017 dated May 10, 2017, the Electric Energy Secretariat instructed CAMMESA to call for tenders for new thermal generation of closure of the combined cycle technology and co-generation, with the commitment to be available to meet the demand in MEM. GMSA participated in the invitation and was awarded with two projects for the closure of the combined cycle through EES Resolution No. 926 – E/2017.

NOTE 1: GENERAL INFORMATION (Cont'd)

Central Térmica Modesto Maranzana (Cont'd):

One of them is the closure of the combined cycle of units TG06 and TG07 of Central Modesto Maranzana, located in the city of Río Cuarto. The project consists in the installation of a new 50 MW Siemens SGT800 gas turbine (with a guaranteed power of 47.5 MW) and the conversion into combined cycle of the three gas turbines (3x1 configuration). For such conversion, a recovery boiler will be installed at the gas turbines exit, which will produce steam in two pressures to feed a SST-600 steam turbine that will deliver a further 65 MW to the network; also, the necessary infrastructure will be installed for its operation and maintenance. The project for the closure of CT Modesto Maranzana combined cycle will enable contributing a further 112.5 MW to Argentine Interconnection System (SADI). The addition of a new gas turbine will cause an additional demand for fuel to the system. The addition of the turbo steam machine will contribute 65 MW, without additional consumption of fuel, with the complete cycle recording a specific consumption of 1590 Kcal/kWh in the closure of the combined cycle. This project was awarded by EES Resolution No. 926 - E/2017 on October 17, 2017 and is expected to become operative in mid-2020.

GEMSA and CAMMESA signed the Wholesale Demand contract on December 14, 2017.

Central Térmica Independencia

The power plant Central Térmica Independencia (CTI) is located in the city of San Miguel de Tucumán, Province of Tucumán. CTI was out of service, and in 2011 Albanesi Group executed all the works necessary to install 120 MW with PWPS technology, and to refurbish the existing ancillary facilities. It obtained authorization for commercial operation on November 17, 2011.

On June 30, 2016, within the framework of the bidding process called for by the Energy Secretariat through Resolution SE No. 21, GMSA signed a Contract for Wholesale Demand for CTI for the installation of the new thermal generation capacity. The project consists of the installation of 100 MW (92 MW undertaken) in two stages.

For this purpose, on April 30, 2016, a contract was executed with Siemens Industrial Turbomachinery AB for the purchase of the first SGT-800 turbine of 50 MW, paying on December 2016 50% and financing the remaining 50% in 24 installments as from September 2017. On August 10, 2017, in compliance with the Contract for Wholesale Demand, authorization for commercial operation was obtained for the first stage, for a maximum power of 49.6 MW while operated with natural gas and 46.5 MW while operated with diesel. It is connected to SADI at the transformer station (ET for its acronym in Spanish) INDEPENDENCIA 132 KV of TRANSNOA, province of Tucumán.

In connection with the second stage, on August 9, 2016, a contract was executed with Siemens Industrial Turbomachinery AB for the purchase of a second SGT-800 turbine of 50 MW, paying on March 2017 50% and financing the remaining 50% in 24 installments as from April 2018. The parts belonging to the second turbine and chimneys are already at the plant. The price of the turbine amounts to USD 20 million.

NOTE 1: GENERAL INFORMATION (Cont'd)

Central Térmica Independencia (Cont'd)

On February 1, 2018, authorization for commercial operation was obtained for the second stage, for a maximum power of 49 MW while operated with NATURAL GAS and 47 MW while operated with DIESEL.

The total invested in the two stages was USD 79 million.

Central Térmica Riojana

Central Térmica Riojana (CTRi) is located in the province of La Rioja and has 4 power generation units: Turbogrupo Fiat TG21 of 12MW, Turbogrupo John Brown TG22 of 16MW, Turbogrupo Fiat TG23 of 12MW and Turbogrupo Siemens SGT 800 TG24 of 50 MW, for which an addenda was executed with CAMMESA for the increase in the installed capacity by 50MW under SE Resolution No. 220/07.

The Turbogrupo Siemens was acquired through a contract with Siemens Industrial Turbomachinery AB signed on September 7, 2015. On May 20, 2017, authorization for commercial operation was obtained, for a maximum power of 46.68 MW while operated with natural gas and 45 MW while operated with diesel. It is connected to SADI at the ET La Rioja.

Central Térmica La Banda

Central Térmica La Banda (CTLB) is located in the Province of Santiago del Estero, and currently has two Turbine generator sets: one 16 MW Fiat TG21, and one 16 MW Fiat TG22.

Central Térmica Frías

Central Térmica Frias (CTF) is located in the province of Santiago del Estero and has currently 60 MW of nominal thermal power generation capacity through one turbine with PWPS technology which consist of two gas turbines which transmit their mechanical power to only one generator of 60 MW. The machine transforms 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 converts the energy into electricity.

The agreement for the purchase of the turbine established a 4-year financing for USD 12 million by PWPS, upon provisional acceptance.

Central Térmica Ezeiza

Central Térmica Ezeiza (CTE) is situated in the province of Buenos Aires, and has 3 Siemens SGT-800 turbines of 50 MW each. This Power Plant was created under SEE Resolution 21/2016.

NOTE 1: GENERAL INFORMATION (Cont'd)

Central Térmica Ezeiza (Cont'd)

The commercial operation of the TG02 and TG03 units was authorized on September 29, 2017 to operate for a total of 93 MW, with tariffs denominated in US dollars, for a term of 10 years. They are connected to SADI at the ET TORRES 132 kV in the province of Buenos Aires. Both turbines form part of the first stage of a total project for 150 MW.

For this purpose, on April 30, 2016, a contract was executed with Siemens Industrial Turbomachinery AB for the purchase of the mentioned turbines, paying on September 2016 50% and financing the remaining 50% in 24 installments as from September 2017. As regards the second stage of the project, on August 9, 2016, a contract was executed with Siemens Industrial Turbomachinery AB for the purchase of a third SGT-800 turbine of 50 MW, paying on March 2017 50% and financing the remaining 50% in 24 installments as from April 2018. The price of the turbine amounts to USD 20.3 million. Authorization for commercial operation of the second stage was obtained on February 1, 2018.

The total invested in the two stages was USD 160 million.

Through EES Resolution No. 287/2017 dated May 10, 2017, the Electric Energy Secretariat instructed CAMMESA to call for tenders for new thermal generation of closure of the combined cycle technology and co-generation, with the commitment to be available to meet the demand in MEM.

GMSA participated in the invitation and was awarded with two projects for the closure of the combined cycle through EES Resolution No. 926 – E/2017.

One of them is the closure of the combined cycle of units TG01, TG02 and TG03 of Central Térmica Ezeiza, located in the province of Buenos Aires. The project consists of: i) the installation of a fourth 50 MW Siemens SGT-800 gas turbine, and ii) the conversion into combined cycle of the four gas turbines. For the conversion into combined cycle, a recovery boiler will be installed at the gas turbines exit, which will produce steam in two pressures to feed two steam turbines (2x1 configuration) that will deliver 44 MW each one to the network.

The project for the closure of CT Ezeiza combined cycle will enable contributing a further 138 MW to Argentine Interconnection System (SADI). Although the new gas turbine to be installed will consume additional fuel, the inclusion of two steam turbines will contribute a further 88 MW without additional fuel consumption, and the two full cycles will have a specific consumption of 1,590 Kcal/KWh.

This project was awarded by EES Resolution No. 926 - E/2017 on October 17, 2017 and is expected to become operative in mid-2020.

GEMSA and CAMMESA signed the Wholesale Demand contract on December 14, 2017.

NOTE 1: GENERAL INFORMATION (Cont'd)

Central Térmica Sorrento

Central Térmica Sorrento is a thermal power plant located in Rosario, province of Santa Fe, and 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, and can be supplied by ship at the plant´s port and docking facility.

With the aim of keeping the availability and dispatch levels as required by MEM, the Company is executing the Third Stage for the Repair of the Unit TV13, performing additional investments in the boiler, steam turbine, transformers and ancillary equipment. In particular, in April 2016, scheduled maintenance tasks were conducted, including works in the boiler, the thermal cycle and the transformers. During the second half of October and first days of November 2016, new scheduled maintenance tasks were conducted, including the replacement of boiler tubes, of valves in the boiler thermal cycle and ancillary equipment, and the recovery of fuel oil pumps, among other tasks.

NOTE 2: BASIS FOR PRESENTATION

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

The presentation in the statements of financial position segregates 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, and those held for sale. In addition, the Company reports on the cash flow 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 separate financial statements are stated in pesos. They have been prepared under the historical cost convention, modified by the measurement of financial assets and liabilities 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 5.

These separate financial statements were approved for issuance by the Company's Board of Directors on March 12, 2018.

Comparative information

Balances at December 31, 2016 disclosed in these separate financial statements 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 period presentation.

NOTE 3: ACCOUNTING POLICIES

See the summary of most significant accounting policies applied by the Company for the preparation of these separate financial statements in Note 4 to the consolidated financial statements and which are based on the IFRS which are in effect at December 31, 2017.

NOTE 4: FINANCIAL RISK MANAGEMENT

4.1) Financial risk factors

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

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

See description of the principles, policies and procedures for risk management in Note 5 to the consolidated financial statements.

4.2) Management of capital risk

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

Consistently with the industry, the Company monitors its capital based on the Consolidated Debt to Adjusted EBITDA ratio. This ratio is calculated dividing the net borrowings by Adjusted EBITDA. Net borrowings correspond to total borrowings (including current and non-current borrowings) less cash and cash equivalents. Adjusted EBITDA represents earnings before net financial results, income tax, minimum notional income tax, depreciation and amortization.

See details of the policy for management of capital risk in Note 5 to the consolidated financial statements.

NOTE 5: CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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 Company 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 that have a significant risk of causing an adjustment to the carrying amounts of assets and liabilities within the next fiscal year are detailed below:

Albanesi S.A.
Notes to the Separate Financial Statements (Cont'd)

NOTE 5: CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES (Cont'd)

a) Impairment of assets

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

The electric power generation plant of the subsidiaries or associates of ASA are a cash generating unit, since they represent 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.

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

The Company recognizes income taxes applying the deferred tax method. Consequently, the deferred tax assets and liabilities are recognized according to the future tax consequences attributable to the differences between the carrying amount of existing assets and liabilities and the respective tax bases. Deferred tax assets and liabilities are valued at the approved tax rates that should theoretically be applied on the taxable income in the years in which the temporary differences are expected to be settled. A high degree of judgment is required to determine the provision for income tax since Management regularly assesses the positions on the tax returns regarding situations where the applicable tax regulation is subject to interpretation and, if necessary, sets out provisions based on the amounts payable to the tax authorities. When the final outcome of these matters is different from the initially recognized amounts, such differences will have an impact on income tax and deferred taxes in the fiscal year in which they are determined. On December 29, 2017, the National Executive Branch enacted Law No. 27430 - Income Tax, see description of key components in Note 21.

Albanesi S.A.
Notes to the Separate Financial Statements (Cont'd)

NOTE 6: INFORMATION ON SUBSIDIARIES AND ASSOCIATES

The Company carries its businesses through various subsidiaries and associates.

Creation of Generación Centro S.A.

In the current year, the Company, with Armando R. Loson, Holen S.A. and Carlos A. Bauzas, created GECE with a capital stock of $ 500,000. The new company was registered with the IGJ under number 13654, Book 85 of Companies by Shares, on July 12, 2017. Capital was fully issued in ordinary registered non-endorsable shares of $ 1 par value each, and entitled to 1 (one) vote per share. ASA holds a 95% interest in that company.

Dissolution and Liquidation of Albanesi de Venezuela S.A.

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 for dissolution, liquidation and subsequent de-registration of AVSA from the Venezuela Registry of Commerce were concluded.

Below the development of investments in Company subsidiaries and associates is disclosed for the years ended December 31, 2017 and 2016:

	12.31.2017	12.31.2016
Beginning of the year	**2,210,552,404**	**1,561,566,568**
Capital contributions	475,000	475,000
Dividends	(5,880,000)	(20,615,000)
Other comprehensive income	425,049,753	586,321,794
Gain/Loss on investment in subsidiaries and associates	305,173,277	82,892,321
Liquidation of Company	-	(88,279)
At end of year	**2,935,370,434**	**2,210,552,404**

Albanesi S.A.
Notes to the Separate Financial Statements (Cont'd)

NOTE 6: INFORMATION ON SUBSIDIARIES AND ASSOCIATES (CONT'D)

Below is a detail of investments and values of interest held by the Company in subsidiaries and associates for the years ended December 31, 2017 and 2016, as well as participation of the Company in the results of these companies.

				Value of the Group interest on net equity		Group share of profits		% share interest		Latest financial statement (1)		
Name of the entity	Registered office of the entity	Main activity	Ordinary shares, entitled to 1 vote	12.31.2017	12.31.2016	12.31.2017	12.31.2016	12.31.17	12.31.16	Share capital (par value)	Income/loss for the period	Equity
Subsidiaries												
GMSA	Argentina	Electricity	131,263,543	2,508,105,135	1,681,616,610	292,311,630	94,469,285	95%	95%	138,172,150	307,696,455	2,640,110,666
GFSA (2)	Argentina	Electricity	-	-	200,681,112	-	(30,169,370)	-	95%	-	-	-
GROSA	Argentina	Electricity	16,473,625	52,794,317	33,990,638	20,042,708	21,213,782	95%	95%	17,340,658	21,097,594	55,572,965
GLSA	Argentina	Electricity	475,000	352,402	456,475	(104,073)	(18,525)	95%	95%	500,000	(109,551)	370,949
GECE (4)	Argentina	Electricity	475,000	381,497	-	(93,503)	-	95%	-	500,000	(98,424)	401,576
AVSA (3)	Venezuela	Oil company	-	-	-	-	(126,968)	-	99.99%	-	-	-
Associates												
Solalban Energia S.A.	Argentina	Electricity	73,184,160	373,737,083	293,807,569	(6,983,485)	(2,475,883)	42%	42%	174,248,000	(16,627,345)	889,850,197
				2,935,370,434	2,210,552,404	305,173,277	82,892,321					

(1) Information of the financial statements at December 31, 2017 converted to IFRS.

(2) Company merged with GMSA within the framework of the merger through absorption process as described in Note 26.2.

(3) Company liquidated at November 24, 2016.

(4) Company created in the current year together with Armando R. Loson, Holen S.A. and Carlos A. Bauzas.

Albanesi S.A.
Notes to the Separate Financial Statements (Cont'd)

NOTE 7: FINANCIAL AND NON-FINANCIAL ASSETS AND LIABILITIES

At December 31, 2017	Financial assets/ liabilities at amortized cost	Non-financial assets/ liabilities	Total
Assets			
Other receivables	182,808,845	5,347,521	188,156,366
Cash and cash equivalents	455,563	-	455,563
Non-financial assets	-	2,946,615,601	2,946,615,601
Total	**183,264,408**	**2,951,963,122**	**3,135,227,530**
Liabilities			
Trade payables, tax payables and other payables	244,677,026	32,260,392	276,937,418
Loans	279,226,206	-	279,226,206
Total	**523,903,232**	**32,260,392**	**556,163,624**

At December 31, 2016	Financial assets/ liabilities at amortized cost	Non-financial assets/ liabilities	Total
Assets			
Other receivables	148,271,658	7,178,018	155,449,676
Cash and cash equivalents	151,644	-	151,644
Non-financial assets	-	2,212,039,456	2,212,039,456
Total	**148,423,302**	**2,219,217,474**	**2,367,640,776**
Liabilities			
Trade payables, tax payables and other payables	166,946,626	1,230,560	168,177,186
Loans	274,923,829	-	274,923,829
Total	**441,870,455**	**1,230,560**	**443,101,015**

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

NOTE 7: FINANCIAL AND NON-FINANCIAL ASSETS AND LIABILITIES (Cont'd)

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

At December 31, 2017	Financial assets at amortized cost	Non-financial assets	Financial liabilities at amortized cost	Total
Interest paid	-	-	(73,186,905)	(73,186,905)
Exchange differences, net	29,642	-	-	29,642
Other financial costs	-	-	(809,916)	(809,916)
Total	**29,642**	**-**	**(73,996,821)**	**(73,967,179)**

At December 31, 2016	Financial assets at amortized cost	Non-financial assets	Financial liabilities at amortized cost	Total
Interest paid			(32,201,950)	(32,201,950)
Exchange differences, net	193,347	(2,891,772)	-	(2,698,425)
Other financial costs	-	-	(587,176)	(587,176)
Total	**193,347**	**(2,891,772)**	**(32,789,126)**	**(35,487,551)**

NOTE 8: OTHER RECEIVABLES

	Note	12.31.17	12.31.16
Non-Current			
Minimum notional income tax		3,727,728	2,098,573
Other tax credits		278,560	-
		4,006,288	**2,098,573**
Current			
Related parties	22	182,808,845	148,271,658
Value added tax		-	4,932,428
Tax Law 25413		-	8,154
Other tax credits		1,341,233	138,863
		184,150,078	**153,351,103**

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

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

NOTE 9: CASH AND CASH EQUIVALENTS

	Note	12.31.17	12.31.16
Banks in local currency		320,649	128,121
Banks in foreign currency	27	134,914	23,523
Cash and cash equivalents		**455,563**	**151,644**

NOTE 10: TRADE PAYABLES

	Note	12.31.17	12.31.16
Suppliers		712,557	427,547
Related parties	22	16,245,830	16,245,830
		16,958,387	**16,673,377**

NOTE 11: OTHER LIABILITIES

	Note	12.31.17	12.31.16
Non-Current			
Other income to be accrued		24,386,058	-
Related parties	22	-	356,250
		24,386,058	**356,250**
Current			
Other income to be accrued		5,064,729	-
Related parties	22	215,642,255	149,916,999
Directors' fees	22	12,076,384	-
		232,783,368	**149,916,999**

NOTE 12: TAX PAYABLES

	12.31.17	12.31.16
Current		
Minimum notional income tax provision, net	968,716	1,230,455
VAT payable	1,724,359	-
Turnover tax payable	116,530	-
Other tax payables	-	105
	2,809,605	**1,230,560**

Albanesi S.A.
Notes to the Separate Financial Statements (Cont'd)

NOTE 13: LOANS

	12.31.17	12.31.16
Non-current		
Negotiable obligations	250,754,356	218,266,709
	250,754,356	**218,266,709**
Current		
Negotiable obligations	28,471,850	56,657,120
	28,471,850	**56,657,120**

At December 31, 2017, total financial debt amounts to $ 279.2 million. The following table shows our total debt at that date.

	Principal	12.31.17	Interest rate	Currency	Date of issuance	Maturity date
		(Pesos)	(%)			
Debt securities						
Class II Negotiable Obligations	$25,820,000	26,977,339	BADLAR + 4%	ARS	October 25, 2016	October 25, 2018
Class III Negotiable Obligations	$ 255,826,342	252,248,867	BADLAR + 4,25%	ARS	June 15, 2017	June 15, 2021
Total financial debt		**279,226,206**				

With the purpose of improving the financial profile of the company, on November 20, 2015 ASA obtained, under Resolution 17887 of the CNV, 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 USD 100,000,000 (one hundred million US dollars) or its equivalent in other currencies, in one or more classes or series.

Class I Negotiable Obligations

On December 29, 2015 the Company issued Class I Negotiable Obligations under the conditions described below.
At the closing date of these separate financial statements, the debt has been repaid in full.

Principal: Nominal value: $ 70,000,000

Interest: Private Banks BADLAR rate plus 5.5% margin.

Term and payment: interest on Class I Negotiable Obligations were paid on a quarterly basis, past due, in the following dates: March 29, 2016; June 29, 2016; September 29, 2016; December 29, 2016; March 29, 2017; June 29, 2017; September 29, 2017; and December 29, 2017.

The principal on Class I Negotiable Obligations was amortized in three (3) consecutive installments, payable on a quarterly basis, with the first two equivalent to 30% and the third one equivalent to 40% of the nominal value of Negotiable Obligations at the dates in which 18, 21 and 24 months respectively elapsed, counted as from the date of issue, that is June 29, 2017; September 29, 2017 and December 29, 2017.

Albanesi S.A.
Notes to the Separate Financial Statements (Cont'd)

NOTE 13: LOANS (Cont'd)

Class I Negotiable Obligations (Cont'd)

The proceeds from the issuance of Class I Negotiable Obligations were fully applied to the partial repayment of 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. The amount paid was $19,500,000.

Subsequently, on June 15, 2017, Class III Negotiable Obligations were issued, with $ 49,384,000 having been subscribed through a swap for Class I Negotiable Obligations, and the remainder through a swap for Class II Negotiable Obligations.

With these two issuances, ASA's indebtedness profile (term and rate) and working capital improved.

Class II Negotiable Obligations

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

Principal: Nominal value: $ 220,000,000

Interest: Private Banks BADLAR rate plus 4% margin.

Term and payment: interest on Class II Negotiable Obligations will be paid on a quarterly basis, in 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.

Principal on Class II Negotiable Obligations will be paid 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.

The proceeds from the issuance of Class II Negotiable Obligations were fully applied to the partial repayment of current liabilities that ASA holds with the related company RGA.

On June 15, 2017, Class III Negotiable Obligations were issued, and subscribed by paying up Class I and Class II Negotiable Obligations, improving the Company's working capital and indebtedness profile (term and rate). The amount paid was $ 194,180,000.

Principal balance on that Negotiable Obligation amounts to $ 25,820,000 at December 31, 2017.

Class III Negotiable Obligations

On June 15, 2017 the Company issued Class III Negotiable Obligations under the conditions described below:

Principal: Nominal value: $ 255,826,342

Interest: Private Banks BADLAR rate plus 4.25% margin.

NOTE 13: LOANS (Cont'd)

Class II Negotiable Obligations (Cont'd)

Term and payment: interest on Class III Negotiable Obligations will be paid on a quarterly basis, in arrears, on the following dates: September 15, 2017, December 15, 2017, March 15, 2018, June 15, 2018, September 15, 2018, December 15, 2018, March 15, 2019, June 15, 2019, September 15, 2019, December 15, 2019, March 15, 2020, June 15, 2020, September 15, 2020, December 15, 2020, March 15, 2021, and June 15, 2021; if other than a business day, or if such day does not exist, the interest payment date will be the immediately following business day.

Principal on Class III Negotiable Obligations will be paid 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 42, 45 and 48 months are completed, counted as from the date of issuance; i.e., on December 7, 2020, March 15, 2021 and June 15, 2021; if other than a business day, or if such day does not exist, the interest payment date will be the immediately following business day.

The issuance of Class III Negotiable Obligations was fully paid up with in-kind contributions as follows: a partial payment of Class I Negotiable Obligations for $ 52,519,884 and of Class II Negotiable Obligations for $ 203,306,458.

Principal balance on that Negotiable Obligation amounts to $ 255,826,342 at December 31, 2017.

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

	12.31.17	12.31.16
Floating rate		
Less than 1 year	28,471,850	56,657,120
Between 1 and 2 years	-	218,266,709
Between 2 and 3 years	74,211,910	-
More than 3 years	176,542,446	-
	279,226,206	**274,923,829**

Company loans are denominated in the following currencies:

	12.31.17	12.31.16
Argentine pesos	279,226,206	274,923,829
	279,226,206	**274,923,829**

Changes in Company loans were as follows:

	12.31.17	12.31.16
Loans at beginning of year	274,923,829	67,578,627
Loans received	255,826,342	220,000,000
Loans paid	(256,942,342)	(19,500,000)
Accrued interest	73,186,730	31,955,988
Interest paid	(65,809,756)	(20,947,320)
Capitalized expenses/present values	(1,958,597)	(4,163,466)
Loans at year end	**279,226,206**	**274,923,829**

Albanesi S.A.

Notes to the Separate Financial Statements (Cont'd)

NOTE 14: SELLING EXPENSES

	12.31.17	12.31.16
Duties and taxes	(268,672)	-
	(268,672)	-

NOTE 15: ADMINISTRATIVE EXPENSES

	12.31.17	12.31.16
Fees	(2,464,755)	(1,418,885)
Directors' fees	(12,076,384)	-
Sundry	(130,511)	(27,458)
	(14,671,650)	**(1,446,343)**

NOTE 16: OTHER OPERATING INCOME AND EXPENSES, NET

Other income	Note	12.31.17	12.31.16
Income from guarantees granted	22	3,450,501	1,332,143
		3,450,501	**1,332,143**

NOTE 17: FINANCIAL RESULTS

	12.31.17	12.31.16
Financial expenses		
Loan interest	(73,186,730)	(31,955,988)
Tax interest and others	(175)	(245,962)
Bank expenses and taxes	(809,916)	(587,176)
Total financial expenses	**(73,996,821)**	**(32,789,126)**
Other financial results		
Exchange difference	29,642	(2,698,425)
Total other financial results	**29,642**	**(2,698,425)**
Total financial results, net	**(73,967,179)**	**(35,487,551)**

Albanesi S.A.
Notes to the Separate Financial Statements (Cont'd)

NOTE 18: CAPITAL STATUS

Share capital at December 31, 2017 is comprised of:

Capital	Amount $	Date	Approved by Body	Date of registration with the Public Registry of Commerce
Total at 12.31.2017	**30,100,000**			
Capitalization of debt	10,000,000	12/31/12	Extraordinary Shareholders' Meeting	9/16/13
Capitalization of debt	20,000,000	12/30/13	Extraordinary Shareholders' Meeting	9/25/14
Capital reduction	(55,644,840)	7/16/14	Ordinary Shareholders' Meeting	9/25/14
Capitalization of debt	58,000,000	3/22/16	Extraordinary Shareholders' Meeting	11/8/16
Total at 12.31.2017	**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; therefore, the share capital amounts to $ 62,455,160.

NOTE 19: DISTRIBUTION OF PROFITS

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.

Pursuant to General Companies Law No. 19550, 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 capital stock.

Due to the issue of the International Negotiable Obligation, co-issued by GMSA and CTR and guaranteed by ASA, the Company must comply with ratios on the combined Financial Statements in order to distribute dividends.

NOTE 20: 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.

	12.31.2017	12.31.2016
Profit for the year attributable to the owners	229,474,392	48,770,643
Weighted average of outstanding ordinary shares	62,455,160	49,460,624
Basic and diluted earnings per share	**3.67**	**0.99**

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

NOTE 21: INCOME TAX

Tax reform in Argentina

On December 29, 2017, the National Executive Branch enacted Law 27430 on Income Tax. This law introduced several changes to the income tax treatment, among others:

Income tax rate: The income tax rate for Argentine companies will be reduced gradually from 35% to 30% for fiscal years beginning on or after January 1, 2018 until December 31, 2019 and to 25% for fiscal years beginning on or after January 1, 2020.

Tax on dividends: A tax is levied on dividends or profits distributed, among others, by Argentine companies or permanent establishments to: individuals, undivided estates or foreign beneficiaries, according to the following rates: (i) dividends deriving from profits generated during fiscal years beginning on or after January 1, 2018 until December 31, 2019 will be subject to tax at a rate of 7%, and; (ii) dividends deriving from profits obtained during fiscal years beginning on or after January 1, 2020 will be subject to tax at a rate of 13%.

Dividends on profits obtained until the fiscal year prior to the fiscal year beginning on or after January 1, 2018 will continue to be subject to withholdings, for all beneficiaries, at a rate of 35% of the amount exceeding retained earnings to be distributed free of tax (transition period of equalization tax).

The reconciliation of the income tax charge charged to profit/loss for the year to that resulting from the application of the tax rate in effect in Argentina corresponding to the accounting profit/loss before taxes, for the fiscal years ended December 31, 2017 and 2016, is the following:

	12.31.17	12.31.16
	$	
Profit/(loss) for the year before income tax	219,716,277	47,290,570
Current tax rate	35%	35%
Net loss for the year at the tax rate	(76,900,697)	(16,551,700)
Gain/Loss on investment in subsidiaries and associates	106,810,647	29,012,312
Change in the income tax rate (a)	(4,498,066)	-
Other permanent differences at tax rate	(15,653,769)	(10,973,560)
Provision understated in the prior year	-	(6,979)
Total income tax charge	**9,758,115**	**1,480,073**

(a) Corresponds to the effect of the application of the changes in income tax rates on deferred tax assets and liabilities, in line with the tax reform detailed above, based on the expected year of realization.

Albanesi S.A.
Notes to the Separate Financial Statements (Cont'd)

NOTE 21: INCOME TAX (Cont'd)

The income tax charge is broken down as follows:

	12.31.17	12.31.16
Deferred tax	9,758,115	1,487,052
Variation between income tax provision and Tax return	-	(6,979)
Income tax	**9,758,115**	**1,480,073**

The changes and breakdown of deferred tax assets and liabilities are detailed in the following table:

Deferred assets (liabilities)	Balances at 12.31.2016	Changes to profit/loss	Balances at 12.31.2017
		$	
Tax loss carry-forwards	6,086,961	9,380,764	15,467,725
Loans	-	377,351	377,351
Non-recognized tax loss carry-forwards	(4,599,909)	-	(4,599,909)
Total net deferred tax assets	**1,487,052**	**9,758,115**	**11,245,167**

Deferred assets (liabilities)	Balances at 12.31.2015	Changes to profit/loss	Balances at 12.31.2016
		$	
Tax loss carry-forwards	4,599,909	1,487,052	6,086,961
Non-recognized tax loss carry-forwards	(4,599,909)	-	(4,599,909)
Total net deferred tax assets	-	**1,487,052**	**1,487,052**

Accumulated tax loss carry-forwards recorded by the Company which are pending use at December 31, 2017:

Year	$	Year of expiration
Tax losses for the year 2015	13,142,598	2020
Tax loss for the year 2016	2,760,573	2021
Tax losses for the year 2017	40,731,947	2022
Total accumulated tax loss carry-forwards at December 31, 2017	**56,635,118**	
Non-recognized tax loss carry-forwards	(13,142,598)	
Total accumulated tax loss carry-forwards at December 31, 2017	**43,492,520**	

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.

Albanesi S.A.
Notes to the Separate Financial Statements (Cont'd)

NOTE 22: TRANSACTIONS AND BALANCES WITH RELATED PARTIES

a) *Transactions for the year*

	Relationship nature	**12.31.17**	**12.31.16**
		Profit /	**(Loss)**
Dividends earned			
GMSA	Subsidiary	-	9,215,000
Solalban Energía S.A.	Related company	5,880,000	-
GROSA	Subsidiary	-	11,400,000
		5,880,000	**20,615,000**
Fees			
Directors	Related parties	(12,076,384)	-
		(12,076,384)	**-**
Income from guarantees granted			
CTR	Related parties	895,200	373,000
GFSA (1)	Subsidiary	-	37,300
AJSA	Subsidiary	122,158	-
GMSA	Subsidiary	2,433,143	921,843
		3,450,501	**1,332,143**
Reimbursement of expenses			
GECE (2)	Subsidiary	23,963	-
GLSA	Subsidiary	78,341	-
		102,304	**-**

Albanesi S.A.
Notes to the Separate Financial Statements (Cont'd)

NOTE 22: TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Cont'd)

b) Balances at the date of the statements of financial position

	Relationship nature	12.31.17	12.31.16
Other receivables			
Current			
Shareholders' accounts	Related parties	171,584,168	147,691,158
CTR	Related parties	-	373,000
GFSA (1)	Subsidiary	-	37,300
Advances to directors	Related parties	170,200	170,200
GECE (2)	Subsidiary	10,985,688	-
GLSA	Subsidiary	68,789	-
		182,808,845	**148,271,658**
Trade payables			
Current			
RGA	Related parties	16,245,830	16,245,830
		16,245,830	**16,245,830**
Other liabilities			
Non-Current			
GLSA - Capital to be paid-in	Subsidiary	-	356,250
		-	**356,250**
Current			
GMSA(3)	Subsidiary	106,726,555	60,162,259
Directors' fees	Related parties	12,076,384	-
GLSA - Capital to be paid-in	Subsidiary	356,250	-
RGA	Related parties	108,559,450	89,629,740
GLSA	Subsidiary	-	125,000
		227,718,639	**149,916,999**

(1) Company absorbed by GMSA as from January 1, 2017.
(2) Company created in the current year. See Note 6.
(3) Net of the receivable for $ 3,547,468 for the assignment of the credit rights from ASA to GMSA, in connection with the guarantee provided to AJSA.

Albanesi S.A.

Notes to the Separate Financial Statements (Cont'd)

NOTE 23: GUARANTEES GRANTED FOR FINANCIAL OPERATIONS WITH SUBSIDIARIES AND RELATED PARTIES

Below is a detail of guarantees granted by ASA for financial transactions of subsidiaries and related parties:

In favor of	Type of guarantee	Entity	Asset/destination	From	Until	Amount secured	Balances at 12.31.17
GFSA(2)	Personal Guarantee	Negotiable obligations	Class II	3/8/2016	3/8/2018	$ 130,000,000	$ 8,200,001
AJSA	Surety bond	SFG Equipment Leasing Corporation	Leasing aircraft Jet Lear 45XR	11/14/2008	1/21/2019	USD 7,330,000	USD 1,106,342
GMSA	Surety bond	CAMMESA	Repair of machinery	12.31.12	5/30/2019	$ 26,997,275	$ 12,282,813
GMSA	Guarantor	Siemens Industrial Turbomachinery AB	Acquisition of two Siemens SGT 800 turbines for CTMM	6/14/2016	7/14/2019	SEK 177,000,000	SEK 177,000,000
GMSA	Guarantor	Siemens Industrial Turbomachinery AB	Acquisition of two Siemens SGT 800 turbines for CTI	9/13/2016	3/13/2020	SEK 175,230,000	SEK 175,230,000
GMSA	Guarantor	Siemens Industrial Turbomachinery AB	Acquisition of three Siemens SGT 800 turbines for CTE	9/13/2016	3/13/2020	SEK 263,730,000	SEK 263,730,000
GMSA-GFSA(2)-CTR	Guarantor (1)	International bond	Project financing	7/27/2016	7/27/2023	USD 250,000,000	USD 250,000,000
GMSA-CTR	Guarantor (1)	International bond	Project financing	12/5/2017	7/27/2023	USD 86,000,000	USD 86,000,000
GFSA(2)-	Guarantor	PW Power Systems, Inc.	Turbine financing	3/30/2016	12/2023	USD 12,000,000	USD 12,000,000
AJSA(3)-	Guarantor	Export Development Canadá	Leasing aircraft Bombardier Inc. Model BD-100-1A10 (Challenger 350 Variant)	7/19/2017	7/19/2027	USD 16,480,000	USD 16,068,000

(1) The Guarantee granted by ASA to the Co-Issuers of the International Bond GMSA, GFSA (absorbed by GMSA) and CTR was approved by the Board of Directors on June 6, 2016. The fees agreed upon as consideration for the services and responsibilities assumed for the issuance at July 27, 2016, are $ 22,380,000 and for the issuance at December 5, 2017 were $ 8,921,640.

(2) Company absorbed by GMSA as from January 1, 2017 (See Note 26.2).

(3) The Guarantee provided to AJSA by ASA on July 13, 2017 and the fees agreed upon as consideration for the services and responsibilities assumed are $ 2,931,792.

Albanesi S.A.
Notes to the Separate Financial Statements (Cont'd)

NOTE 24: WORKING CAPITAL

At December 31, 2017, ASA recorded a negative working capital (calculated as current assets less current liabilities) of $ 96,417,569.

With the aim of reducing the current shortfall of working capital, ASA and its shareholders expect to execute the following action plan to pay the debt held by the Company with RGA, according to the following detail:

i) $ 80.6 million approximately corresponding to dividends expected to be received from subsidiaries and associates for the year 2017.

NOTE 25: BALANCE OF DEBT WITH RAFAEL G. ALBANESI S.A.

At December 31, 2017 the balance of trade payables and other debt with RGA amounted to $ 124,805,280.

To continue reducing the debt with the related party RGA, the Board of Directors and shareholders expect to execute the action plan detailed in Note 24 with the aim of partially settling it.

NOTE 26: MERGER

1) GMSA - GISA - GLBSA - GRISA MERGER THROUGH ABSORPTION

On November 10, 2015, GMSA, GISA, GLBSA and GRISA entered into a final merger agreement (the "Final Merger Agreement") whereby it started the merger through absorption process of GMSA with the companies GISA, GLBSA and GRISA (the "Corporate Reorganization").

The Corporate Reorganization allows to enhance and optimize the performance of the economic activities and the operating, administrative and technical structures of the Participating Companies to achieve synergies and operating efficiency through only one operating unit. Considering that the participating companies are electric power generating agents in the MEM 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 Corporate Reorganization will be tax free under the terms of Section 77 and following provisions of the Income Tax Law No. 26839.

NOTE 26: MERGER (Cont'd)

1) GMSA - GISA - GLBSA - GRISA MERGER THROUGH ABSORPTION (Cont'd)

As a result of the merger and as approved in the 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 by-laws 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, which was submitted to the IGJ for its registration on May 18, 2016. Furthermore, on March 22, 2016, the CNV through Resolutions No. 18004 and 18006 approved the early dissolution of GISA and the transfer of the negotiable obligations for public offering from GISA to GMSA. The dissolutions without liquidation of GISA, GRISA and GLBSA were registered with the IGJ on May 18, 2016

2) GMSA-GFSA MERGER THROUGH ABSORPTION

On November 15, 2016, GMSA and GFSA entered into a final merger agreement (the "GMSA-GFSA Final Merger Agreement"), whereby it was decided to merge the company GFSA into GMSA (the "GMSA-GFSA Corporate Reorganization").

The GMSA-GFSA Corporate Reorganization comprises the same objectives and benefits as those already mentioned for the merger described in the preceding point; as was explained for that case, the above-mentioned benefits will be obtained without incurring tax costs, as the GMSA-GFSA Corporate Reorganization will be tax free under the terms of Section 77 and following provisions of the Income Tax Law No. 26839.

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

In particular, at GFSA Shareholders' Meeting the following was also approved: (i) the early dissolution without liquidation of GFSA as a result of the merger, and its de-registration 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.

Further, the Shareholders' Meeting of GMSA, within the framework of the merger process, among other issues, approved a 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 the corporate bylaws.

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 26: MERGER (Cont'd)

2) GMSA – GFSA merger through absorption (Cont'd)

On March 2, 2017, the CNV approved under Resolution No. 18537 the Merger through Absorption under the terms of Section 82 of General Companies Law No. 19550 and the capital increase, with the pertinent amendment to the bylaws, decided within the framework of the merger, ordering that the respective documents be sent to the IGJ for registration purposes. The merger was registered with the IGJ on March 17, 2017. Also, by Resolution No. 18538 dated March 2, 2017, the CNV approved the dissolution without liquidation of GFSA, which was registered with the IGJ on March 17, 2017. On May 10, 2017, the CNV approved by Resolution No. 18648 the transfer of the public offering from GFSA to GMSA for the issuance of simple negotiable obligations, not convertible into shares, for a nominal value of up to USD 50,000,000; said public offering had been granted under Resolution No. 17402 whereby Class II and Class III Negotiable Obligations were issued. On July 24, 2017, the CNV approved by Resolution No. 18848 the transfer of authorization No. 18110 of the public offering for the co-issuance of negotiable obligations not convertible into shares for a nominal value of up to USD 250,000,000.

3) ASA-AISA MERGER THROUGH ABSORPTION

On October 18, 2017, ASA and AISA held their pertinent Extraordinary Shareholders' Meetings, at which the shareholders of both companies approved the corporate reorganization process by which ASA absorbed AISA ("ASA – AISA merger"), as well as the respective documentation. In addition, at the AISA meeting in particular, the early dissolution without liquidation of AISA as a result of the merger was also approved, and its de-registration as a corporation in due course. Further, the Shareholders' Meeting of ASA, within the framework of the merger process, among other issues, approved a capital increase from $62,455,160 to $64,451,745, by issuing 1,996,585 new ordinary registered non-endorsable shares of ASA, 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, 2018), 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 4 of the corporate bylaws.

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 MEM 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 Corporate Reorganization will be tax free under the terms of Section 77 and following provisions of the Income Tax Law No. 26839.

Albanesi S.A.

Notes to the Separate Financial Statements (Cont'd)

NOTE 27: FOREIGN CURRENCY ASSETS AND LIABILITIES

Breakdown of balances in foreign currency of monetary assets and liabilities is as follows:

	12.31.17			12.31.16
	Type and amount of foreign currency	Exchange rate (1)	Amount recorded in pesos	Amount recorded in pesos
ASSETS			$	
CURRENT ASSETS				
Banks	USD 7,273	18.549	134,914	23,523
Total current assets			134,914	23,523
Total Assets			**134,914**	**23,523**

(1) Prevailing exchange rate at closing
Information required by Exhibit G, in compliance with Section 1, Chapter III, Title IV of the restated text by the CNV.

NOTE 28: CLASSIFICATION OF RECEIVABLES AND DEBTS BY DUE DATES AND INTEREST ACCRUAL

The breakdown of the receivables and debts at December 31, 2017, according to collection or payment term and restatement clauses is detailed in the table below:

	Other receivables	Deferred tax assets	Trade payables	Tax payables	Other liabilities	Loans
			$			
To be due						
First quarter	335,308	-	712,557	1,840,889	1,266,182	3,936,318
Second quarter	172,089,676	-	-	968,716	13,342,566	7,317,844
Third quarter	335,308	-	-	-	1,266,182	7,317,844
Fourth quarter	335,309	-	-	-	1,266,183	9,899,844
More than one year	4,006,288	11,245,167	-	-	24,386,058	250,754,356
Sub-total	177,101,889	11,245,167	712,557	2,809,605	41,527,171	279,226,206
Without stated term	11,054,477	-	16,245,830	-	215,642,255	-
Total	**188,156,366**	**11,245,167**	**16,958,387**	**2,809,605**	**257,169,426**	**279,226,206**
Non-interest bearing	188,156,366	11,245,167	16,958,387	2,809,605	257,169,426	-
At floating rate	-	-	-	-	-	279,226,206
Total at 12.31.2017	**188,156,366**	**11,245,167**	**16,958,387**	**2,809,605**	**257,169,426**	**279,226,206**

NOTE 29: 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. The Company keeps and preserves its corporate books, accounting records and relevant business documents at its principal place of business located at Av. L.N. Alem 855, 14th floor - City of Buenos Aires

Also, the Company has sent for storage its working papers and non-sensitive information for the not yet statute-barred fiscal years to the following supplier:

Entity responsible for warehousing of information - Domicile
Iron Mountain Argentina S.A. – Av. Amancio Alcorta 2482, City of Buenos Aires
Iron Mountain Argentina S.A. - San Miguel de Tucumán 601, Spegazzini, Ezeiza.

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

NOTE 30: SUBSEQUENT EVENTS

ASA-AISA Merger through absorption

On January 16, 2018, through Resolution RESFC- 2018–19281-APN-DIR#CNV dated January 11, 2018 the CNV approved the described merger through absorption within the terms of Section 82 of the General Companies Law No. 19550 and the capital increase with the amendment of the bylaws as decided within the framework of the merger. Both procedures were registered with the Superintendency of Commercial Companies on February 23, 2018 under No. 3452 of Book 88, Volume: -, Companies by Shares. On the same date, the dissolution without liquidation of AISA was registered with the IGJ, and its de-registration as a corporation under No. 3453 of Book 88, Volume: -, Companies by Shares.

Cargill Limited loan

On 15 February, 2018, GMSA and CTR agreed to a loan for USD 25,000,000, which was borrowed by GMSA and has been fully guaranteed by ASA suretyship. The term of this loan is 36 months, with principal amortization and a 12-month grace period, as from which it is amortized semi-annually, and accrues interest semi-annually at 6-month LIBOR, plus a 4.25% spread.

NOTE 31: FINANCIAL STATEMENTS TRASLATION INTO ENGLISH LANGUAGE

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

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

Additional information required by Section 12, Chapter III, Title IV, of the National Securities Commission regulations, FOR THE YEAR ENDED DECEMBER 31, 2017

General matters referred to the activity of Albanesi S.A. (the Company)

1. Significant specific legal systems entailing the lapsing or rebirth of contingent benefits set forth by those regulations.

   None.

2. Significant changes in the company activities or similar circumstances that took place during the fiscal years corresponding to the financial statements that affect their comparability with those presented in previous years, or that could affect comparability with those to be presented in future years.

   None.

3. Breakdown of balances for receivables and liabilities according to their aging and due date

   See Note 28 to the separate financial statements at December 31, 2017.

4. Breakdown of receivables and liabilities according to the financial impact of maintaining the balances.

   See Note 28 to the separate financial statements at December 31, 2017.

5. Intercompany Section 33, Law 19550:

   Participation percentage in companies Sect. 33, Law No. 19550:

   See Note 6 to the separate financial statements at December 31, 2017.

   Accounts payable and receivable with companies Sect. 33, Law No. 19550:

   See Note 22 to the separate financial statements at December 31, 2017.

6. Trade receivables or loans against directors, syndics, members of the surveillance committee or their relatives in the second degree inclusive.

   See Note 22 to the separate financial statements at December 31, 2017.

7. Frequency and scope of the physical inventory of materials and spare parts.

   The Company has no physical inventory of materials and spare parts.

Current values

8. Source of the data used in calculating the current values for the valuation of inventories, property, plant and equipment, and other significant assets.

   Not applicable.

Property, plant and equipment

9. Release of the Reserve for technical revaluation when part of it had been previously reduced to absorb losses.

   None.

10. Value of unused Property, plant and equipment due to obsolescence.

    None.

Equity interest in other companies

11. Interests in other companies in excess of the limit authorized by Section 31 of Law No. 19550.

    See Note 6 to the separate financial statements at December 31, 2017.

Recoverable values

12. Criteria followed to determine significant recoverable values of property, plant and equipment, materials and spare parts, as a limit to their accounting valuation.

    None.

Insurance

13. Insured items:

Below is a detail of insured amounts by Albanesi S.A. and its subsidiaries

Kind of risk	Insured amount 12-2017	Insured amount 12-2016
Operational all risks - Material damage	USD 675,345,092	USD 383,200,000
Operational all risk - Loss of profit	USD 150,237,090	USD 68,073,928
Contractors' all-risk - enlargement of power plants - material damages	USD 179,937,714	USD 285,706,443
Contractors' all-risk - Enlargement of power plant - advance loss of profit (ALOP)	USD 69,400,838	USD 99,746,356
Civil Liability (primary)	USD 10,000,000	USD 6,000,000
Civil Liability (excess coverage)	USD 9,000,000	USD 9,000,000
Directors and Officers (D&O) liability insurance	USD 15,000,000	USD 15,000,000
Turbine project transport insurance	-	USD 103,890,000
Transport Argentine and international market	USD 10,000,000	USD 10,000,000
Automobile	$ 2,056,000	$ 1,849,000
Personal accidents	$ 1,050,000	$ 750,000
Personal accidents	USD 500,000	USD 500,000
Directors' bond	$ 1,950,000	$ 1,850,000
Customs bond	$ 512,335,306	$ 1,009,906,781
Financial advances bond	$ 175,150,000	-
Contract execution bond	$ 11,266,549	-
ENES Bond	$ 900,109,665	-
Bond for commercial authorization of projects	$ 1,183,048,020	$ 499,810,500
Bond to secure offer maintenance in projects	$ 81,998,045	$ 14,017,389
Judicial bond	$ 10,705,473	-
Environmental insurance	$ 18,262,245	$ 5,237,473
Technical equipment insurance	USD 256,683	USD 129,280
Life insurance - mandatory life insurance	$ 44,330	$ 33,330
Life - mandatory group life insurance (LCT, employment contract law)	Disability: 1 salary per year Death: 1/2 salary per year	Disability: 1 salary per year Death: 1/2 salary per year
Life - Additional group life insurance	24 salaries	24 salaries

Insurance is bought at market values, which widely cover accounting values.

Operational all-risk:

All-risk insurance covers all the risks of loss or physical damage caused to property owned by or under the charge of the insured while situated in the place(s) described in the policy, provided that such damage occurs accidentally, suddenly or unexpectedly, and makes it necessary to repair and/or replace such property as a direct consequence of any of the risks covered by the policy. This policy includes coverage for loss of profit, with the aim of covering the losses caused by the interruption of the activities as a result of the accident, both as regards the profit that is no longer obtained and the expenses the Company continues to bear despite its inactivity, such that the insured may be in the same financial situation as if the accident had not occurred.

Construction all-risk and ALOP:

Contractors' all-risk insurance covers all accidental or unforeseeable damages occurred during the execution of a civil work, including damages caused by acts of God, provided they are not expressly excluded in the policy.

As for the coverage for the delay in the start-up (Alop) the expected margin of the business for the sale of energy an power is insured, discounting variable costs during the period of repair or replacement of the event occurred.

Civil liability:

These policies cover underlying civil liability of the insured, as a result of injuries and/or death of third parties and/or damages to property of third parties, caused and /or derived from the development of the insured activity and product liability, subject to the terms, conditions, limitations and exclusions contained in the policy.

They are structured as follows:

Individual policies were taken out for each of Albanesi Group companies, with a maximum compensation of USD 1,000,000 per event and per plant and two reinstatement clauses over the life of the policy.

In addition, an insurance policy common to all companies has been taken out with a compensation limit of USD 9,000,000- per event and during the effective term of the policy in excess of USD 1,000,000 - (individual policies), with two reinstatements exclusively for operations liability and without reinstatement for product liability.

Directors and Officers (D&O) liability insurance

This policy covers all actions or decision-making of directors and/or executives as such, outside the professional service or company where they work; for example, dismissal of employees, hirings, financial, advertising and marketing decisions, mergers or acquisitions, shareholders' statements, accounting records, which may be performed with negligence or fault, error or imprudence and cause an economic damage to an employee, shareholder or third party. It does not cover fraudulent activities.

The policy also provides coverage to the company against claims related to stocks or securities or claims filed by the holders of its shares or bonds.

It covers the personal equity of present, past or future directors and/or executives, and the company's exposure to capital market issues.

Transport insurance:

The Company has an insurance policy that covers transportation of all generators of Albanesi Group under the modality of sworn statement to be presented monthly in arrears. It covers losses or damages of goods of the insured as a result of its mobilization during transportation, which may be international, national or urban, either by land, air or sea.

Personal accidents insurance:

Covers death and disability risks and medical attention and pharmaceutical expenses resulting from work-related accidents.

Automobile insurance:

This insurance covers the damage to own vehicles as well as extra-contractual civil liability of the owner, user or driver of the automobile involved in an accident where third parties are injured or die.

Directors' bond:

It is the guarantee required by the General Companies Law (Law 19550, Section 256, paragraph 2) from directors of corporations and members of the administrative bodies of other companies (LLC, joint stock company). This bond protects the Company against non-compliance with obligations by Directors or Managing partners while performing their duties.

Customs Guarantees:

Temporary imports: this guarantee avoids the payment of pertinent duties for the entry of goods into the country, provided that they are exported in a term determined, at which time the guarantee is released.

Temporary export: the amount of pertinent duties are guaranteed for the export of those exported goods which will be re-imported.

Financial bond:

It guarantees that the money received by the customer on account of advance, will be applied to the effective compliance with the contract agreed upon.

Contract execution bond:

It guarantees the compliance with all the obligations established in the contract and in the specifications of the call for bids. This policy has unlimited duration; it is released when returned or upon the provisional reception of the work without observations.

Environmental bond:

The environmental bond for damage with group incidence covers the environmental bond established by the General Law on Environment No. 25675, Section 22 in agreement with the provisions of enforcement authorities.

Bond to secure offer maintenance in projects:

It guarantees the offer maintenance and signing of the contract in the time and manner required by law and bidding rules.

Judicial bond:

Insurance bond for judicial guarantees provides litigants with an appropriate means to guarantee their procedural obligations when the respective Code so requires.

These coverages apply both in cases in which the judge hearing the case has ordered the lock of a provisional remedy, and in those in which the constitution of a counterbond has been arranged: replacement of provisional remedies : the provisional remedy can be substituted by the defendant in a lawsuit through this policy, thereby releasing the equity affected by such measure.

Counterbond: it is the guarantee that must be provided by the person who has requested the lock of a provisional remedy to guarantee the damages that may arise in case of having requested it without right.

Mandatory life insurance:

Mandatory life insurance is a coverage that the employer is obliged to take out on behalf of its employees. This insurance covers the risk of death of worker on an employment relationship, for any cause, without limitations of any kind, 24 hours a day, in or outside Argentina. The insured amount is $33,330, as established by the National Insurance Superintendency.

Life insurance (LCT, employment contract Law):

This insurance covers underlying obligations from the Employment Contract Law, if the company has to pay compensation in case of a total and permanent disability or death of the employee, whichever the cause.

Group Life insurance:

The Company has taken out a group life insurance policy, on behalf of all Albanesi Group employees. It grants compensation in case of death, double severance pay in case of accidental death, partial losses due to accident, advances for terminal diseases, organ transplant and birth of child after the employee's death.

<u>Positive and negative contingencies</u>

14. Elements considered to calculate provisions whose balances, considered individually or in the aggregate, exceed 2% of the equity.

    There have not been changes in the issues previously reported.

15. Contingent situations not accounted for at the date of the financial statements.

    None.

<u>Irrevocable advances on account of future subscriptions</u>

16. Status of the capitalization procedure.

    None.

17. Unpaid cumulative dividends on preferred shares.

    None.

18. Conditions, circumstances or terms for the removal of restrictions on the distribution of unappropriated earnings.

    See Note 19 to the separate financial statements at December 31, 2017.

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REPORT OF THE INDEPENDENT AUDITORS

To the Shareholders, President and Directors of
Albanesi S.A.
Legal address: Leandro N. Alem 855 - 14th Floor
City of Buenos Aires
Tax Registration No. 30-68250412-5

Report on the financial statements

We have audited the attached separate financial statements of Albanesi S.A. (the Company), which consist of the separate statement of financial position as of December 31, 2017, the statement of comprehensive income, statement of changes in equity and cash flow statement 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 2016 are an integral part of the audited separate financial statements mentioned above; therefore, they must be considered in connection with these separate financial statements.

Board's responsibility

The Board of Directors of the Company is responsible for the preparation and reasonable presentation of these financial statements under International Financial Reporting Standards (IFRS) adopted by the Argentine Federation of Professional Councils in Economic Sciences (FACPCE) as professional accounting standards and incorporated into the regulations of the National Securities Commission (CNV), as approved by the International Accounting Standards Board (IASB). Further, the Board of Directors is responsible for the existence of adequate internal control to prepare separate financial statements free of any material misstatements due to error or irregularities.

Auditors' responsibility

Our responsibility is to express an opinion on the attached separate financial statements, based on our audit. We performed our audit in accordance with International Standards on Auditing, which were adopted in Argentina by the FACPCE (Argentine Federation of Professional Councils in Economic Sciences) through Technical Pronouncement No. 32 and and its corresponding circular letters on adoption. These standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance whether the separate 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 separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the separate 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 separate 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 separate 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 separate financial statements mentioned the first paragraph of this report present fairly, in all material respects, the separate financial position of Albanesi S.A. as of December 31, 2017, as well as the separate comprehensive income and separate 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 separate 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 additional information to the Notes to the separate financial statements as required by Section 12, Chapter III, Title IV of the National Securities Commission regulations, on which, as regards those matters that are within our field of competence, we have no observations to make;

d) at December 31, 2017 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 IV, 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, 2017 account for:

e.1) 69 % of the total fees for services billed to the Company for all items during that fiscal year;
e.2) 9 % 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) 5 % 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 12, 2018

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 accordance with Section 294 of Law No. 19550, the standards issued by the National Securities Commission (CNV) and Regulations of the Buenos Aires Stock Exchange, we have examined the separate statement of financial position of Albanesi S.A. at December 31, 2017, and the related separate statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended 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 Albanesi S.A.

2. Our examination was carried out in accordance with standards applicable to syndics. These standards require that the examinations of the financial statements be performed in accordance with current auditing standards, and include the verification of the fairness of the significant information contained in the documents examined and their consistency with the information on corporate decisions, which are known to us, as disclosed in the Board and Shareholders' meeting minutes, as well as the conformity of those decisions with the law and by-laws insofar as concerns formal and documentary aspects. To fulfill our professional duties, we have reviewed the work done by the external auditors, Price Waterhouse & Co. SRL, which issued their unqualified opinion on March 12, 2018. 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, 2017, we have verified that it contains the information required by Section 66 of the General Companies Law No. 19550, 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 financial statements at, December 31, 2017, 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 separate financial statements of Albanesi S.A. present fairly, in all material respects, its financial position at December 31, 2017, its comprehensive income, changes in its equity and the cash flow for the year then ended, in conformity with professional accounting standards in force 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 Albanesi S.A., 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 City of Buenos Aires, which comprise independence requirements, and

   ii. the separate 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 12, 2018

For the Syndics' Committee
Accountant Marcelo P. Lerner
Full Syndic