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Generación Mediterránea S.A.

FINANCIAL STATEMENTS
At December 31, 2017
Presented in comparative format

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Contents

Generación Mediterránea S.A.

GLOSSARY OF TECHNICAL TERMS

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

Terms	Definitions
/day	Per day
AISA	Albanesi Inversora S.A.
AJSA	Alba Jet S.A.
ASA	Albanesi S.A.
AFIP	Federal Administration of Public Revenue
AVRC	Alto Valle Río Colorado S.A.
AVSA	Albanesi Venezuela S.A.
BADLAR	Average interest rate paid by financial institutions on time deposits for over one million pesos.
BADCOR	Adjusted BADLAR rate
BDD	Bodega del Desierto S.A.
BCRA	Central Bank of the Argentine Republic
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 situated in Ezeiza, Buenos Aires.
CTF	Central Térmica Frías located in Frías, Santiago del Estero.
CTI	Central Térmica Independencia (Independencia Thermal Power Plant) located in San Miguel de Tucumán, Tucumán.
CTLB	Central Térmica La Banda located in La Banda, Santiago del Estero.
CTMM	Central Térmica Modesto Maranzana situated in Río IV, Córdoba
CTR	Central Térmica Roca S.A.
CTRi	Central Térmica Riojana located in La Rioja, province of La Rioja.
CVP	Variable Production Cost
Dam3	Cubic decameter. Volume equivalent to 1,000 (one thousand) cubic meters
DH	Historical Availability
Availability	Percentage of time in which the power plant or machinery, as applicable, is in operation (generating power) or available for power generation, but not called by CAMMESA
DMC	Minimum Availability Committed
DO	Target Availability
DR	Registered Availability
The Group	Albanesi S.A. Jointly with its subsidiaries and other related companies
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

Generación Mediterránea S.A.

GLOSSARY OF TECHNICAL TERMS (Cont'd)

Terms	Definitions
GFSA	Generación Frías S.A. (company merged into GMSA)
GISA	Generación Independencia S.A. (company merged into GMSA)
GLBSA	Generación La Banda S.A. (company merged into GMSA)
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. (company merged into GMSA)
GROSA	Generación Rosario S.A.
GUDIs	Large Demand from Distributors' customers, with declared or demanded supply 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
LGS	General Companies Law
LVFVD	Sales liquidations with maturity date to be defined
MAT	Futures market
MAPRO	Major Scheduled Maintenance
MEM	Wholesale Electric Market
MMm3	Million cubic meters
MW	Megawatt Unit of power equivalent to 1,000,000 watts
MWh	Megawatt hour Unit of energy equivalent to 1,000,000 watts hour
MVA	Mega-volt ampere, unit of energy equivalent to 1 volt x 1 ampere x 106
Argentine 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 Contracts" under Energy Secretariat Resolution No. 220/07
GR	General Resolution
RGA	Rafael G. Albanesi S.A.
RT	Technical pronouncements
TRASNOA S.A.	Empresa de Transporte de Energía Eléctrica por Distribución Troncal del Noroeste Argentino S.A.
SADI	Argentine Interconnection System
SE	Energy Secretariat
CGU	Cash Generating Unit
USD	US Dollars

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Generación Mediterránea 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
Roberto J. Volonté
Juan Carlos Collin
Jorge Hilario Schneider

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

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

Alternate Syndics
Juan Cruz Nocciolino
Carlos I. Vela
Johanna M. Cárdenas

GENERACIÓN MEDITERRÁNEA

Generación Mediterránea S.A.

Annual Report for Fiscal Year 2017

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Generación Mediterránea S.A.

Annual Report for Fiscal Year 2017

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Annual Report for Fiscal Year 2017

To the Shareholders of GMSA,

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

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

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

At the date of these financial statements, Albanesi Group had a total installed capacity of 1,410 MW, representing 6.2% 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.

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 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 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 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 agreement falls within the scope of ES Resolution No. 220/07,220/07.On July 6, 2017, the two Siemens SGT-800 turbines were authorized to operate in the MEM. In this manner, the installed capacity of the Power Plant increased from 250 MW to 350 MW. The total invested in such 100MW enlargement amounted to USD 88.4 million.

Through ES 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 MEM.

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 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 to supply 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.

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 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 invested at both stages was USD 79 million.

Riojana Power Plant

Riojana Power Plant is located in the Province of La Rioja and has 4 power generation units: Turbomachinery Fiat TG21 of 12MW, Turbomachinery John Brown TG22 of 16MW, Turbomachinery Fiat TG23 of 12MW and Turbomachinery 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 Turbomachinery 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 La Rioja transformer station.

The total amount invested for the 50 MW enlargement was of 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

Frias 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 consists 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. 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 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 value of the turbine amounts to USD 20.3 million. On February 3, 2018, the authorization for commercial operation of the second stage was obtained.

Through SE 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 MEM.

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

Other of the projects awarded was the closure of the combined cycle of the gas turbine 01, 02 and 03 units at 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 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 to supply 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.

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 expected 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 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 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 sole 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.

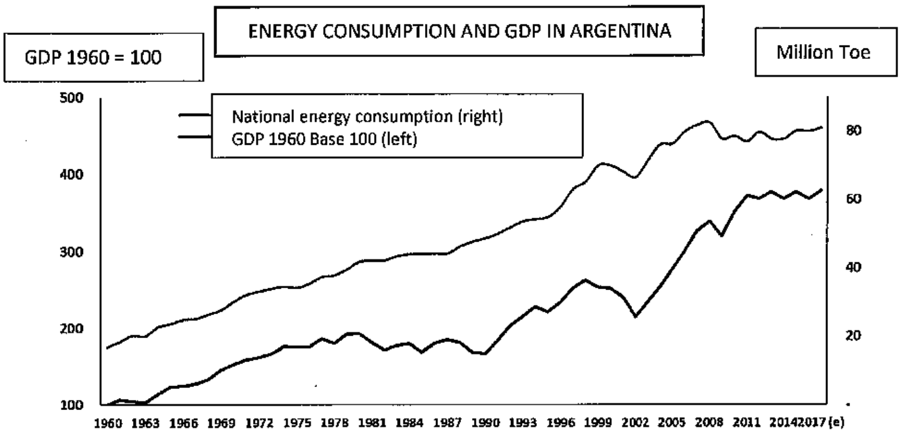
Structure of the Energy Sector

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

[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.

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.

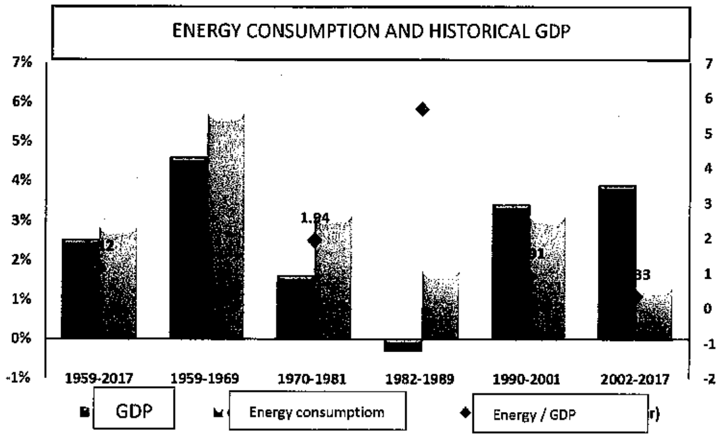
In the last two political-economic cycles, the elasticity of energy consumption in relation to GDP[3] has been lower than in previous decades, and therefore energy demand restrictions due to insufficient supply and the need to import energy to supplement domestic supply had an impact on the economy. 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.

HISTORICAL ECONOMIC PERIOD	ANNUAL GDP	ELECTRICITY 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

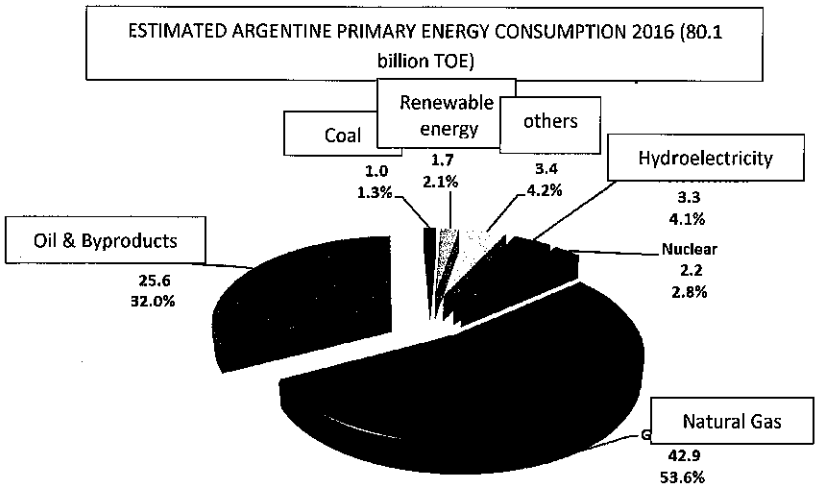
The restrictions on the supply of certain energy products such as natural gas in the last cycle of economic growth through to 2011 and the relatively moderate growth in energy demand in broad terms[4] are mainly due to problems in the supply of these energy products, and to a relevant growth in demand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

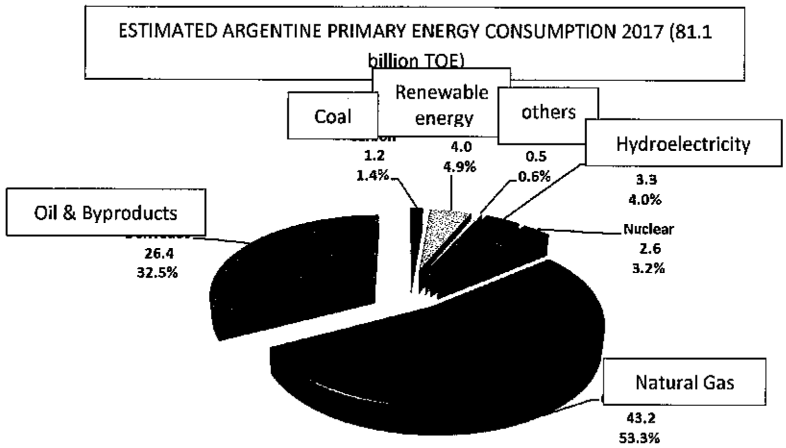
[3] Data for the period 1982-1989 show apparently high elasticity because the instability and volatility of the GDP, which showed a negative average, have an impact on and distort the calculation.

[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.



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

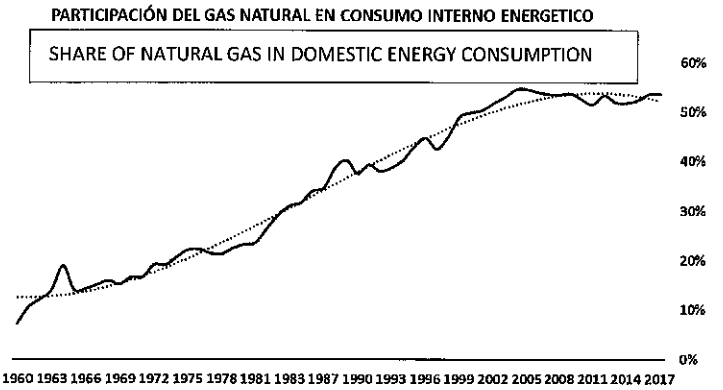




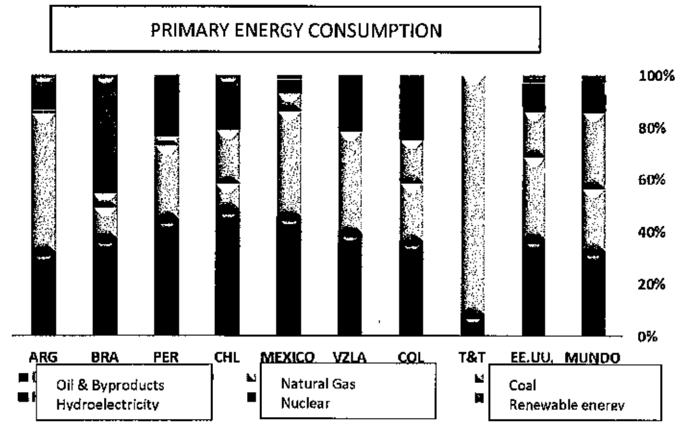
This percentage has dropped slightly in the last five years as a result of the obligation imposed on fuel supplying refineries to incorporate increasing ratios of biodiesel and bioethanol in their diesel and gasoline production. Few countries show this structure of heavy reliance on oil and natural gas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

[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.

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.



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 in other developing countries that have a vast territory and medium sized population.

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

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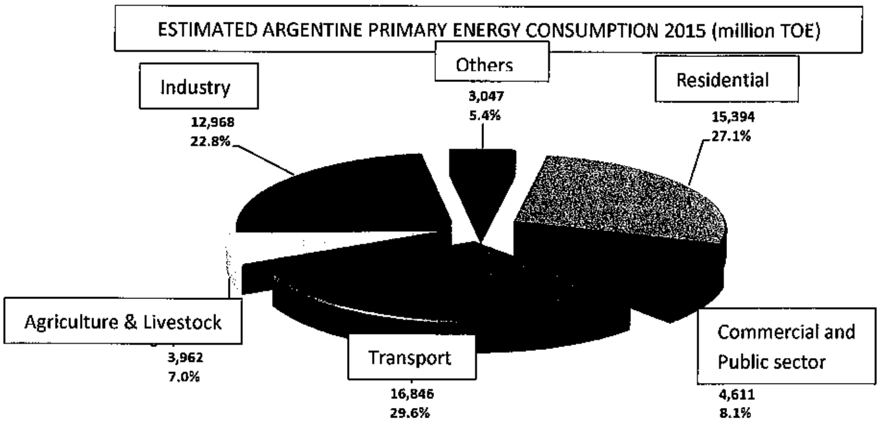
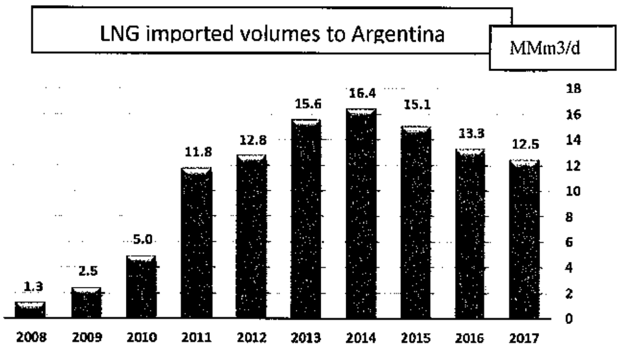


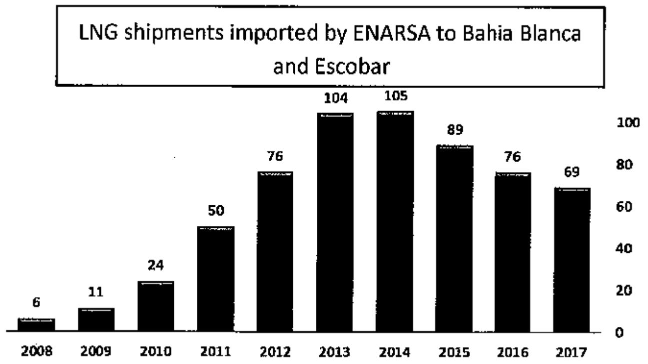
The characteristics of the Argentine energy supply and demand are summarized below:

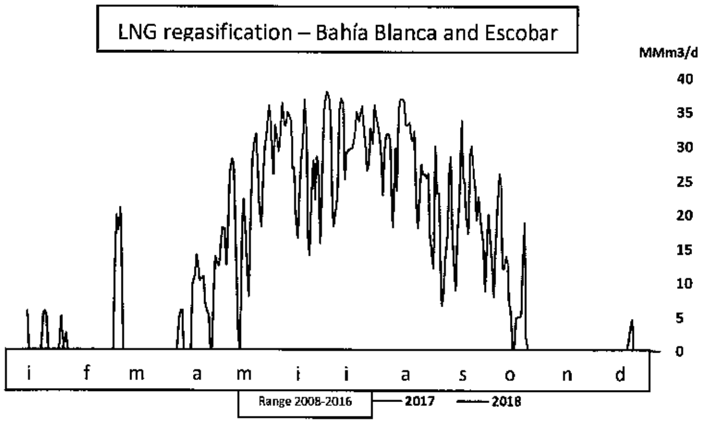
- An atypical breakdown featuring Oil and Gas as the predominant energy sources, typical only of large hydrocarbon exporters such as countries in the Middle East, Russia, African LNG exporters, or Venezuela.
- Additionally, 53.3% of consumption relies on natural gas, with gas penetrating consumption,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

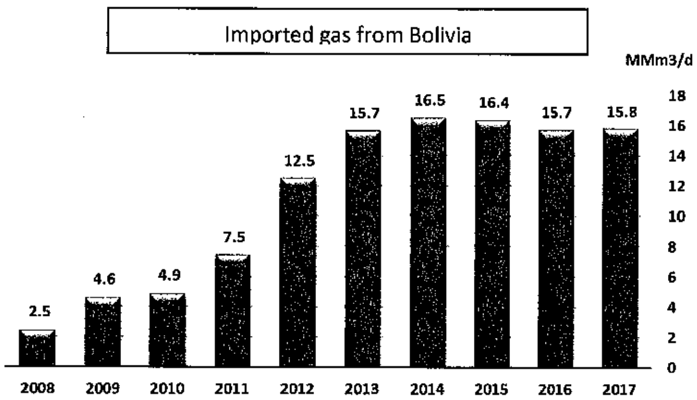
To supplement local gas production, Argentina has been importing gas from Bolivia increasingly, in addition to the ever-increasing imports of LNG from various suppliers in the first years, as its plants work at full capacity during winter seasons. Imports of LNG by YPF-ENARSA's regasification terminals 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.

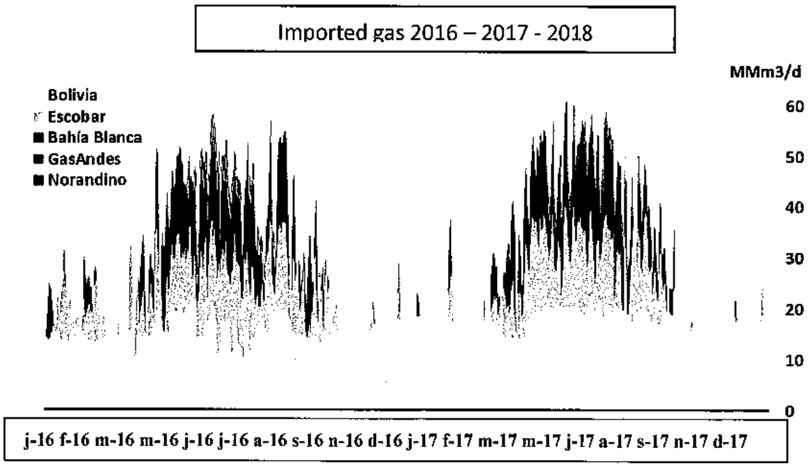






Similarly, imports of gas from Bolivia have increased, thus normalizing YPFB's contractual performance after certain breaches in some months of 2016, specifically in winter months when it incurred a 4 MMm3/d default in respect of Deliver-or-Pay volumes agreed.





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.

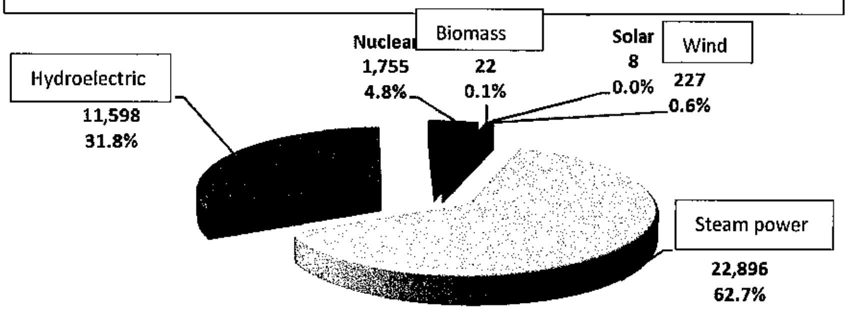
Although CAMMESA has preliminarily estimated a nominal power of 36,505 MW installed in late 2017 – a 7.5% increase equivalent to nominal available power of 2,535 MW[7], representing effective available power because most of the equipment is new, available operating power in the 2017/2018 summer season 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 o technical limitations in some generation units.

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.

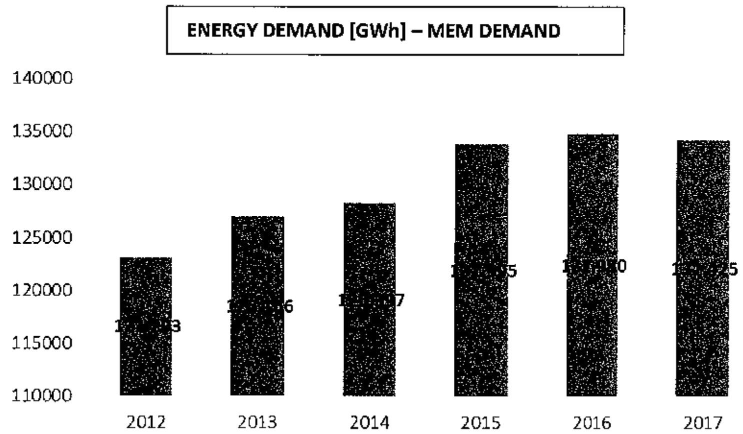
GROSS NOMINAL ELECTRIC POWER GENERATION FLEET IN ARGENTINA 2017 (MW)



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

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.

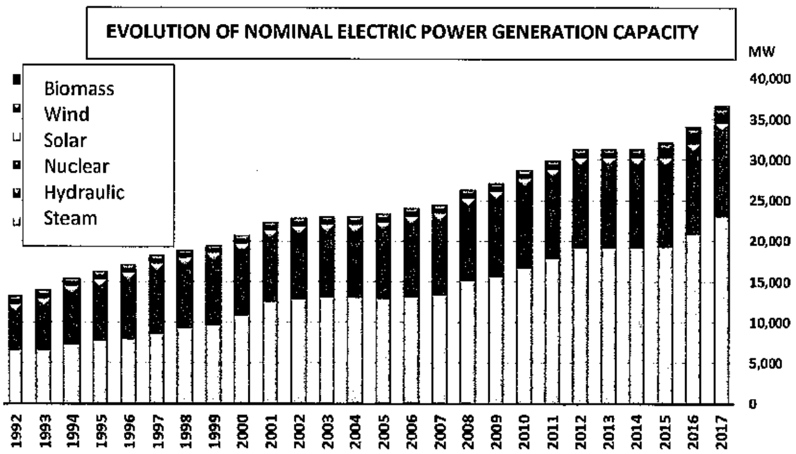
Gross electricity demand recorded a slight decrease of 0.39% in 2017 (including consumption by the company at electric power generation plants and losses in transmission and distribution systems) compared with 2016.



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

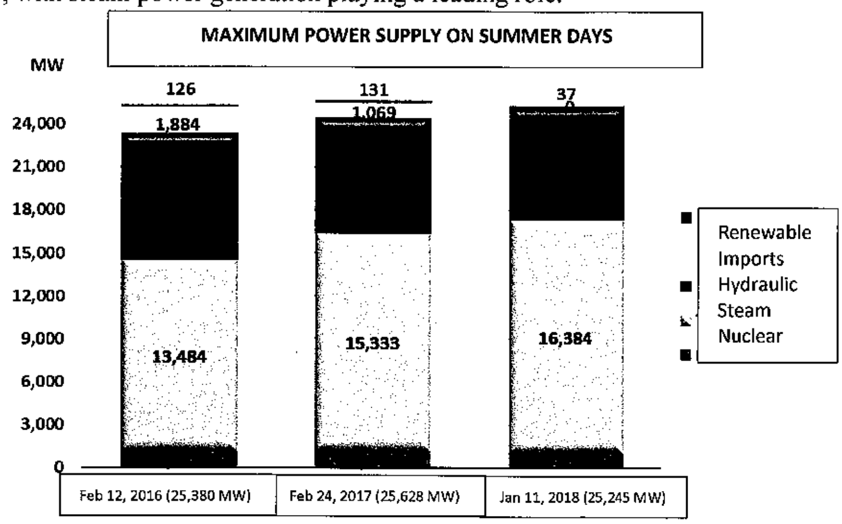
The Nominal Installed Capacity is generated predominantly using steam power, although this segment still features a high level of unavailability. An important number of steam power generating units show high unavailability on a recurrent basis, being unable to generate electricity in particular during the winter season, when fuel restrictions cause a reduction in available effective power.



NOMINAL ELECTRICITY GENERATION CAPACITY (MW) - DECEMBER 2017													
REGION	STEAM TURBINE	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-COASTLINE-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%

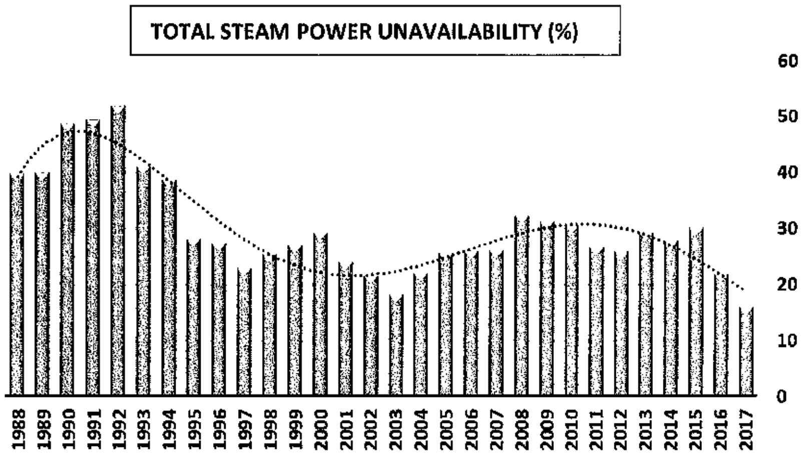
In February 2017, the demand for power and daily energy on a Business Day exceeded the historical record[8].On February 24, 2017 moderate forced restrictions on demand were set, with imports of power below those for 2016 and a significantly higher rotating reserve compared with 2016.The local electricity 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.



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.

[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.



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 Albanesi Group 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 Albanesi Group was the awardee of bids for 420 MW.

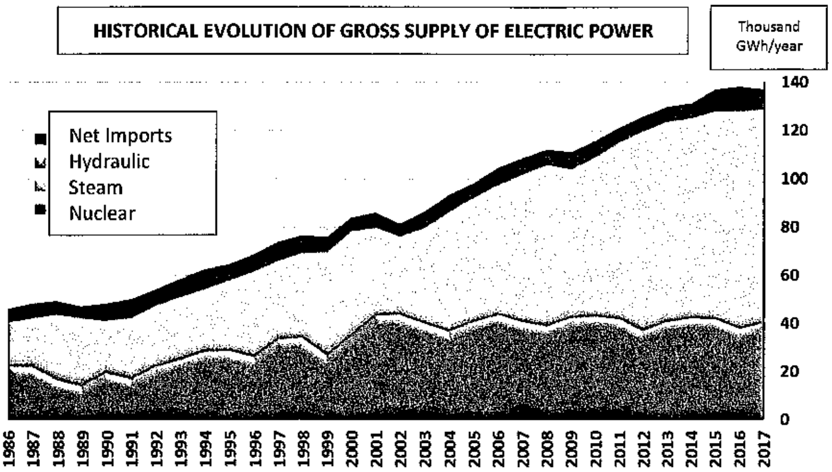
- In September 2017, the **Ezeiza Power Plant** owned by Generación Mediterránea S.A. obtained authorization to operate two SGT800 Siemens turbines of 50 MW each, and a third 50 MW turbine was authorized to operate on February 3, 2018.
- In August 2017, the **Independencia Power Plant** owned by Generación 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 closure 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 Albanesi Group were awarded spot contracts with CAMMESA for expanding their capacity in the coming years. Within the framework of the international public bidding for closure of combined cycle and cogeneration projects called under SEE Resolution No. 287-E/2017 of the Ministry of Energy and Mining, Albanesi Group 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 SPP in the province of Córdoba.

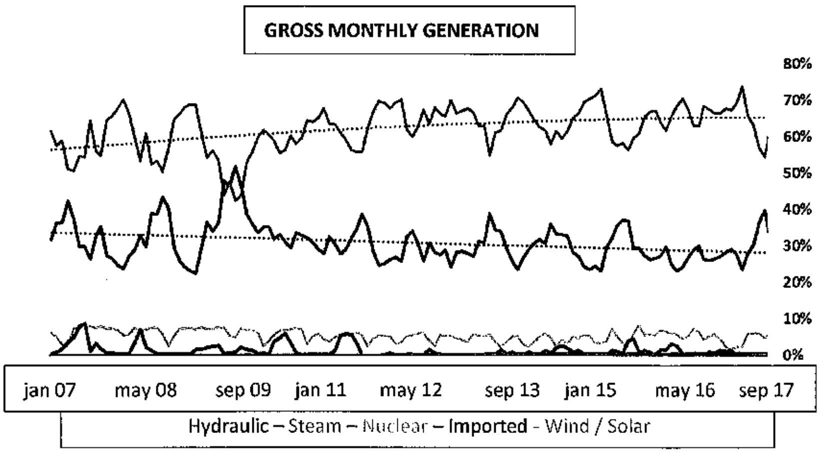
- A cycle closure project with 138 MW contracted power at the Ezeiza SPP in the Province of Buenos Aires.

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.

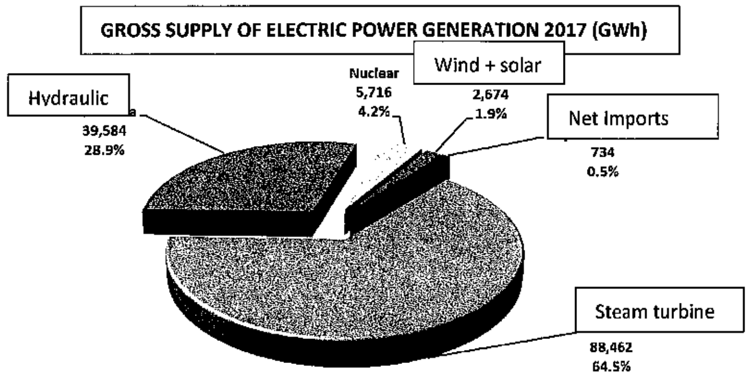


Hydroelectric power supply varies significantly from one month to another throughout the year. It also varies from one year to another due to the higher or lower incidence of rainfalls in the Northeastern region, or of rainfall and snow in Comahue, Cuyo and Northwestern region, to a lesser extent.

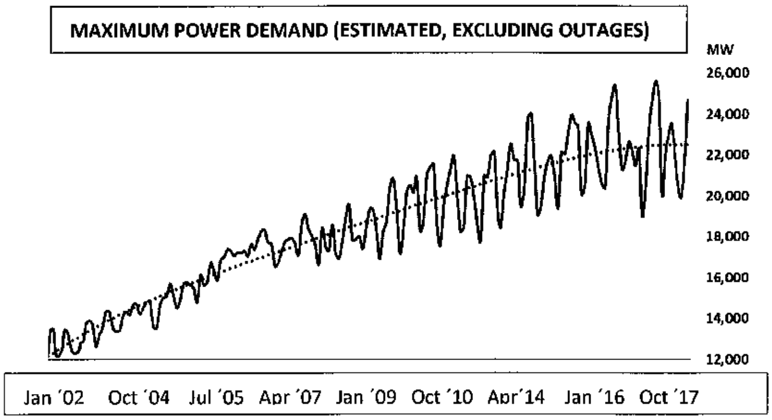
The excellent participation of the hydroelectric sector from the winter season of 2009 until early 2010, which reached 50%, is to be considered as a very favorable situation for Argentina, as it minimizes import of fuels for steam power generation. Severe droughts have been recorded since then, which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



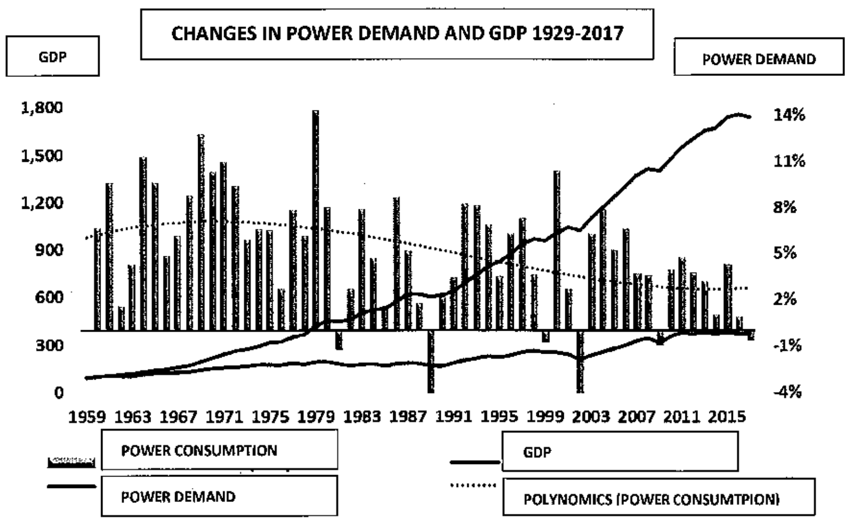
Free translation from the original prepared in Spanish for publication in Argentina

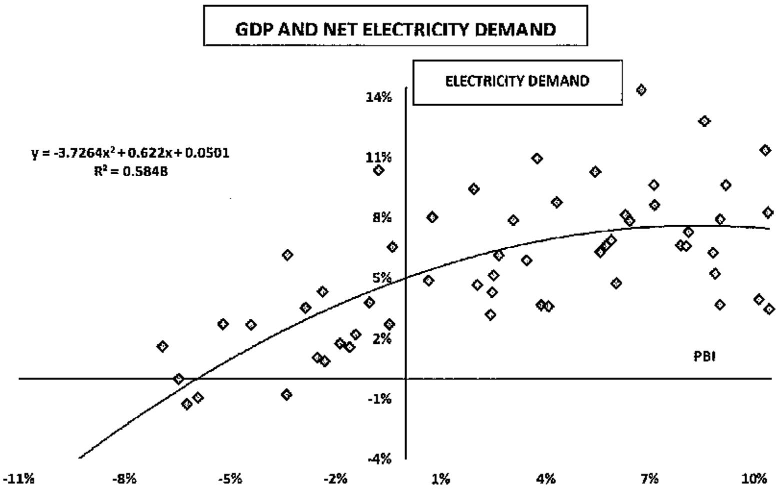


A slowdown in electricity demand growth rates was observed in 2016 and 2017. This long-term trend reflects moderation in electricity demand in periods of economic downturn, such as 2016, or of tariff adjustments as in 2017, despite the 2.8% growth in the GDP.



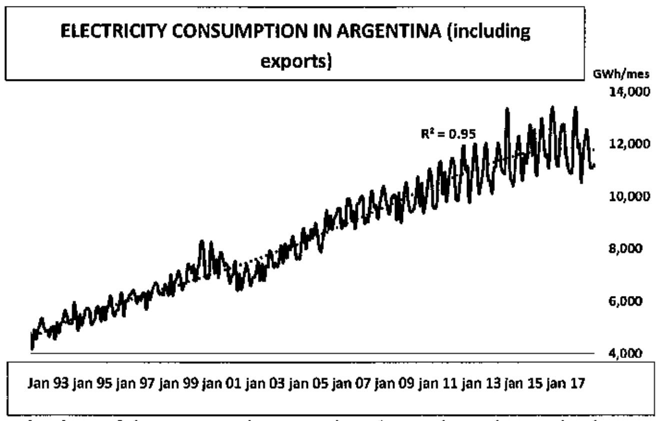
The correlation between the changes in GDP and the electricity demand shows a significant variation; however, it may be concluded that in the event of an important decrease in GDP, electricity demand falls slightly. It should also be considered that in a context of low economic growth, electricity demand increases at rates higher than GDP.



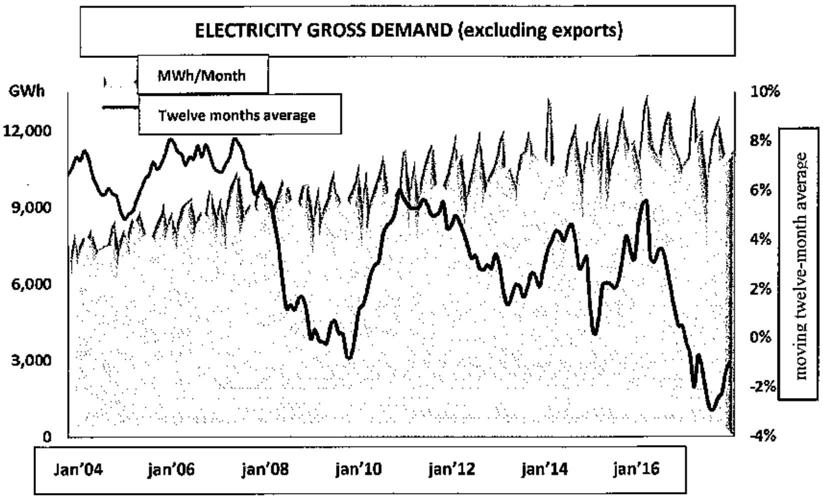


CAMMESA divides Argentina in regions with similar characteristics from the demand point of view, as well as on the basis of the socio-economic characteristics and the integration of each electricity subsystem. Demand is concentrated in the Buenos Aires-Litoral region, which accounts for 62,5% of the 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.

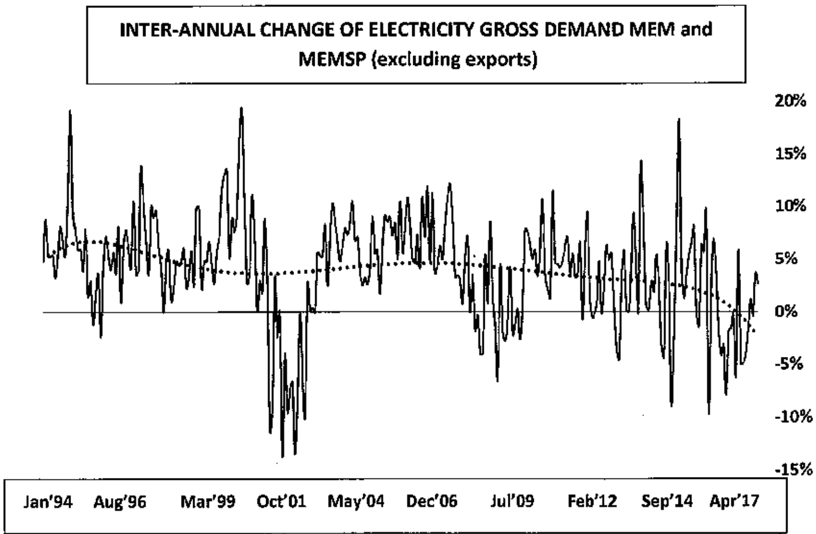
Electricity demand over the year grew after the restrictions to industrial electricity consumption for winter 2017 were lifted, and the international bank and economic crisis of the end of 2008 and beginning of 2009 ended, reflecting a large increase of the industrial activity and massive consumption in the economy. However, electricity demand reversed the growing 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.

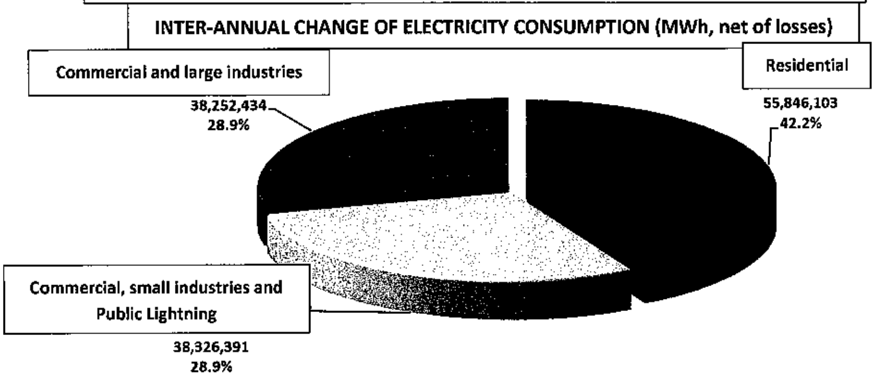


The end of 2015, with the beginning of the economic recession, brought a change in the trend towards a decreasing demand for electricity with which 2017 ends, with a 0,0% stability in 2016 compared with 2015, and a -0,9% reduction in 2017.



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 that is very important to the total electricity consumption. In 2017 the industrial activity recovered; however, annual demand showed a -0,9% reduction.



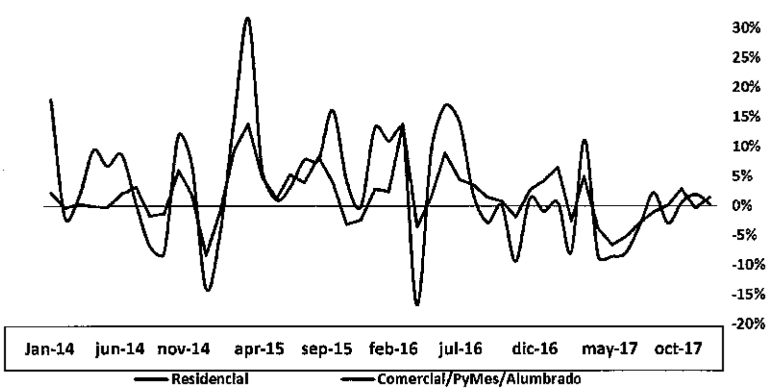


The residential electricity demand segment grew equally 3,0% in 2016 compared with 2015, a figure higher than 2,1% recorded in the recessionary 2014 compared to 2013 (a -2,5% reduction in GDP), but lower than 7,7% recorded in 2015 (growth of 2,5%).In 2017, this segment decreased -2,1%.

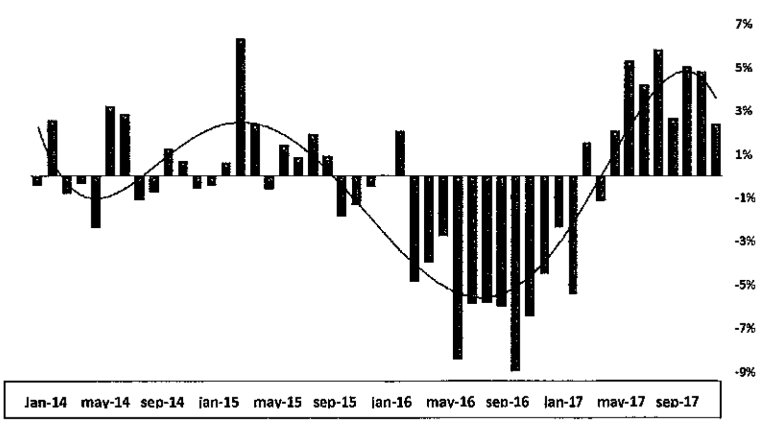
The commercial electricity demand segment – which in the new classification of CAMMESA we understand that it includes Public Lightning and small industries - grew 3,2% in 2016 compared with 2015, higher than 0,2% in 2014, and lower than 3,8% in 2015. In 2017, this segment decreased -0,6%.

The tariff adjustments to electricity started in February 2016, followed by adjustments to natural gas in April 2016, may affect partly 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.

ELECTRICITY CONSUMPTION RELATED TO THE SAME MONTH OF PREVIOUS YEAR

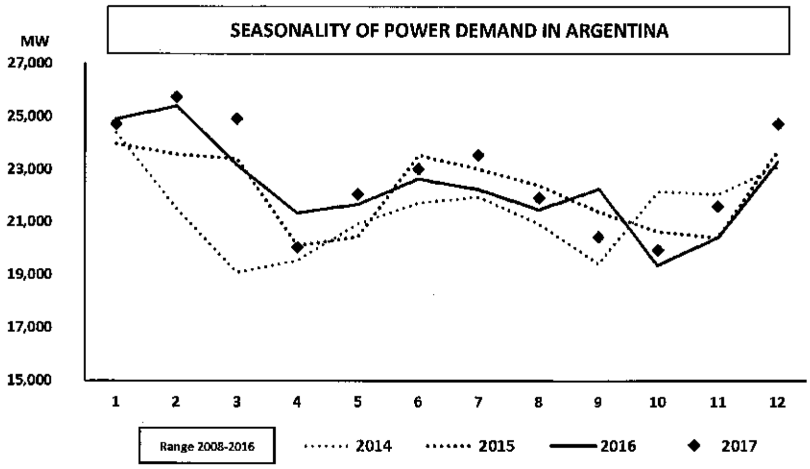


INDUSTRIAL ELECTRICITY CONSUMPTION - INTER-ANNUAL CHANGE



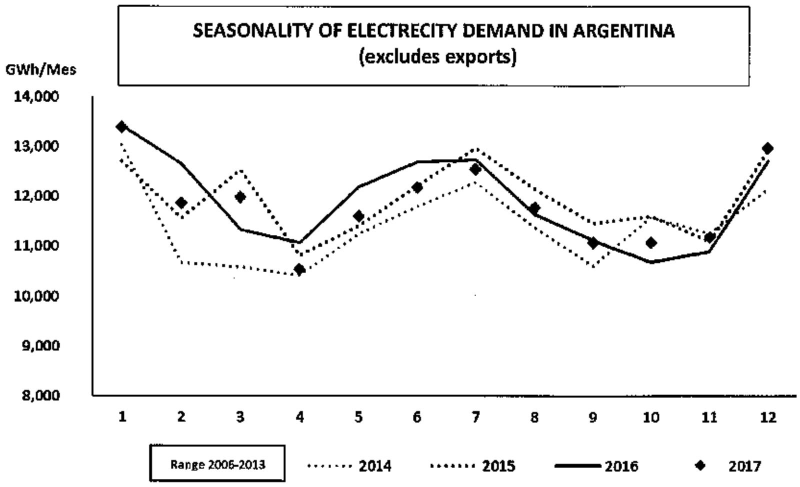
The increase in electricity demand exerts pressure on the supply of fuels to the steam power park. The demand for power affects the park of generation available to meet the maximum power demand during winter night hours or summer afternoon hours.

Nor even the 2015, 2016 and 2017 winters marked new maximum records of power due to warm temperatures that affected the demand in 2015, 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 the maximum power consumption being recorded with 25,628 MW and 526 GWh on February 24, 2017.



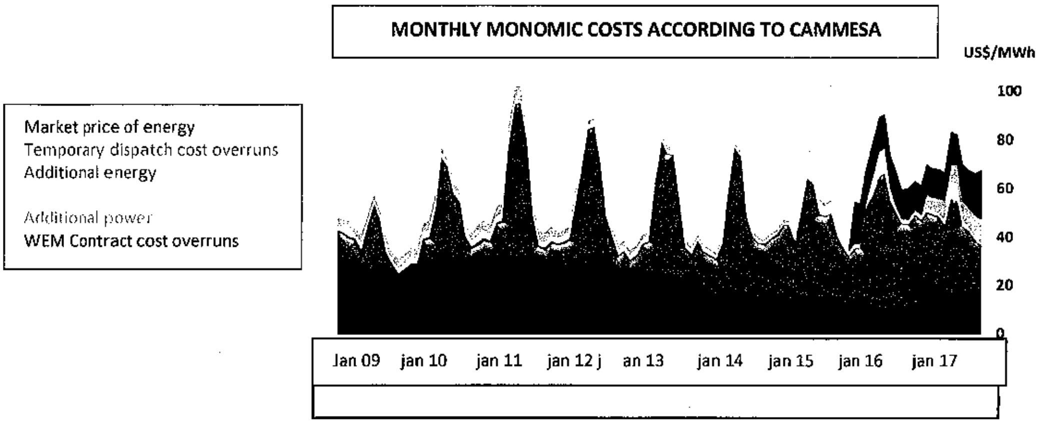
RECENT CHANGES IN ELECTRICITY CONSUMPTION RECORDS						
DAY	PREVIOUS RECORDS		CURRENT RECORDS		VARIATION	MW
	POWER (MW)					
Saturday	25-feb-17	22.390	30-dec-17	22,543	0.7%	153
Sunday	27-dec-15	21,973	28-feb-17	22.346	1,7%	373
Business day	12-feb-16	25.380	24-feb-17	25.628	1,0%	248
DAY	ENERGY (GWh/d)				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***

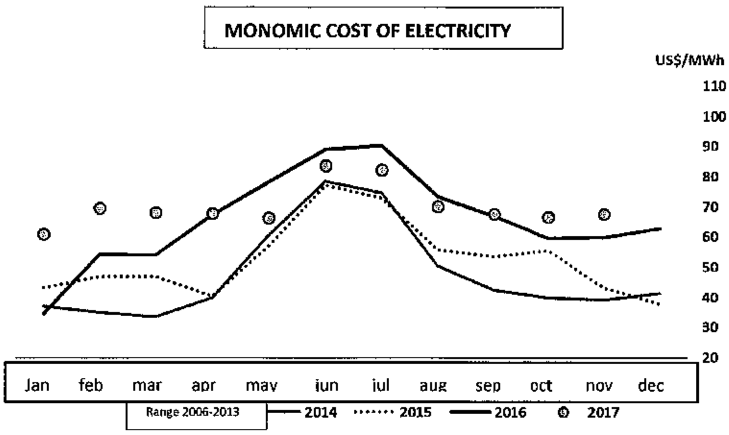
As with natural gas, the strong seasonality of electricity demand in Argentina both of energy and power, influence on the investment needs assessed to meet the maximum peaks of winter demand, generating important surpluses in other times of the year which impact on lower costs and competitiveness in those periods. The demand for electric power is at its high in the afternoon and night during summer, and only at night during winter. In this last case 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 which expects even higher prices in 2018.

CAMMESA amended its costs fixed for fuels in 2016, computing now the real cost of gas imported from Bolivia as LNG and the price of local gas increased in 2016.The fact that CAMMESA modified its methodology, whereby it considered all imported gas at the same price as local gas, contributed in 2016 to maintain the costs of steam electric power generation, since the imported prices of fuels which affected the Temporary Dispatch Surcharge were reduced.





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

Combined cycles are the leaders of steam power offer, with limited supplement of steam turbine units (with preferred consumption of Fuel Oil and Carbon between 2014 and 2017), and gas turbine units. It is considered that this increasing steam power dispatch structure and the consumption of fossil fuels will be maintained in the next years, and that a change to a structure of renewable sources supply and generation will require several years to allow materializing the projects, as well as significant enlargements in terms of electricity transmission capacity, and substantial investments. The new hydroelectric and nuclear projects will require years to materialize, as well as significant investments measured in billions of dollars to no longer depend on such fuels.

3. HIGHLIGHTS FOR FISCAL YEAR 2017

3.1 Electricity

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 MEM Supply Contract executed with CAMMESA as per SE Resolution220 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 SE Resolution19/2017, 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 fiscal year 2017, under the MEM Supply Contract ("CAM or "220 Contract"), the availability targets were fulfilled, 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 fulfilling the availability agreed upon in the Contracts for Demand signed within the framework of Resolution 21/2016.

3.2 Maintenance

Modesto Maranzana Power Plant

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

The maintenance plan comprised all the units and ancillary equipment. The salient tasks are listed below:

Major maintenance of turbo generators at the combined cycle performed in September/October in compliance with the Manufacturer's Manual. The tasks performed included the verification of all instruments, disassemble and assembly of the steam turbine, inspection of the HRSG, inspection and replacement of gas turbine parts, replacement of the excitation system and machine switches added to the control over all ancillary equipment.

The minor predictive and preventive maintenance tasks scheduled were carried out during the year at the GU 03, 04 and 05 – PWPS Turbines, as recommended in the Manufacturer's manual as per hours run.

A new set of mechanical, electrical and for diagnosis tools have been acquired to be used during the predictive, preventive and corrective maintenance tasks at the new installed GU.

Further, all the tasks recommended by the SIEMENS manufacturer at the new GU 06 and 07, authorized to operate as from July 2017, were included in the InforEAM maintenance system.

Maintenance personnel have received specific training in situ by the manufacturer SIEMENS to carry out the maintenance tasks scheduled for the new GU – SIEMENS – STG800.

Major maintenance, parts and assistance agreements were signed with SIEMENS Sweden and Argentina to ensure the supply of parts, software updates, service bulletins and qualified workforce for specific highly accurate technical tasks.

Independencia Power Plant

The objective of the maintenance tasks carried out during the year was to maintain the availability of the generating units.

The maintenance plan comprised all the units and ancillary equipment.

The minor predictive and preventive maintenance tasks scheduled were carried out during the year at the GU 01 and 02 – PWPS Turbines, as recommended in the Manufacturer's manual as per hours run.

Maintenance and conservation routines and plans were implemented at the premises and water treatment plant, and the liquid fuel system was extended as part of the plant ancillary services; the installation of a Diesel centrifuge purifier and the new pipeline will allow increasing the availability of this fuel during winter.

A new set of mechanical, electrical and for diagnosis tools have been acquired to be used during the predictive, preventive and corrective maintenance tasks at the new installed GU.

Further, all the tasks recommended by the SIEMENS manufacturer at the new GU 03, authorized to operate as from August 2017, were included in the InforEAM maintenance system.

Maintenance personnel received specific training in situ by the manufacturer SIEMENS to carry out the maintenance tasks scheduled for the new GU – SIEMENS – STG800.

Major maintenance, parts and assistance agreements were signed with SIEMENS Sweden and Argentina to ensure the supply of parts, software updates, service bulletins and qualified workforce for specific highly accurate technical tasks.

Riojana Power Plant

The objective of the maintenance tasks carried out during the year was to maintain the availability of the generating units.

The maintenance plan comprised the units and ancillary equipment. The salient tasks are listed below:

The minor predictive and preventive maintenance tasks scheduled were carried out during the year at the GU 21, 22 and 23, as recommended in the Manufacturer's manual as per hours run.

Maintenance and conservation routines and plans were implemented at the new premises and water treatment plant, and the liquid fuel system was extended as part of the plant ancillary services; the installation of a Diesel centrifuge purifier and the new gas compression system will allow increasing the availability of this fuel during winter.

A new set of mechanical, electrical and for diagnosis tools have been acquired to be used during the predictive, preventive and corrective maintenance tasks at the new installed GU.

Further, all the tasks recommended by the SIEMENS manufacturer at the new GU 24, authorized to operate as from May 2017, were included in the InforEAM maintenance system.

Quarterly maintenance tasks were carried out as recommended by the manufacturer at the GU 24 – SIEMENS STG800.

Maintenance personnel have received specific training in situ by the manufacturer SIEMENS to carry out the maintenance tasks scheduled for the new GU – SIEMENS – STG800.

Major maintenance, parts and assistance agreements were signed with SIEMENS Sweden and Argentina to ensure the supply of parts, software updates, service bulletins and qualified workforce for specific highly accurate technical tasks.

La Banda Power Plant

The objective of the maintenance tasks carried out during the year was to maintain the availability of the generating units.

The maintenance plan comprised the generating units and ancillary and building equipment.

The minor predictive and preventive maintenance tasks scheduled were carried out during the year at the GU 21, and 22, as recommended in the Manufacturer's manual and the good practices of the profession.

3.3 Environmental management

Corporate Environmental Management System

The Modesto Maranzana Power Plant has an Integrated Management System that meets ISO 9001:2015, ISO 14001:2015 and OHSAS 18001:2007 standards.

ISO 14001:2015 certification has been obtained at corporate level, and encompasses the environmental management of all the operating power plants of Albanesi Group (GROSA, CTR, CTMM, CTRI, CTI, CTLB and CTF).

This shared methodology allows working in a unified and coordinated manner at all work sites, applying the same criteria for determining the environmental aspects of the activity, its significance assessments and the operating controls adopted. Supported by standardized documentation and implemented within a work framework based on joint and cooperative performance between the parties, sustained growth has been achieved over time, subject to regular performance reviews and ongoing improvement processes.

The main benefits of the above may be noted in aspects such as:

- Environmental awareness and the involvement of the personnel in the fulfillment of the objectives set.
- The absence of environmental incidents, both at the operating plants and at the works done to continue with the process.
- Optimum order and cleaning conditions at the premises.
- Efficient treatment of corrective actions as well as of those derived from addressing risks and opportunities.
- Attention given in due time and manner to comply with legal requirements.
- Improved management of environmental issues with special attention to its life cycles and the interests related to environmental sustainability.
- The development of new projects to expand the capacity of electricity generation under strict follow-up of environmental requirements in terms of legal, documentary and field matters.
- Efforts expended, with satisfactory results, to the care and aesthetic of natural spaces.
- Integration of the community to make them aware of the company's activities through visits and guided tours around the facilities organized for students of establishments of various levels of education.

Important achievements have been obtained in the maintenance of the Quality and Occupational Safety and Health Management Systems.

In the October-November 2017 period a new satisfactory external audit of maintenance control over the Comprehensive Management System was performed by IRAM as certified entity.

3.4 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 the results of the business and to 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 the individual experience of our staff and transform 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, and which will be used as a powerful engine of motivation and professional development. This tool allows maximizing results since we search in the market for the latest link of the chain with the consequent benefit of learning curves and shorter integrations.

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 behaviors and potential to support development in terms 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 in technical matters as well as in 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 the communication tools available was strengthened to inform the staff of the company's activities.

In addition, to adjust the Human Resources programs, an internal climate survey was conducted, which allow to design 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 Timbues.

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 Rio Cuarto in the Province of Córdoba, in the community of 25 de mayo in the Province of La Pampa, in the cities of La Banda and Frías in the Province of Santiago del Estero.

3.5 Systems and Communications

In 2017, the area of Systems and Communications continued providing maintenance, development, implementation, innovation and solutions related to applications, technology, telecommunications, information security and processes, ensuring an adequate service level and meeting the needs of the Company's business.

This area has policies and procedures in line with international standards which are constantly supervised to ensure compliance with the objectives of the sector, internal controls, as well as quality and ongoing improvement.

To achieve 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.

The 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 advanced filters and search engines.
- Addition of a legal portal to follow up the contracts of Albanesi Group.
- The head office data center is fed with electricity from a generator.
- A switchboard has been 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 the project of the power plant at Arroyo Seco, 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.

3.6 Financial condition

In the fiscal year 2017, GMSA was aimed at improving the financial profile, extending financing terms and reducing the indebtedness cost, thus ensuring the need for funds to invest in the enlargement of the capacity and the correct operation of the power plants.

On August 28, 2017, the Negotiable Obligation VIII for $312,884,660 at 48 months was issued. It bears private banks BADLAR rates plus 5%.It was fully paid up in kind, partially repaying Class V Negotiable Obligations of GMSA and Class II Negotiable Obligations of Generación Frías.

On October 11, 2017, Class I Negotiable Obligations were issued (GMSA and CTR co-issuance) for a total fair value of USD 30,000,000, allocating USD 20,000,000 out of that total to GMSA. They accrue interest at a rate of 6,68% and fall due at 36 months as from the disbursement of funds.

The International Bond was reopened on December 5 for USD 86 million, with the total amount of that bond amounting to USD 336 million.USD 266 million out of the total amount corresponds to GMSA. The Negotiable Obligations have the same conditions as the original issuance. The issuance price was of 110,875%.

The funds obtained were allocated to refinance existing liabilities. The syndicated loan with ICBC Argentina S.A. for USD 40 million, the loan granted by Cargill for USD 26 million and the loan granted by BAF Latam Trade Finance Fund B.V. for USD 20 million were prepaid.

In the period, hedge contracts were executed for the interest payment made on January 27, 2018.

The bank and financial debt of the Company at December 31, 2017 was broken down as follows:

	$		
Financial debt	**Current**	**Non-Current**	**Total**
International bond	222,547,895	4,949,357,665	5,171,905,560
Negotiable obligations	389,016,724	1,541,315,232	1,930,331,956
CAMMESA	8,908,160	3,374,659	12,282,819
Other bank debts	62,175,039	21,202,224	83,377,263
Finance lease debts	17,340,907	49,445,832	66,786,739
	699,988,725	**6,564,695,612**	**7,264,684,337**

<u>Brief description of the activities of the issuing company, including references to relevant circumstances subsequent to year end:</u>

In accordance with the provisions of CNV General Resolution No. 368/01, and subsequent amendments, we present below an analysis of the results of the operations of GMSA and its net worth and financial position, which must be read together with the financial statements attached.

The final merger agreement was entered into on November 15, 2016 establishing a merger of GFSA through absorption into GMSA effective as from January 1, 2017. The increase in the variations is mainly due to this condition. The information is not comparative.

	Fiscal year ended December 31:			
	2017	**2016**	**Variation**	**Variation%**
Sales by type of market	GWh			
Sales to CAMMESA Res. No. 220	664	423	241	57%
Energía Plus sales	744	709	35	5%
Sale of electricity Res. No. 95/529/482/22/19 plus Spot	536	651	(115)	(18%)
Sale of electricity Res.21	25	-	25	100%
	1,969	**1,783**	**186**	**10%**

The sales for each market (in millions of pesos) are shown below:

	Fiscal year ended December 31:			
	2017	**2016**	**Variation**	**Variation%**
	(in millions of pesos)			
Sales by type of market				
Sales to CAMMESA Res. No. 220	1,213.0	793.2	419.8	53%
Energía Plus sales	939.0	764.8	174.2	23%
Sale of electricity Res. No. 95/529/482/22/19 plus Spot	281.4	395.9	(114.5)	(29%)
Sale of electricity Res.21	178.3	-	178.3	100%
	2,611.7	**1,953.8**	**657.9**	**34%**

Income/loss for the year ended December 31, 2017 and 2016 (in millions of pesos):

	Fiscal year ended December 31:			
	2017	**2016**	**Variation**	**Variation %**
Sales of energy	2,611.7	1,953.8	657.9	34%
Net sales	**2,611.7**	**1,953.8**	**657.9**	**34%**
Purchase of electric energy	(792.6)	(599.8)	(192.8)	32%
Gas and diesel consumption at the plant	(129.3)	(532.5)	403.2	(76%)
Salaries, social security charges and employee benefits	(108.6)	(69.7)	(38.9)	56%
Maintenance services	(175.3)	(98.1)	(77.2)	79%
Depreciation of property, plant and equipment	(269.4)	(115.5)	(153.9)	133%
Insurance	(26.4)	(16.5)	(9.9)	60%
Taxes, rates and contributions	(16.3)	(14.9)	(1.4)	9%
Others	(16.1)	(13.6)	(2.5)	18%
Cost of sales	**(1,534.0)**	**(1,460.5)**	**(73.5)**	**5%**
Gross income	**1,077.7**	**493.3**	**584.4**	**118%**
Salaries, social security charges and employee benefits	-	(0.4)	0.4	(100%)
Taxes, rates and contributions	(1.2)	(0.3)	(0.9)	300%
Recovery of Turnover tax	19.6	-	19.6	100%
Bad debts	-	(2.0)	2.0	(100%)
Selling expenses	**18.4**	**(2.7)**	**21.1**	**(781%)**
Salaries, social security charges and employee benefits	-	(1.2)	1.2	(100%)
Fees and compensation for services	(38.8)	(24.4)	(14.4)	59%
Directors' fees	(15.0)	-	(15.0)	100%
Per diem, travel and representation expenses	(1.7)	(3.2)	1.5	(47%)
Leases	(4.1)	(1.0)	(3.1)	324%
Office expenses	(3.6)	(2.2)	(1.4)	62%
Donations	(1.2)	(0.1)	(1.1)	1100%
Sundry	(3.9)	(2.8)	(1.1)	39%
Administrative expenses	**(68.3)**	**(35.0)**	**(33.3)**	**95%**
Other operating income	15.2	8.5	6.7	79%
Operating income	**1,043.0**	**464.2**	**578.8**	**125%**
Commercial interest earned	34.2	25.4	8.8	35%
Loan interest	(277.8)	(181.9)	(95.9)	53%
Tax and commercial interest paid	(45.5)	(8.9)	(36.6)	411%
Bank expenses and commissions	(3.3)	(8.2)	4.9	(60%)
Exchange differences, net	(303.7)	(122.0)	(181.7)	149%
Other financial results	(45.0)	17.4	(62.4)	(359%)
Financial and holding results, net	**(641.1)**	**(278.1)**	**(363.0)**	**131%**
Income before taxes	**401.9**	**186.1**	**215.8**	**116%**
Income tax	(94.2)	(86.7)	(7.5)	9%
Net income for the year	**307.7**	**99.4**	**208.3**	**210%**

Other Comprehensive Income for the year	2017	2016	Variation	Variation%
Change in the income tax rate - revaluation of property, plant and equipment	251.8	-	251.8	100%
Revaluation of property, plant and equipment	132.3	725.9	(593.5)	(82%)
Impact on income tax	(33.1)	(254.0)	221.0	(87%)
Other comprehensive income for the year	**351.0**	**471.8**	**(120.76)**	**(26%)**
Total comprehensive income for the year	**658.7**	**571.2**	**87.5**	**15%**

Sales:

Net sales for the year ended December 31, 2017 amounted to $ 2,611.7 million, compared with $ 1,953.8 million for fiscal year 2016, showing an increase of $ 657.9 million (or 34%).

During the fiscal year ended December 31, 2017, the sale of electricity was 1,969 GWh, accounting for a 10% increase compared with the 1,783 GWh for 2016.

The main sources of income of the Company and their performance during the fiscal year ended December 31, 2017 compared with the previous year are described below:

(i) $939.0 million from sales under Energía Plus, up 23% from the $ 764 .8million sold in 2016.This variation is explained by the favorable effect on the price as a result of the increase in the exchange rate.

(ii) $1,213.0 million for sales of electricity in the forward market to CAMMESA under the framework of Resolution No. 220/07, which accounted for an increase of 53% from the $793.2 million for 2016.This variation is explained by an increase in the price due to the increase in the exchange rate, an increase in the sales volume for the putting into operation of the new turbines and the impact of the merger of GFSA through absorption into GMSA.

(iii) $281.4 million for sales of energy under Resolutions Nos.95/529/482/22/19 and spot market, accounting for a 29% drop with regard to the $ 395.9 million for fiscal year 2016.This variation is explained by the management of excess generation volumes made by CAMMESA and the impact of the merger of GFSA through absorption into GMSA.

(iv) $178.3 million for sales of energy under Resolution No. 21, accounting for a 100% increase. That variation is due to the putting into operation of the new turbines during fiscal year 2017.

Cost of sales:

The total cost of sales for the year ended December 31, 2017 reached $ 1,534.0 million, compared with $ 1,460.5 million for fiscal year 2016, reflecting an increase of $ 73.5 million (or 5%).

The main costs of sales of the Company and their performance during the year compared with the previous fiscal year are detailed below in millions of pesos:

(i) $792.6 million for purchases of electricity, up 32% from the $ 599.8 million in 2016, as a result of the price effect due to exchange rate variation.

(ii) $129.3 million for the cost of gas and diesel consumption at the plant, reflecting a 76% drop from the $ 532.5 million for fiscal year 2016.This variation was due to a change in the calculation of gas consumption by CAMMESA.

(iii) $175.3 million in maintenance services, up 79% from the $ 98.1 million in fiscal year 2016.This variation is due to the variation in the dollar exchange rate, the putting into operation of the new turbines and the absorption of GFSA into GMSA.

(iv) Depreciation of property, plant and equipment of $ 269.4 million, which accounted for 133% increase with regard to the depreciation of $ 115.5 million in fiscal year 2016.This variation is mainly originated in the higher amortization value for the captions: building, facilities and machinery, as a result of their revaluation at December 31, 2017 and 2016; and the impact of absorption of GFSA into GMSA.

(v) $108.6 million for payroll and social security charges, up 56% from the $ 69.7 million for fiscal year 2016, mainly due to salary increases granted to staff hired and the impact of the absorption of GFSA into GMSA.

(vi) $26.4 million for insurance, which accounted for a 60% increase from the $ 16.5 million for fiscal year 2016, related to the exchange rate variation and the putting into operation of the new turbines.

Gross income:

Gross income recorded for the year ended December 31, 2017 was $ 1,077.7 million, compared with a profit of $ 493.3 million for the year 2016, accounting for a 118% increase. This is due to the variation in the exchange rate, the authorization to operate the new turbines and the absorption of GFSA into GMSA.

Selling expenses:

Selling expenses for the year ended December 31, 2017 amounted $ 18.4 million profit, compared with $ 2.7 million loss for fiscal year 2016, reflecting an improvement of $21.1 million (or 781%).On March 3, 2017, the revenue department of the General Revenue Board of Tucuman resolved to exempt GMSA from payment of Turnover Tax in that jurisdiction, amending the tax determined as from the period December 2011. (See Note 39 to the financial statements).

Administrative expenses:

Administrative expenses for the year ended December 31, 2017 amounted to $ 68.3 million, compared with $ 35.0 million for the year 2016, which equals to an increase of $ 33.3 million (or 95%).

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

(i) $ 38.8 million of fees and compensation for services, which accounted for an increase of 59% from the $ 24.4 million for the prior year.

(ii) $ 3.9 million in sundry expenses, accounting for a 39% increase from the $ 2.8 million for the previous fiscal year. Main variations are due to the captions office expenses and taxes and contributions.

(iii) $1.2 million in salaries and wages and social security contributions for the fiscal year 2016, which accounted for a 100% decrease for the year 2017.The decrease in payroll is mainly due to the hiring of services provided by third parties.

Operating income:

Gross income for the year ended December 31, 2017 was $ 1,043.0 million, compared with a profit of $ 464.2 million for the year 2016, accounting for a 125% increase.

Financial results:

Financial results for the fiscal year ended December 31, 2017 amounted to a total loss of $ 641.1 million, compared with a loss of $ 278.1 million for the year 2016, which accounted for an increase of 130%.

The most noticeable aspects of the variation are:

(i) $ 286.7 million of financial interest losses, up 58% compared with the $ 181.9 million loss for the year 2016 as a result of an increase in the financial debt generated by the merger through absorption and the investment projects.

(ii) $ 45.0 million loss for other financial results, compared with $ 17.4 million profit for the year 2016.

(iii) $ 303.7 million from net exchange differences, up 149% from the $ 122.0 million loss in the previous year.

Income before tax:

The Company reported earnings before tax for $ 401.9 million for the fiscal year ended December 31, 2017, which accounted for a 116% increase compared with the earnings for $ 186.1 million in the previous fiscal year.

The income tax charge represented a profit of $ 94.2 million for the current fiscal year, compared with the profit of $ 86.7 recorded in the previous fiscal year.

Net profit:

(iv) The net result for the fiscal year ended December 31, 2017 was a profit of $ 307.7 million, compared with the profit of $ 99.4 million reported in fiscal year 2016, accounting for a 210% increase.

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

	12.31.17	12.31.16	12.31.15	12.31.14	12.31.13
Non-Current Assets	10,834.3	4,599.4	1,209.9	888.1	368.0
Current Assets	2,184.2	2,257.8	323.0	284.2	217.4
Total Assets	**13,018.5**	**6,857.2**	**1,532.9**	**1,172.3**	**585.4**
Equity	2,640.1	1,770.1	699.3	481.3	114.6
Total Equity	**2,640.1**	**1,770.1**	**699.3**	**481.3**	**114.6**
Non-current Liabilities	8,148.0	4,578.9	516.2	310.6	171.0
Current Liabilities	2,230.4	508.2	317.4	380.4	299.8
Total Liabilities	**10,378.4**	**5,087.1**	**833.6**	**691.0**	**470.8**
Total Liabilities + Equity	**13,018.5**	**6,857.2**	**1,532.9**	**1,172.3**	**585.4**

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

	12.31.17	12.31.16	12.31.15	12.31.14	12.31.13
Ordinary operating income	1,043.0	464.2	169.6	136.8	107.3
Financial and holding results	(641.1)	(278.1)	(103.9)	(118.6)	(94.1)
Ordinary net income	**401.9**	**186.1**	**65.7**	**18.3**	**13.1**
Income tax	(94.2)	(86.7)	(24.2)	(10.4)	(5.5)
Net Income	**307.7**	**99.4**	**41.4**	**7.8**	**7.6**
Other comprehensive income	351.0	471.8	228.01	358.9	-
Total comprehensive income	**658.7**	**571.2**	**269.5**	**366.7**	**7.6**

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

	12.31.17	12.31.16	12.31.15	12.31.14	12.31.13
Funds provided by (used in) operating activities	24.8	(696.3)	104.2	130.8	58.9
Funds (used in) investment activities	(1,824.2)	(1,311.5)	(17.8)	(2.9)	(10.6)
Funds provided by (used in) financing activities	1,384.0	2,445.7	(99.3)	(109.0)	(39.7)
(Decrease) / Increase in cash and cash equivalents	**(415.5)**	**437.9**	**(12.9)**	**18.8**	**8.7**

5. Ratios presented comparatively with the previous period:

	12.31.17	12.31.16	12.31.15	12.31.14	12.31.13
Liquidity (1)	0.98	4.44	1.02	0.75	0.73
Solvency (2)	0.25	0.35	0.84	0.70	0.24
Tied-up capital (3)	0.83	0.67	0.79	0.76	0.63
Indebtedness ratio (4) (*)	5.54	6.46	1.34	1.37	2.17
Interest coverage ratio (5)	4.67	3.05	2.35	2.10	1.74
Profitability (6)	0.14	0.08	0.07	0.03	0.07

(1) Current assets / Current liabilities

(2) Equity / Total Liabilities

(3) Non-current assets / Total assets

(4) Financial debt / annual EBITDA (**)

(5) Annual EBITDA (**) / annual financial interest accrued (**)

(6) Net income/loss for the period (not including Other comprehensive income) / total equity

(*) According to the guidelines for calculating the debt ratio included in the International Bond prospectus, at December 31, 2017 this ratio recorded a value of 5.43.
(**) Figure not covered by audit report.

4. OWNERSHIP STRUCTURE

Share Capital

At December 31, 2017, the Company's capital was made up of 138,172,150 ordinary, non-endorsable, book-entry shares of $ 1 par value each, and entitled to 1 vote per share.

Through General Extraordinary Shareholders' Meeting of January 10, 2017, it was resolved as a result of the increase in the share capital approved by the General Extraordinary Shareholders' Meeting of October 18, 2016, the issuance of new 12,518,070 ordinary, non-endorsable, book-entry shares of $ 1 par value each, and entitled to 1 vote per share. In view of the above, the ownership structure during fiscal year ended December 31, 2017 was made up as follows:

• ASA	95 % (131,263,542 shares)
• Armando Roberto Losón	3.7616% (5,197,434 shares)
• Holen S.A.	0.2384% (329,452 shares)
• Carlos Alfredo Bauzas	1% (1,381,722 shares)

Organization of decision-making

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

Any decisions relating to the administration of the activities of the Company which are considered major and/or relevant in terms of their magnitude and/or of the amount involved are taken directly by the Board of Directors at a meeting summoned specifically to this end. When required in specific cases, the Shareholders' Meeting will hold an extraordinary meeting to decide matters assigned to it. During 2017, all decisions taken by these two bodies were carried unanimously.

Directors' fees

The decisions made by the Company relating to the fees of the members of the Board of Directors are in compliance with the limits and guidelines envisaged in Article 261 of Law No. 19550, and Articles 1 to 7 of Chapter III, Heading II, of the Rules of the National Securities Commission.

5. OUTLOOK FOR THE FISCAL YEAR 2018

5.1 Outlook for the Electricity Generation Market

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

In 2017 the need was to obtain more efficient generation to start decreasing the costs of electricity generation. Through SE Resolution No. 287/2017, the SEE made new calls for the implementation of efficient steam power generation projects focused on 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, the 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 foe 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 being able to sign 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 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

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

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.

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 and 2017, which has already caused a drop in the prices of imported gas and LNG. The 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 Subsector 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.

After 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.

<u>Company outlook for the year 2018</u>

<u>Electric power</u>

Company's management expects to continue operating and normally maintaining the various generating units according to their availability in 2018.The fact of introducing more efficient group machines to the Electricity System would imply obtaining higher levels of dispatch, and thus, increasing the generation of electricity with fuel provided by CAMMESA.

Lastly, an improvement is expected in the usage factor of large users due to the increase in the level of activity and the prices of the contracts under Resolution 1281/06 (Energía Plus).

<u>Advisory and Technical Assistance Services</u>

Albanesi Group expects to continue carrying out the professional training program in Engineering and Civil Works referred to previously, in order to maintain the technical advisory and assistance services at the various expansion projects carried out at the power plants owned by the Group, and to provide assistance and advice relating to the operation of these power plants.

<u>Financial condition</u>

In the current year, the Company has the objective of improving the financing structure and ensuring the progress of investment works according to the budgeted schedules.

Bonds for USD 250 million were co-issued by GMSA, CTR and GFSA on July 27, 2016, and they fall due within 7 years. The international bond is secured by ASA. From the total issued, USD 173 million were allocated to GMSA, and USD 7 million to GFSA, to prepay financial debts and the financing of investment projects. On November 8, 2017, GMSA and CTR obtained the authorization for the reopening of the International Bonds. On December 5, 2017, Negotiable Obligations were issued for USD 86 million to repaid financial debts.

On October 11, 2017, GMSA and CTR co-issued Class I Negotiable Obligation for USD 30 million, allocating USD 20 million to GMSA. Funds will be used for investment in property, plant and equipment and to a lower extent, for working capital and refinancing of liabilities.

At the date of signing these financial statements, the Company obtained loans for the new investment projects (see Note 41 to these financial statements).

The actions mentioned allowed the improvement of the working capital and financial debt profile, extending maturity dates and reducing the financial cost of the Company, ensuring, in addition, the financing of investment projects.

6. DISTRIBUTION OF PROFITS

In compliance with the prevailing legal provisions, the Board of Directors of the Company states that income for the year amounted to $ 307,696,455, thus recording accumulated profits for $ 307,696,455 at December 31, 2017.

The General Shareholders' Meeting will ultimately discuss and decide the allocation of the accumulated profits detailed above, considering the existing restrictions due to the obligations assumed by the Company.

7. ACKNOWLEDGEMENT

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

City of Buenos Aires, March 12, 2018

THE BOARD OF DIRECTORS

Generación Mediterránea 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 April 25, 2016, and they are currently working on their implementation.
Recommendation I.3: Preventing the improper use of proprietary information.		X		The Company has a Code of Ethics and Conduct approved by 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. A special procedure has been implemented since 2014, headed by the Human Resources Division with the final approval from the Board of Directors, in relation to the assessment of senior managers and the whole staff. 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 currently submitted to the consideration of the Board of Directors.
II.1.1.9		X		Bearing in mind the professional qualities of the persons who have been or are members of the Board of Directors, the Company does not have a continuous training program for the directors and managerial executives. However, as part of the Company's usual management, the Board of Directors adopts actions for general and/or particular training and update according to the specific needs that may arise in the exercise of their functions and responsibilities under their charge. However, the Company through 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 respective management divisions: i) report on operations, maintenance, the environment and safety of the plant, which is an integral part of the integrated management system adopted by the Company, and which details all the relevant events linked to the plant's activity; ii) monthly economic, financial and accounting reports, as well as reports on human resources, legal issues and information technology and systems. 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. In this regard, considering the adoption by the Company of the integrated management system, the respective management division prepares the Operations, Maintenance, Environmental and Safety Report. It also prepares the Monthly Economic and Financial Report contemplating all the management aspects of the Issuer. 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 articles 8 to 15 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 GEMSA, a company belonging to Grupo Albanesi, must be

				composed of at least five (5) and a maximum of nine (9) regular directors. The Board of Directors of GEMSA, currently composed of nine members in conformity with the shareholders agreement, has been designated according to the following procedure: (i) seven (7) members were designated by Armando R. Losón, including the Chairman; (ii) one (1) member by Carlos Alfredo Bauzas; and (iii) one (1) member by Holen S.A. The shareholders agreement also sets out the number of directors that each shareholder must designate when the Board of Directors of GEMSA is composed of a higher or lower number of directors, and those proportions should be 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 Issuer has a CORPORATE ENVIRONMENTAL MANAGEMENT SYSTEM in conformity with ISO 14001:2015 Standard, covering all necessary issues for comprehensive management of the environmental risks. The Environmental Management System establishes procedures and controls compliance through periodic audits to

				verify that management tasks are being performed. The Issuer has programs relating to security, predictive and preventive maintenance to ensure proper management of the issues mentioned above. The Modesto Maranzana Power Plant is ISO 9001:2015 (Quality Management System) and OHSAS 18001:2007 (Occupational Health and Safety Management) certified.
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; 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, with the participation of the Plant Management.
III.3	X			The Company has an area in particular that is dedicated to the administration of the Environmental Management System. In addition, the Issuer has specific areas for maintenance, environment and safety reporting to the Plant Management.
III.4		X		The documentation for the Environmental Management System (planning, procedures, records) is defined by the area that administers the Environmental Management System. Its approval is the responsibility of the Management. 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 as required by regulations in effect for all power plants in the Wholesale Electric Market (WEM).
III.5	X			This control is specifically mentioned in the Annual Report, with a detail of the different 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 fiscal year ended 12.31.15, the same members of the Board that were in office were appointed. In the year ended December 31, 2016, additional full directors were appointed who were aware of and in agreement with tasks and decisions adopted as to the Code of Corporate Governance to form part of the Board of another Albanesi Group Company which was absorbed by GEMSA. In the next Annual General

				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 19 of Bylaws that dividends must be paid in proportion to the shares paid up within the year in which dividends are approved. Evidence is left that the policy of Grupo Albanesi which permitted a significant growth in the last few years is the reinvestment of profits in the development of new projects.
V.6.2			X	The Company does not have specific procedures for the formulation of a proposal for allocation of retained earnings. Retained earnings are considered by the General Meeting of Shareholders held to deal with the annual financial statements, according to the parameters established by article 19 of Bylaws and Law No. 19550 and other related provisions, as regards the percentages of liquid profits for the year to be allocated to each account, and the treatment of

				losses, if any.
PRINCIPLE VI. 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 Company is 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 of all employees, considering as one of the main elements the levels of remuneration established in other companies of similar importance in the industry, as well as the criteria for promotion and penalties at an internal level. 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

Legal information

Company Name:	Generación Mediterránea S.A.
Legal address:	Av. L. N. Alem 855, Floor 14, City of Buenos Aires.
Main business activity:	Generation and sale of electric energy Development of energy projects, execution of projects, advisory services, provision of services, management, administration and performance of works of any kind. Investments and financial operations of any kind, except those established by Law No. 21526

Registration with the Superintendency of Commercial Companies:

By-laws:	January 28, 1993
Latest amendment:	March 17, 2017
Registration with the Superintendency of Commercial Companies under number:	644 of Book 112, Volume A of Corporations
Tax ID: No.	30-68243472-0
Expiration date of Company By-laws:	January 28, 2092
Parent company:	Albanesi S.A.
Legal address:	Av. L. N. Alem 855, Floor 14, City of Buenos Aires.
Main line of business of Parent Company:	Investment and financial activities
Percentage of equity interest held by Parent Company:	95%
Percentage of voting rights of Parent Company:	95%

CAPITAL STATUS (Note 13)	
Class of shares	**Subscribed, paid-in and registered**
	$
Ordinary, registered, non-endorsable shares of $1 par value each and entitled to 1 vote per share.	138,172,150

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Generación Mediterránea S.A.

Statements of Financial Position

At December 31, 2017, presented in comparative format

Stated in pesos

	Note	12.31.17	12.31.16
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	10,767,584,364	4,491,820,544
Investments in Companies		129,861	129,861
Other receivables	11	64,889,055	49,598,816
Trade receivables	10	1,698,757	57,883,839
Total non-current assets		**10,834,302,037**	**4,599,433,060**
CURRENT ASSETS			
Inventories	9	50,194,227	27,636,382
Other receivables	11	997,565,935	1,192,569,484
Other financial assets at fair value through profit or loss		9,631,484	136,206,567
Trade receivables	10	1,042,194,837	456,444,479
Cash and cash equivalents	12	84,615,576	444,954,591
Total current assets		**2,184,202,059**	**2,257,811,503**
Total Assets		**13,018,504,096**	**6,857,244,563**
SHAREHOLDERS' EQUITY			
Share Capital	13	138,172,150	125,654,080
Additional paid-in capital		211,405,124	111,514,225
Legal reserve		5,147,981	4,968,948
Optional reserve		51,731,727	48,330,099
Technical revaluation reserve		1,871,918,401	1,474,799,111
Special Reserve		1,275,621	1,275,621
Unappropriated retained earnings		360,459,662	3,580,661
TOTAL SHAREHOLDERS' EQUITY		**2,640,110,666**	**1,770,122,745**
LIABILITIES			
NON-CURRENT LIABILITIES			
Provisions	21	7,405,069	9,135,552
Deferred tax liabilities, net	20	792,852,418	861,147,900
Loans	17	6,564,695,612	3,458,177,301
Trade payables	15	783,012,955	250,442,290
Total non-current liabilities		**8,147,966,054**	**4,578,903,043**
CURRENT LIABILITIES			
Other liabilities	16	153,604,660	2,752,893
Tax payables	19	19,942,521	17,221,490
Salaries and social security liabilities	18	11,224,202	3,748,321
Derivative financial instruments		-	2,175,000
Loans	17	699,988,725	284,868,267
Trade payables	15	1,345,667,268	197,452,804
Total current liabilities		**2,230,427,376**	**508,218,775**
Total Liabilities		**10,378,393,430**	**5,087,121,818**
Total liabilities and shareholders' equity		**13,018,504,096**	**6,857,244,563**

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

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

Generación Mediterránea S.A.

Statements of Comprehensive Income

For the fiscal years ended December 31, 2017 and 2016

Stated in pesos

	Note	12.31.17	12.31.16
Sales revenue	22	2,611,738,549	1,953,797,882
Cost of sales	23	(1,533,998,903)	(1,460,459,949)
Gross income		**1,077,739,646**	**493,337,933**
Selling expenses	24	18,459,027	(2,687,526)
Administrative expenses	25	(68,365,669)	(34,929,332)
Other operating income and expenses	26	15,226,995	8,491,862
Operating income		**1,043,059,999**	**464,212,937**
Financial income	27	60,903,425	32,243,896
Financial expenses	27	(353,319,489)	(205,688,327)
Other financial results	27	(348,704,547)	(104,613,126)
Financial results, net		**(641,120,611)**	**(278,057,557)**
Income before taxes		**401,939,388**	**186,155,380**
Income tax	20	(94,242,933)	(86,700,027)
Income for the year		**307,696,455**	**99,455,353**
Change in income tax rate – Revaluation of property, plant and equipment		251,812,859	-
Revaluation of property, plant and equipment		132,313,779	725,853,750
Impact on income tax		(33,078,445)	(254,048,813)
Other comprehensive income for the year		**351,048,193**	**471,804,937**
Total comprehensive income for the year		**658,744,648**	**571,260,290**
Earnings per share			
Basic and diluted earnings per share	28	2.2269	0.7915

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

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

Generación Mediterránea S.A.

Statements of Changes in Equity

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

	Share capital (Note 13)	Additional paid-in capital	Legal reserve	Optional reserve	Special Reserve	Technical revaluation reserve	Retained earnings	Total Equity
Balances at December 31, 2015	**76,200,073**	**-**	**2,439,117**	**19,870,827**	**-**	**567,352,214**	**33,487,164**	**699,349,395**
Addition due to merger through absorption at January 1, 2016	49,454,007	111,514,225	457,444	2,128,288	1,275,621	481,086,393	(136,702,918)	509,213,060
Release of optional reserve as per Shareholders' Meeting Minutes dated March 16, 2016	-	-	-	(9,700,000)	-	-	9,700,000	-
- Distribution of dividends	-	-	-	-	-	-	(9,700,000)	(9,700,000)
Shareholders' Meeting Minutes dated April 20, 2016 - Setting up of legal reserve	-	-	2,072,387	-	-	-	(2,072,387)	-
- Setting up of optional reserve	-	-	-	36,030,984	-	-	(36,030,984)	
Other comprehensive income for the year	-	-	-	-	-	471,804,937	-	471,804,937
Reversal of technical revaluation reserve	-	-	-	-	-	(45,444,433)	45,444,433	
Income for the year	-	-	-	-	-	-	99,455,353	99,455,353
Balances at December 31, 2016	**125,654,080**	**111,514,225**	**4,968,948**	**48,330,099**	**1,275,621**	**1,474,799,111**	**3,580,661**	**1,770,122,745**
Addition due to merger through absorption at January 1, 2017	12,518,070	99,890,899	-	-	-	161,984,473	(63,150,169)	211,243,273
Shareholders' Meeting Minutes dated April 18, 2017 - Setting up of legal reserve	-	-	179,033	-	-	-	(179,033)	
- Setting up of optional reserve	-	-	-	3,401,628	-	-	(3,401,628)	
Other comprehensive income for the year						351,048,193	-	351,048,193
Reversal of technical revaluation reserve	-	-	-	-	-	(115,913,376)	115,913,376	
Income for the year	-	-	-	-	-	-	307,696,455	307,696,455
Balances at December 31, 2017	**138,172,150**	**211,405,124**	**5,147,981**	**51,731,727**	**1,275,621**	**1,871,918,401**	**360,459,662**	**2,640,110,666**

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

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

Generación Mediterránea S.A.

Statement of cash flows

For the fiscal years ended December 31, 2017 and 2016

Stated in pesos

	Notes	12.31.17	12.31.16
Cash flow provided by operating activities:			
Income for the year		307,696,455	99,455,353
Adjustments to arrive at net cash flows provided by operating activities:			
Income tax	20	94,242,933	86,700,027
Accrued interest, net	27	289,115,382	165,289,814
Depreciation of property, plant and equipment	7 and 23	269,409,532	115,459,849
Proceeds from the sale of property, plant and equipment		(10,269,178)	-
Provision for directors' fees		14,999,856	-
Income from changes in the fair value of financial instruments	27	(61,186,024)	(77,700,793)
(Decrease) in provision for contingencies	21	(1,730,483)	(813,944)
(Decrease) / Increase in provision for bad debts	21	(76,869)	1,987,724
Present value		(4,079,631)	4,574,288
Exchange difference	27	303,684,676	121,980,552
Changes in operating assets and liabilities:			
(Increase) in trade receivables		(111,629,997)	(159,080,460)
(Increase) in other receivables [(1)]		(596,273,671)	(1,109,247,476)
(Increase) in inventories		(22,700,535)	(14,039,800)
(Decrease) / Increase in trade payables		(557,815,989)	125,494,366
Increase / (Decrease) in other liabilities		135,851,911	(55,577,045)
Increase/(Decrease) in salaries and social security charges		6,792,819	(1,532,620)
(Decrease) / Increase in tax payables		(31,274,548)	776,352
Net cash flow generated by (applied to) operating activities		**24,756,639**	**(696,273,813)**
Cash flow of investment activities:			
Acquisition of property, plant and equipment	7	(2,077,998,350)	(1,134,281,933)
Collection from the sale of property, plant and equipment		17,304,288	-
Payment of derivative instruments		(2,175,000)	-
Collection of financial instruments		29,224,783	7,403,600
Acquisition of bills of exchange		-	(25,148,121)
Redemption / (Subscription) of mutual funds, net		138,540,014	(90,669,067)
Addition of cash due to merger		86,524,181	(8,763,199)
Loans granted		(15,650,000)	(60,000,000)
Net cash flows (used in) investing activities		**(1,824,230,084)**	**(1,311,458,720)**
Cash flow of financing activities:			
Borrowings	17	5,888,577,369	4,366,474,177
Payment of loans	17	(3,874,358,144)	(1,676,269,067)
Payment of interest	17	(630,248,728)	(244,529,704)
Net cash flows provided by financing activities		**1,383,970,497**	**2,445,675,406**
NET (DECREASE) INCREASE IN CASH		**(415,502,948)**	**437,942,873**
Cash and cash equivalents at the beginning of year		444,954,591	(32,833,887)
Financial results of cash and cash equivalents		55,163,933	39,845,605
Cash and cash equivalents at the end of year	12	84,615,576	444,954,591
		(415,502,948)	**437,942,873**

(1) Includes payments to suppliers for the purchase of property, plant and equipment for $139,142,724 and $868,976,879 at December 31, 2017 and December 31, 2016, respectively.

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

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

Generación Mediterránea S.A.

Statements 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			
Acquisition of property, plant and equipment not yet paid	7	(1,356,191,555)	(28,621,372)
Increase in technical revaluation	7	(132,313,779)	(725,853,750)
Interest and exchange difference capitalized in property, plant and equipment	7	(1,394,799,694)	(443,468,855)
Payment of dividends		-	(9,700,000)
Advances to suppliers applied to the acquisition of property, plant and equipment	7	(891,719,089)	-
Addition of property, plant and equipment due to merger	7	708,545,901	1,068,873,584
Addition of trade receivables due to merger		59,089,006	120,098,598
Addition of other receivables due to merger		56,066,060	108,259,299
Addition of inventories due to merger		(9,078,135)	6,270,052
Addition of other financial assets at fair value through profit and loss due to merger		-	1,210,961
Addition of trade payables due to merger		(206,608,339)	(67,806,826)
Addition of other liabilities due to merger		-	(58,184,938)
Addition of loans due to merger		(424,285,831)	(490,716,207)
Addition of salaries and social security liabilities due to merger		(683,062)	(1,628,857)
Addition of tax payables due to merger		(58,326,510)	(193,707,527)
Assignment of receivables with Directors to GROSA		20,785,080	-
Issue of ON paid up in kind	17	489,219,349	-
Assignment of ASA credit rights in guarantee		3,547,468	-

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

NOTE 1: GENERAL INFORMATION

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

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

Albanesi Group had at the date these 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.

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 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.

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

GMSA participated as bidder and was awarded two projects for the closure phase in combined cycle power plants under SEE Resolution 926 - E/2017.

NOTE 1: GENERAL INFORMATION (Cont'd)

Central Térmica Modesto Maranzana (Cont'd)

One of those projects is the closure phase in CTMM combined cycle TG06 and TG07 units, 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 exhaust of the gas turbines, 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 closure project in combined cycle CTMM will enable contributing a further 112.5 MW to SADI. The addition of the new gas turbine will demand more fuel for the system. The inclusion of the steam turbine machine will provide additional fuel without consumption of 65 MW, with the full cycle reaching a specific consumption of 1590 kcal/kWh in the closure phase of the combined cycle power plant.

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.

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 Wholesale Demand Contract, 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 132 kV INDEPENDENCIA transformer station of TRANSNOA, province of Tucumán.

NOTE 1: GENERAL INFORMATION (Cont'd)

Central Térmica Independencia (Cont'd)

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 50% in March 2017 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) 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 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 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. 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

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 new 132 kV TORRES transformer station, 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 value 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 through combined cycle closure technology and co-generation, with a commitment to be available to satisfy demand in the MEM.

GMSA participated as bidder and was awarded two projects for the closure phase in combined cycle power plants under SEE Resolution 926 - E/2017.

Another awarded project was the closure phase in CTE combined cycle 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.

NOTE 1: GENERAL INFORMATION (Cont'd)

Central Térmica Ezeiza (Cont'd)

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.

Maintenance contract

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 undertakes to provide on-site technical assistance on a permanent basis, a remote monitoring system for follow-up of the turbines operation, 24-hour assistance from the engineering department in the USA, original spare parts in a timely manner and repairs for planned and unplanned maintenance. In addition, 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.

In addition, GMSA signed with Siemens S.A. and Siemens Industrial Turbomachinery AB a global service and spare part agreement for the power plants CTRi, CTMM, CTI and CTE. As set forth in the agreements, Siemens must provide on-site technical assistance on a permanent basis, a remote monitoring system to follow up on the performance of the turbines, 24-hour assistance from the engineering department, original spare parts in a timely manner and repairs for planned and corrective maintenance. In addition, the agreement establishes that Siemens will make available for GMSA replacement equipment (engine gas generator), if necessary, for CTRi, CTMM, CTI and CTE. Siemens thus guarantees an average availability of not less than ninety six percent (96%) to the above mentioned 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.

The environment

CTMM has maintained certification of an Integrated Management System under ISO 9001:2015, ISO 14001:2015 and OHSAS 18001:2007. The pertinent documentation has been updated in compliance with the new management requirements, as a result of the enlargement of its electric power generation process.

NOTE 1: GENERAL INFORMATION (Cont'd)

The environment (Cont'd)

The staff has been trained according to the training needs identified for a correct performance of duties, and the controls and preventative follow-ups undertaken have been performed as planned.

In July 2017, the Environmental and Quality Management Systems were migrated to the new 2015 version and placed in production, upon completion of the respective in-house training and distance learning.

During the period from October to November 2017, a new external audit on maintenance control of the Integrated Management System was conducted by IRAM as the certification agency, with a positive outcome.

CTI, CTLB, CTRi and CTF have maintained certification of an Environmental Management System under ISO 14001:2015, developed and implemented within the corporation. The pertinent documentation has been updated in compliance with the new management requirements of the organization, as a result of the changes introduced with the updated version of the Standard and the field realities in view of the project development related to the expansion of the existing processes and the installation of new generation sites.

The staff has been trained according to the training needs identified for a correct performance of duties, and the controls and preventative follow-ups undertaken have been performed according to planning.

In July 2017, the Environmental Management System was migrated to the new 2015 version and placed in production, upon completion of the respective in-house training and distance learning.

During the period from October to November 2017, a new external audit on maintenance control of the Management System was conducted by the IRAM as certification agency, with a positive outcome.

Group's companies merger process

GMSA (merging and continuing company) has been part of a merger process with the following companies which have been absorbed: GISA, 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 (See Note 35.a).

As a result of the merger, the thermal power plants CTI, CTRi and CTLB owned by the merged companies have been transferred to GMSA.

NOTE 1: GENERAL INFORMATION (Cont'd)

Group's companies merger process (Cont'd)

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 35.b).

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

The Company's revenue from electricity generation activity is derived from sales to Large Users on the Forward Market (MAT), for surplus demand (SE Resolution No. 1281/06); from sales to CAMMESA under SE Resolution No. 220/07, and sales under SE Resolutions No. 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 MEM administered by CAMMESA.

a) Energía Plus Regulations, SE Resolution 1281/06

This Resolution provides that the existing energy sold on the Spot Market has the following priorities:

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

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

The resolution also establishes that:

• Large Users with demand over 300 KW ("GU300") will be authorized to enter into contract for their demand of electricity in the forward market with the generating agents existing in the 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 same conditions as described above.

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

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

At the date of these financial statements, almost all the nominal power of 135 MW available is under contract. The duration of these contracts is from 1 to 2 years.

b) MEM Supply Contract (SE Resolution No. 220/2007)

In January 2007, the Energy Secretariat passed 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 is established in each contract based on the costs accepted by the ES. The contracts will also provide that the machines and thermal 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.

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

i) A fixed charge for hired power, affected by average monthly availability, for a price:

Thermal power Plant	Fixed charge for hired power USD/MW-month	Hired power 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

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

b) MEM Supply Contract (SE Resolution No. 220/2007) (Cont'd)

ii) the fixed charge recognizes transportation costs plus other costs inherent to the generating agents;
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 SEE Resolution No. 21/2016

SEE Resolution No. 21 of March 22, 2016 called for bids for new thermal generation capacity and associated energy production by generating, co-generating and self-generating agents, with a commitment to be available in the MEM during the summer periods of (2016/2017 and 2017/2018) and for the 2017 winter season.

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.

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 SE. Sales under this modality are denominated in US dollars and paid by CAMMESA.

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

c) Sales under SEE Resolution No. 21/2016 (Cont'd)

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

i) A fixed charge for hired power, affected by average monthly availability, for a price:

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 costs inherent to the generating agents;

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 95/13 that aims at adjusting 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 THE COMPANY'S POWER GENERATION ACTIVITIES (Cont'd)

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

SE Resolution No. 529/14 established that from February 2014, commercial management and fuel dispatch would be centralized in the Dispatch Management Agency (CAMMESA). Costs related to operation would cease to be recognized as the contractual relationships between MEM agents and their suppliers of fuel and inputs were terminated. 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 is the increase in the remuneration payable to the generators, implemented through a price increase, as well as the creation of two new items: 2015-2018 Resource for FONINVEMEM investments" and "Incentives for Energy Production and Operating Efficiency".

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. The new resolution adjusts the remuneration criteria to reasonable, foreseeable and efficient economic conditions through medium term commitments. The Generating Agents under the framework of contracts governed by Resolutions No. 1281/2006, 220/2007, 21/2016, and any other type of MEM contract that has a differential system established or authorized by the competent authority of the MEM, are excluded from this system

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

The new resolution is effective from February 1, 2017.

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

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

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 received an additional remuneration of 2 USD/Mwh, irrespective of the type of fuel, for the Energy Operated, represented by the integration of hourly powers in the period.
   2.3 Additional remuneration incentive for efficiency:
   2.3.1 Additional remuneration variable cots efficient thermal power generation: The 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 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 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 Company reports on the cash flows from operating activities using the indirect method.

The fiscal year commences on January 1 and ends December 31 of each year.

Economic and financial results are presented on the basis of the fiscal year.

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

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

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

A final merger agreement was entered into on November 15, 2016 establishing a merger of GFSA through absorption into GMSA effective as from January 1, 2017. The increase in the variations is mainly due to this condition. The information is not comparative.

NOTE 3: BASIS FOR PRESENTATION (Cont'd)

Financial reporting in hyperinflationary economies

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

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

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

NOTE 4: ACCOUNTING POLICIES

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

4.1 Changes in 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.

NOTE 4: ACCOUNTING POLICIES (Cont'd)

4.1 Changes in accounting policies Cont'd)

4.1.1 New accounting standards, amendments and interpretations issued by the IASB (Cont'd)

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. It is applicable for all annual periods commencing on or after January 1, 2017. Application of the amendments did not have an impact on the Company's financial position or 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 unrealised losses. The amendments explain how to account for the deferred tax when an asset is measured at fair value and that fair value is below the asset's taxable base.

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 standard 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 Company considers that it will not have a significant impact on the allowance amount.

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 (Cont'd)

IFRS 15 "Revenue from Contracts with Customers": it was issued in May 2014 and its effective date was subsequently amended in September 2015 for annual reporting periods beginning on or after 1 January 2018. It addresses revenue recognition principles and establishes the information requirements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer The basic principle implies revenue recognition that represents the transfer of goods or services undertaken with customers in exchange for an amount that reflects the consideration to which the entity expects to be entitled. In this regard, the Company 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 Company is analyzing the impact of the application of IFRS 17; however, it estimates that the application thereof will not have a significant impact on the results of operations or the financial position of the Company.

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 Company 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 Company.

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

4.2 Revenue recognition

a) Sale of electricity

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

NOTE 4: ACCOUNTING POLICIES (Cont'd)

4.2 Revenue recognition (Cont'd)

a) Sale of electricity (Cont'd)

The criterion for recognizing revenue from the main business activity of the Company is to recognize revenue from electricity generation on an accrual basis, comprising the energy and power made available for consumption and the generated energy.

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

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

b) Sale of services

Sale of services is recognized in the period they are rendered, based on the degree of completion.

c) Interest income

Interest income is recognized applying the effective interest rate method. This income is registered on a temporary basis, considering principal and the effective tax rate.

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

4.3 Effects of the foreign exchange rate fluctuations

a) Functional and presentation currency

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

The Company has made an evaluation and concluded that at the date of the financial statements there is no sufficient evidence that Argentina is a hyperinflationary economy (See Note 3).

NOTE 4: ACCOUNTING POLICIES (Cont'd)

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

a) Functional and presentation currency (Cont'd)

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. Exchange gains and losses generated by each transaction and resulting 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.

4.4 Property, plant and equipment

In general, property, plant and equipment (excluding lands), buildings, installations and machinery are recognized at net cost 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 income statement during the financial year in which they are incurred.

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

NOTE 4: ACCOUNTING POLICIES (Cont'd)

4.4 Property, plant and equipment (Cont'd)

Facilities, machinery and buildings are measured at fair value less accumulated depreciation and impairment losses recognized at the date of revaluation, if any. Land is measured at fair value and is not depreciated. Revaluations are made frequently enough to make sure that the fair value of a revalued asset does not differ significantly from its carrying amount. In addition, at each reporting date, the Company compares the accounting measurement of lands, buildings, facilities and machinery with their recoverable values, calculated as described below.

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

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

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 property, plant and equipment amounted to $1,394,799,694 and $451,344,185 in the years ended December 31, 2017 and 2016, respectively. The average interest rate used for the year was 25%.

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.

NOTE 4: ACCOUNTING POLICIES (Cont'd)

4.4 Property, plant and equipment (Cont'd)

If land, building, installation and machinery had been measured at cost, the carrying amounts would have been the following:

	12.31.17	12.31.16
Cost	8,698,858,588	2,496,874,368
Accumulated depreciation	(447,772,250)	(287,674,526)
Residual value	**8,251,086,338**	**2,209,199,842**

4.5 Impairment of non-financial assets

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

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

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

At December 31, 2017, the Company considered that the carrying amount of lands, buildings, installations and machinery does not exceed their recoverable value.

4.6 Financial assets

4.6.1 Classification

The Company classifies its financial assets in the following categories: assets subsequently measured at fair value and assets measured at amortized cost. This classification depends on whether the financial asset is an investment in a debt or equity instrument. 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.

NOTE 4: ACCOUNTING POLICIES (Cont'd)

4.6 Financial assets (Cont'd)

4.6.1 Classification (Cont'd)

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.

All the investments in equity instruments are measured at fair value. The Company may irrevocably opt at initial recognition of investments not held for trading to disclose the changes in fair value under other comprehensive income. The Company has decided to recognize the changes in fair value in income.

4.6.2 Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade date, when the Company undertakes to purchase or sell the asset. Financial assets are 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)

4.6 Financial assets (Cont'd)

4.6.3 Impairment of financial assets

Financial assets at amortized cost

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

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

a) Significant financial difficulties of the debtor;
b) breach of contractual clauses, such as late payment of interest or principal; and
c) 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 Company may calculate the value of impairment based on the fair value of the financial asset using an observable market price.

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

4.6.4 Offsetting of financial instruments

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

NOTE 4: ACCOUNTING POLICIES (Cont'd)

4.7 Inventories

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

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

Cost is determined applying the weighted average cost method.

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

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

4.8 Trade receivables and other receivables

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

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 Company 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)

4.9 Advances to suppliers

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

At December 31, 2017, the Company recorded an advance to suppliers balance of $139,142,724.

4.10 Cash and cash equivalents

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

4.11 Trade and other payables

Trade payables are 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.

4.12 Loans

Loans are initially recognized at fair value, less direct transaction costs incurred. They are subsequently measured at amortized cost, and any difference between the funds received (net of transaction costs) and the amount payable at due date is recognized in the statement of income over the term of the loan, applying the effective interest rate method. The 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)

4.13 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.

4.14 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.

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

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

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

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

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

NOTE 4: ACCOUNTING POLICIES (Cont'd)

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

b) Minimum notional income tax

The Company determines 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 Company 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.

4.15 Provisions

Provisions are recognized when the Company 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 Company'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.

4.16 Balances with related parties

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

4.17 Leases

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

NOTE 4: ACCOUNTING POLICIES (Cont'd)

4.17 Leases (Cont'd)

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

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

4.18 Equity accounts

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

a) Share capital

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

b) Legal reserve

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 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.

NOTE 4: ACCOUNTING POLICIES (Cont'd)

4.18) Equity accounts (Cont'd)

d) Unappropriated retained earnings

Retained earnings comprise accumulated profits or losses without a specific appropriation; positive earnings can be distributable by the decision of the shareholders' meeting, as long as they are not subject to legal restrictions. These earnings comprise prior year earnings that were not distributed and prior year adjustments derived from application of the accounting standards. In case of existence of 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 for by Company bylaws
- Legal reserve

(ii) Capital contributions

(iii) Additional paid-in capital

(iv) Other equity instruments (if feasible from the legal and corporate point of view)

(v) Capital Adjustment

e) Distribution of dividends

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

f) Special Reserve

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

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

NOTE 5: FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

Financial risk management is encompassed within the global policies of the Company, which are focused on the uncertainty of the financial markets and are aimed at minimizing the potential adverse effects on its financial yield. Financial risks are the risks associated with financial instruments to which the Company is exposed during or at the end of each fiscal year. Financial risks comprise market risk (including the foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. At December 31, 2017, the Company has used derivative instruments to cover financial risks, specifically exposure to the exchange rate risk.

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

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

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 Company 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 Company 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)

5.1 Financial risk factors (Cont'd)

a) Market risks (Cont'd)

Foreign exchange risk (Cont'd)

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

Captions	Type and amount of foreign currency	Closing exchange rate (1)	Amount recorded at 12.31.17	Amount recorded at 12.31.16
			$	
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents				
Cash	USD 3,529	18.549	65,452	105,226
Banks	USD 253,592	18.549	4,703,870	2,292,705
Trade receivables				
Trade payables - Energía Plus	USD 9,838,317	18.549	182,490,950	104,995,841
Trade receivables - Res. 220/07 - Res. 19/17 - Res. 21/17	USD 39,808,931	18.549	738,415,862	57,950,769
Trade payables - Rental of tanks	USD 641,404	18.549	11,897,395	10,127,762
Total Current Assets			**937,573,529**	**175,472,303**
Total Assets			**937,573,529**	**175,472,303**
LIABILITIES				
CURRENT LIABILITIES				
Trade payables				
Related parties	USD 12,156,586	18.599	226,100,347	107,378,222
Suppliers	USD 4,376,510	18.649	81,617,533	83,280,447
Suppliers	SEK 289,707,041	2.280	660,482,514	-
Financial debts				
Foreign loan	USD 16,152,698	18.649	301,231,671	186,907,614
Total current liabilities			**1,269,432,065**	**377,566,283**
NON-CURRENT LIABILITIES				
Trade payables				
Suppliers	USD 12,000,000	18.649	223,788,000	-
Suppliers	SEK 245,292,500	2.280	559,224,955	250,442,290
Financial debts				
Foreign loan	USD 322,968,816	18.649	6,023,045,441	3,290,993,368
Total non-current liabilities			**6,806,058,396**	**3,541,435,658**
Total Liabilities			**8,075,490,461**	**3,919,001,941**

The Company considers that, if all other variables remain constant, a devaluation of 1% of each foreign currency compared to the Argentine peso would reduce income for the year in the following way:

	Argentine pesos	
Currency	**12.31.17**	**12.31.16**
US dollars	(59,182,095)	(34,930,873)
Swedish crowns	(12,197,075)	(2,504,423)
Variation in income for the year	**(71,379,169)**	**(37,435,296)**

NOTE 5: FINANCIAL RISK MANAGEMENT (Cont'd)

5.1 Financial risk factors (Cont'd)

a) Market risk (Cont'd)

Price risk

Company revenue rely, to a lesser extent, on sales made under Resolution 19/17, which replaced SE Resolution 22/16. The new resolution adjusts the remuneration criteria to reasonable, foreseeable and efficient economic conditions through medium term commitments. Company revenue may suffer the impact of any material amendment or repeal of any terms of the Resolution and such repeal or amendment may cause a minor adverse effect on its business, financial position and results of operations.

If for any reason not attributable to the Company, the Company is no longer eligible to participate in the Energía Plus Program (SE Resolution 1281/06), Resolution 220/07 and/or SE Resolution 21/16, or if these resolutions are repealed or substantially amended, and the Company is obliged to sell all the power generated in the Spot Market or the sales price is limited, the results of Generación Mediterránea S.A. could be badly affected.

Interest rate risk

Interest rate risk arises from the Company's debt at floating rate. Indebtedness at floating rate exposes the Company to interest rate risk on their cash flows. At December 31, 2017, a small portion of the loans in effect had been taken out at floating rates, mainly BADLAR (plus an applicable margin).

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

NOTE 5: FINANCIAL RISK MANAGEMENT (Cont'd)

5.1 Financial risk factors (Cont'd)

a) Market risks (Cont'd)

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

	12.31.17	12.31.16
Fixed rate		
Less than 1 year	291,902,551	93,455,683
Between 1 and 2 years	21,239,203	-
Between 2 and 3 years	1,061,808,268	604,897,002
After 3 years	4,902,105,364	2,686,096,366
	6,277,055,386	**3,384,449,051**
Floating rate:		
Less than 1 year	408,086,174	191,412,584
Between 1 and 2 years	241,534,029	153,587,756
Between 2 and 3 years	8,104,094	13,455,141
After 3 years	329,904,654	141,036
	987,628,951	**358,596,517**
	7,264,684,337	**3,743,045,568**

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

	12.31.17	12.31.16
Floating rate	9,876,290	3,585,965
Decrease in income for the year	**9,876,290**	**3,585,965**

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.

NOTE 5: FINANCIAL RISK MANAGEMENT (Cont'd)

5.1 Financial risk factors (Cont'd)

b) Market risks (Cont'd)

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

c) Liquidity risk

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

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

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

At December 31, 2017	Falling due within 3 months	Between 3 months and 1 year	Between 1 and 2 years	After 2 years	Total
Trade and other payables	1,189,571,302	324,820,626	576,339,955	242,763,000	2,333,494,883
Loans	366,949,229	634,386,818	458,574,514	6,613,315,687	8,073,226,248
Total	**1,556,520,531**	**959,207,444**	**1,034,914,469**	**6,856,078,687**	**10,406,721,131**

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

NOTE 5: FINANCIAL RISK MANAGEMENT (Cont'd)

5.2 Management of capital risk

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

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

In the year ended December 31, 2017, the Company 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:

	12.31.17	**12.31.16**
Total loans	7,264,684,337	3,743,045,568
Less: Cash and cash equivalents	(84,615,576)	(444,954,591)
Net debt	7,180,068,761	3,298,090,977
EBITDA	1,312,469,531	579,672,786
Net debt/ EBITDA	**5.471**	**5.690**

NOTE 6: CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

a) Impairment of assets

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

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

a) Impairment of financial assets (Cont'd)

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

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

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

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

- First, to reduce the carrying value of goodwill allocated to the cash generating unit, and

- then, reduce the carrying amounts of the other assets of the unit (or group of units) pro rata on the basis of the carrying amount of each asset of the unit (or group of units). The carrying amount of an asset should not be reduced below the highest of its fair value less costs of disposal, its value in use, or zero.

- The amount of the impairment loss that would otherwise have been allocated to the asset shall be allocated pro rata to the other assets of the CGU.

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

See Note 1 on the treatment the Company gives to the maintenance of turbo generators.

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

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

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

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

Deferred tax assets are reviewed at every reporting date and reduced according to the probability that a sufficient tax base might be available to allow recovering these assets in whole or in part. Deferred assets and liabilities are not discounted. 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.

c) 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 and probabilities of occurrence, the opinion of the Company's legal advisors has been considered.

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

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

d) Allowance for bad debts

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

The allowance for bad debts was $2,655,764 at December 31, 2017 and 2014 and $2,732,633 at December 31, 2016.

NOTE 7: PROPERTY, PLANT AND EQUIPMENT

	Original values						Depreciation						Net amount at end of year	
Type of asset	At beginning of year	Addition due to merger	Increases	Transfers/ withdrawals	Technical revaluation	At end of year	Accumulated at beginning of year	Addition due to merger	Deletions	For the year (1)	Technical revaluation	Accumulated at end of year	At 12.31.17	At 12.31.16
Land	184,769,155	341,200	7,915,899	(7,549,077)	32,752,522	218,229,699	-	-	-	-	-	-	218,229,699	184,769,155
Buildings	92,314,799	16,439,100	413,255	791,025,983	(392,351,436)	507,841,701	-	-	-	7,943,016	(7,943,016)	-	507,841,701	92,314,799
Facilities	238,766,199	49,460,000	263,349	769,476,812	50,252,042	1,108,218,402	-	-	-	35,144,167	(35,144,167)	-	1,108,218,402	238,766,199
Machinery	2,947,847,599	642,121,700	107,458,931	4,695,000,058	175,802,811	8,568,231,099	-	-	-	222,770,657	(222,770,657)	-	8,568,231,099	2,947,847,599
Works in progress - Extension of Plant	987,294,546	-	5,599,362,641	(6,255,413,346)	-	331,243,841	-	-	-	-	-	-	331,243,841	987,294,546
Computer and office equipment	7,473,494	202,354	3,218,063	-	-	10,893,911	3,754,470	18,453	-	2,113,021	-	5,885,944	5,007,967	3,719,024
Vehicles	6,512,931	-	2,076,550	-	-	8,589,481	1,403,710	-	-	1,438,671	-	2,842,381	5,747,100	5,109,222
Spare parts and materials	32,000,000	-	-	(8,935,445)	-	23,064,555	-	-	-	-	-	-	23,064,555	32,000,000
Total at 12.31.17	**4,496,978,723**	**708,564,354**	**5,720,708,688**	**(16,395,015)**	**(133,544,061)**	**10,776,312,689**	**5,158,180**	**18,453**	**-**	**269,409,532**	**(265,857,840)**	**8,728,325**	**10,767,584,364**	**-**
Total at 12.31.16	**1,208,996,997**	**1,069,605,208**	**1,606,372,161**	**-**	**612,004,358**	**4,496,978,724**	**2,816,102**	**731,624**	**-**	**115,459,849**	**(113,849,395)**	**5,158,180**	**-**	**4,491,820,544**
Total at 12.31.15	**907,605,470**	**-**	**18,756,946**	**(861,937)**	**283,496,518**	**1,208,996,997**	**24,354,335**	**-**	**(207,841)**	**45,951,039**	**(67,281,431)**	**2,816,102**	**1,206,180,895**	**-**

(1) Depreciation charges for the fiscal years ended December 31, 2017 and 2016 were allocated to cost of sales, including $154,551,168 and $69,914,512, respectively, for a higher technical revaluation amount.

NOTE 8: FINANCIAL INSTRUMENTS

At December 31, 2017	Financial assets/liabilities at amortized cost	At fair value through profit or loss	Non-financial assets/ liabilities	Total
Assets				
Trade receivables, other receivables and investments	1,283,263,104	17,980,211	805,235,130	2,106,478,445
Other financial assets at fair value through profit or loss	-	9,631,484	-	9,631,484
Cash and cash equivalents	41,896,493	42,719,083	-	84,615,576
Non-financial assets	-	-	10,817,778,591	10,817,778,591
Total	**1,325,159,597**	**70,330,778**	**11,623,013,721**	**13,018,504,096**
Liabilities				
Trade and other payables	2,282,284,883	-	-	2,282,284,883
Loans (finance leases excluded)	7,197,897,598	-	-	7,197,897,598
Finance leases	66,786,739	-	-	66,786,739
Non-financial liabilities	-	-	831,424,210	831,424,210
Total	**9,546,969,220**	**-**	**831,424,210**	**10,378,393,430**

At December 31, 2016	Financial assets/liabilities at amortized cost	At fair value through profit or loss	Non-financial assets/ liabilities	Total
Assets				
Trade receivables and other receivables	657,410,861	129,861	1,099,085,757	1,756,626,479
Other financial assets at fair value through profit or loss	-	136,206,567	-	136,206,567
Cash and cash equivalents	84,736,840	360,217,751	-	444,954,591
Non-financial assets	-	-	4,519,456,926	4,519,456,926
Total	**742,147,701**	**496,554,179**	**5,618,542,683**	**6,857,244,563**
Liabilities				
Trade and other payables	450,647,987	-	-	450,647,987
Derivative financial instruments	-	2,175,000	-	2,175,000
Loans (finance leases excluded)	3,718,760,935	-	-	3,718,760,935
Finance leases	24,284,633	-	-	24,284,633
Non-financial liabilities	-	-	891,253,263	891,253,263
Total	**4,193,693,555**	**2,175,000**	**891,253,263**	**5,087,121,818**

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

NOTE 8: FINANCIAL INSTRUMENTS (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	Financial assets at fair value through profit and loss	Financial liabilities at amortized cost	Total
Interest earned	60,903,425	-	-	60,903,425
Interest paid	-	-	(350,018,807)	(350,018,807)
Exchange differences, net	320,461,756	-	(624,146,432)	(303,684,676)
Other financial costs	-	61,186,024	(109,506,577)	(48,320,553)
Total	**381,365,181**	**61,186,024**	**(1,083,671,816)**	**(641,120,611)**

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

Fair value estimates

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

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

The following table shows the Company's financial assets and liabilities measured at fair value at December 31, 2017 and 2016.

NOTE 8: FINANCIAL INSTRUMENTS (Cont'd)

At December 31, 2017	Level 1	Level 2	Level 3	Total
Assets				
Investment in companies				
Shares	-	-	129,861	129,861
Other financial assets at fair value through profit or loss				
Trade receivables, other receivables and investments	17,980,211	-	-	17,980,211
Derivative financial instruments	8,124,134	-	-	8,124,134
Mutual funds	1,507,350	-	-	1,507,350
Cash and cash equivalents				
Mutual funds	42,719,083	-	-	42,719,083
Property, plant and equipment	-	-	10,402,520,901	10,402,520,901
Total	**70,330,778**	**-**	**10,402,650,762**	**10,472,981,540**

At December 31, 2016	Level 1	Level 2	Level 3	Total
Assets				
Investment in companies				
Shares	-	-	129,861	129,861
Other financial assets at fair value through profit or loss				
Mutual funds	136,206,567	-	-	136,206,567
Cash and cash equivalents		-	-	
Mutual funds	360,217,751	-	-	360,217,751
Property, plant and equipment	-	-	3,463,697,752	3,463,697,752
Liabilities				
Derivative financial instruments				
Derivatives	(2,175,000)	-	-	(2,175,000)
Total	**94,249,318**	**-**	**3,463,697,752**	**3,958,076,931**

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

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

NOTE 8: FINANCIAL INSTRUMENTS (Cont'd)

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

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

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

NOTE 9: INVENTORIES

	12.31.17	12.31.16
Supplies and materials	50,194,227	27,636,382
	50,194,227	**27,636,382**

NOTE 10: TRADE RECEIVABLES

Non-Current	Note	12/31/17	12.31.16
Trade receivables		1,698,757	864,183
SE Resolution No. 95/13	34	-	8,291,195
SE Resolution No. 529/14	34	-	48,728,461
		1,698,757	**57,883,839**
Current			
Trade receivables		536,548,904	240,945,298
Net receivables from CAMMESA	34	77,028,796	-
Energy sold to be billed		428,499,620	213,643,533
Balances with related parties	29	2,773,281	4,588,281
Allowance for bad debts	21	(2,655,764)	(2,732,633)
		1,042,194,837	**456,444,479**

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

NOTE 10: TRADE RECEIVABLES (Cont'd)

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

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

	12.31.17	12.31.16
Balance at the beginning of year	2,732,633	744,909
Impairment allowance	-	1,987,724
Unused amounts reversed	(76,869)	
Balance at the end of year	**2,655,764**	**2,732,633**

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

NOTE 11: Other receivables

Non-Current	Note	12.31.17	12.31.16
Minimum notional income tax credit		64,889,055	34,486,530
Loans to Directors	29	-	15,112,286
		64,889,055	**49,598,816**

Current	Note	12.31.17	12.31.16
Balances with related parties	29	225,726,120	143,082,543
Loans to Directors	29	13,643,390	-
Turnover tax withholdings and credit balance		29,442,312	7,010,469
Social security withholdings		6,739,460	685,405
Value added tax		552,146,690	163,820,964
Insurance to be accrued		921,100	1,086,929
Advances to suppliers		139,142,724	868,976,879
Guarantee deposits and derivative financial instruments		17,850,350	-
Sundry		11,953,789	7,906,295
		997,565,935	**1,192,569,484**

The carrying amount of other current receivables approximates 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 12: CASH AND CASH EQUIVALENTS

	12.31.17	12.31.16
Cash	416,472	317,866
Banks in local currency	36,751,301	63,525,280
Banks in foreign currency	4,703,870	2,292,705
Mutual funds	42,719,083	360,217,751
Checks to be deposited	24,850	18,600,989
	84,615,576	**444,954,591**

NOTE 12: CASH AND CASH EQUIVALENTS (Cont'd)

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

	12.31.17	12.31.16
Cash and cash equivalents	84,615,576	444,954,591
Cash and cash equivalents (bank overdraft facilities included)	**84,615,576**	**444,954,591**

NOTE 13: SHARE CAPITAL

Share capital subscribed at December 31, 2017 amounted to $138,172,150.

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

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

NOTE 14: DISTRIBUTION OF SHARE CAPITAL

Dividends

In accordance with Law No. 25063, passed in December 1998, the dividends that are distributed or that the Company receives from its subsidiaries, in cash or in kind, in excess of the taxable profits accumulated at the end of the year immediately prior to the date of payment or distribution will be subject to 35% withholding for income tax, as single and final payment. For the purposes of this tax, accumulated taxable profits are the balances of taxable profits accumulated at December 31, 1997, less the dividends paid plus the taxable profits determined as from January 1, 1998.

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 capital. Additionally, see Note 20.

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

NOTE 15: TRADE PAYABLES

Non-Current	Note	12.31.17	12.31.16
Ordinary suppliers		783,012,955	250,442,290
		783,012,955	**250,442,290**
Current			
Suppliers		921,464,641	78,989,288
Balances with related parties	29	226,100,347	107,919,863
Suppliers - purchases not yet billed		198,102,280	10,543,653
		1,345,667,268	**197,452,804**

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

NOTE 16: OTHER LIABILITIES

Current	Note	12.31.17	12.31.16
Balances with related parties	29	584,380	2,752,893
Advances from customers		138,020,424	-
Provision for directors' fees		14,999,856	-
		1,533,604,660	**2,752,893**

NOTE 17: LOANS

Non-Current	12.31.17	12.31.16
International bond	4,949,357,665	2,659,743,432
Foreign loan debt	-	631,249,936
Negotiable obligations	1,541,315,232	139,283,447
CAMMESA	3,374,659	10,123,978
Other bank debts	21,202,224	-
Finance lease debts	49,445,832	17,776,508
	6,564,695,612	**3,458,177,301**
Current		
International bond	222,547,895	89,615,062
Foreign loan debt	-	3,840,614
Negotiable obligations	389,016,724	84,703,205
CAMMESA	8,908,160	6,749,323
Other bank debts	62,175,039	93,451,938
Finance lease debts	17,340,907	6,508,125
	699,988,725	**284,868,267**

At December 31, 2017, total financial debt amounts to $7.3 billion. The following table shows the total debt at that date.

	Principal	Balance at 12.31.1	Interest rate	Currency	Date of Issue	Maturity date
		(Pesos)	(%)			
Debt securities						
International Bond	USD 266,000,000	5,171,905,560	9.625%	USD	July 27, 2016	July 27, 2023
Class V Negotiable Obligations	$1,668,870.	1,772,166	BADLAR + 4%	ARS	June 30, 2016	June 30, 2018
Class VI Negotiable Obligations	USD 34,696,397	645,463,488	8%	USD	February 16, 2017	February 16, 2020
Class VII Negotiable Obligations	$553,737,013	582,507,103	BADLAR + 4%	ARS	February 16, 2017	February 16, 2019
Class VIII Negotiable Obligations	$312,884,660.	311,693,229	BADLAR + 5%	ARS	August 28, 2017	August 28, 2021
Class II Negotiable Obligations (GFSA)	$8,200,001.	8,238,319	BADLAR + 6.5%	ARS	March 8, 2016	March 8, 2018
Class III Negotiable Obligations (GFSA)	$4,154,999.	4,348,576	BADLAR + 5.6%	ARS	July 6, 2016	July 6, 2018
Class I Negotiable Obligation co-issuance	USD 20,000,000	376,309,075	6.68%	USD	October 11, 2017	October 11, 2020
Subtotal		**7,102,237,516**				
Other debts						
CAMMESA		12,282,819				
Supervielle loan	USD 4,480,785	83,377,263	7.25%	USD	October 20, 2017	April 22, 2019
Finance lease		66,786,739				
Subtotal		**162,446,821**				
Total financial debt		**7,264,684,337**				

NOTE 17: LOANS (Cont'd)

a) Issuance of international bonds

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 SE 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 financing 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 International Bond reopening. 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 GFSA merger effect).

Interest: Fixed rate of 9.625%

Amortization term and method: Interest on the International Bond shall be paid every nine-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 International Bond shall be amortized in a lump sum payment at maturity, that is, on July 27, 2023.

Principal balance on the International Bond outstanding at December 31, 2017 is USD 266,000,000.

As a result of the issue of International Bonds, the Company has undertaken standard commitments for this type of issue, whose specific conditions are detailed in the pertinent public prospectus. At the date of these financial statements, the Company is in compliance with all commitments undertaken under its indebtedness contracts.

NOTE 17: LOANS (Cont'd)

b) Negotiable obligations:

To improve the financial profile of the company, on October 17, 2012 GMSA obtained, under CNV Resolution No. 16942, 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 17: LOANS (Cont'd)

b) 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 36 months following 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 issue of Class VI Negotiable Obligations were applied to investments in property, plant and equipment on various extension projects of GMSA and refinancing of liabilities, improving the Company's indebtedness 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 as 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 17: LOANS (Cont'd)

b) 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 %

Repayment: Interest will be paid quarterly in arrears, on the following dates: (i) June 08, 2016; (ii) September 08, 2016; (iii) December 08, 2016; (iv) March 08, 2017; (v) June 08, 2017; (vi) September 08, 2017; (vii) December 08, 2017 and (viii) March 08, 2018; or if that date was not a business day, the date for interest payment to be considered shall be the first immediate following business day.

Principal shall be amortized in 3 (three) quarterly and consecutive installments, the first two equivalent to 30% of nominal value of Class II negotiable obligations and the remaining equivalent to 40% of nominal value of Class II negotiable obligations, at the dates in which 18, 21 and 24 months have elapsed counted as from the issue and settlement, (i) September 8, 2017; (ii) December 8, 2017; (iii) March 8, 2018, or if that date was not a business day, on the first following business day. Maturity of Class II Negotiable Obligation: March 8, 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 amount amortized on Class II Negotiable Obligation was $ 51,254,716.

NOTE 17: LOANS (Cont'd)

b) 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 a 5.6 % spread.

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 will be repaid 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 III Negotiable Obligations at the dates on which 18, 21 and 24 months respectively have elapsed as from the date of issuance and settlement, (i) January 6, 2018; (ii) April 6, 2018; (iii) July 6, 2018; if other than a business day, or if such day does not exist, 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 previously provided 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 17: LOANS (Cont'd)

b) Negotiable obligations (Cont'd)

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

Co-issuance of Class I negotiable obligations took place 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.

c) Loan from CAMMESA (GRISA)

At December 31, 2017, the Company 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 average return obtained by the Dispatch Management Agency (CAMMESA) on financial placements in the MEM. At the closing date of these financial statements, 30 installments have been paid, totaling $ 16,873,297.

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

NOTE 17: LOANS (Cont'd)

d) Cargill Loan

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

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

e) 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. It will be amortized in half-yearly installments of principal and interest at a LIBOR 360 + 5.5%.

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

f) Syndicated Loan

On June 13, 2017, the Company 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 financial statements, the debt has been repaid in full.

g) Syndicated Loan

On August 18, 2017, the Company 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 financial statements, the debt has been repaid in full.

NOTE 17: LOANS (Cont'd)

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

	12.31.17	12.31.16
Fixed rate:		
Less than 1 year	291,902,551	93,455,683
Between 1 and 2 years	21,239,203	-
Between 2 and 3 years	1,061,808,268	604,897,002
After 3 years	4,902,105,364	2,686,096,366
	6,277,055,386	**3,384,449,051**
Floating rate:		
Less than 1 year	408,086,174	191,412,584
Between 1 and 2 years	241,534,029	153,587,756
Between 2 and 3 years	8,104,094	13,455,141
After 3 years	329,904,654	141,036
	987,628,951	**358,596,517**
	7,264,684,337	**3,743,045,568**

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.

Company loans are denominated in the following currencies:

	12.31.17	12.31.16
Argentine pesos	940,407,225	265,144,586
US dollars	6,324,277,112	3,477,900,982
	7,264,684,337	**3,743,045,568**

NOTE 17: LOANS (Cont'd)

Changes in Company loans were as follows:

	12.31.17	12.31.16
Loans at beginning of year	3,743,045,568	288,518,491
Addition due to merger	424,285,829	490,716,207
Loans received	6,401,115,314	4,395,095,549
Loans paid	(4,338,659,042)	(1,676,269,067)
Accrued interest	743,684,223	389,336,905
Interest paid	(655,167,179)	(244,529,704)
Exchange difference	855,142,902	318,280,979
Overdraft facilities	-	(61,236,231)
Capitalized expenses	91,236,722	(156,867,561)
Loans at year end	**7,264,684,337**	**3,743,045,568**

NOTE 18: SALARIES AND SOCIAL SECURITY LIABILITIES

Current	12.31.17	12.31.16
Social security charges payable	5,842,562	1,207,496
Salaries payable	144,803	18,076
Provision for vacation pay	5,236,837	2,522,749
	11,224,202	**3,748,321**

NOTE 19: TAX PAYABLES

Current	12.31.17	12.31.16
National Fund of Electric Energy	881,364	271,417
Income tax withholdings to be deposited	3,020,820	2,204,596
Turnover tax withholdings to be deposited	3,584,847	3,683,175
Minimum notional income tax	11,551,445	8,447,082
Provision for income tax withholding overruns	-	1,092,782
Sundry	904,045	1,522,438
	19,942,521	**17,221,490**

NOTE 20: INCOME TAX/ DEFERRED TAX

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

	12.31.17	12.31.16
Deferred tax assets:	302,758,136	64,656,951
Deferred tax assets to be recovered over more than 12 months	302,758,136	64,656,951
Deferred tax liabilities:		
Deferred tax liabilities to be settled over more than 12 months	(1,039,414,555)	(740,342,103)
	(1,039,414,555)	(740,342,103)
Addition due to merger	(56,195,999)	(185,462,748)
Deferred tax liabilities (net)	**(792,852,418)**	**(861,147,900)**

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

	12.31.17	12.31.16
Balances at beginning of year	(861,147,900)	(336,000,074)
Addition due to merger	(56,195,999)	(185,462,748)
Charge to income statement	(94,242,933)	(85,636,265)
Charge to technical revaluation reserve	218,734,414	(254,048,813)
Balance at year end	**(792,852,418)**	**(861,147,900)**

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:

	Trade receivables and other receivables	Property, plant and equipment	Loans	Tax payables	)ther liabilitie	Tax loss	Mutual fund valuation
Balance at December 31, 2016	**(2,675,715)**	**(1,001,644,396)**	**1,801,240**	**159,395**	**5,546,390**	**145,706,117**	**(10,040,931)**
Addition due to merger	-	(119,004,201)	(1,051,039)	-	3,700,216	61,189,934	(1,030,909)
Charge to income statement	5,575,545	(258,047,479)	523,198	(428,015)	(6,809,969)	154,152,189	10,791,598
Charge to technical revaluation reserve	-	218,734,414	-	-	-	-	-
Balance at December 31, 2017	**2,899,830**	**(1,159,961,662)**	**1,273,399**	**(268,620)**	**2,436,637**	**361,048,240**	**(280,242)**

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

The income tax charge is broken down as follows:

	12.31.17	12.31.16
Deferred tax	(94,242,933)	(85,636,258)
Provision understated in the prior year	-	(1,063,769)
Income tax	**(94,242,933)**	**(86,700,027)**

NOTE 20: INCOME TAX/ DEFERRED 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).

Index-adjustments to deductions: Acquisitions or investments made in the fiscal years beginning on or after January 1, 2018 will be index-adjusted based on the Domestic Wholesale Price Index ("IPIM", for its acronym in Spanish) published by the National Institute of Statistics and Census ("INDEC", for its acronym in Spanish). This will increase the depreciation that may be deducted and its computable cost in the event of a sale.

The reconciliation between income tax charged to income and that resulting from the application of the tax rate to the accounting profit before taxes is shown below:

	12.31.17	12.31.16
Income before income tax	401,939,388	186,155,380
Current tax rate	35%	35%
Income/(loss) at the tax rate	(140,678,786)	(65,154,383)
Other permanent differences	(9,121,109)	(8,660,820)
Change in the income tax rate (a)	65,075,871	-
Expiration of tax losses	(9,518,909)	(12,884,824)
Total income tax charge	**(94,242,933)**	**(86,700,027)**

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

(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.

Accumulated tax loss carry-forwards recorded by the Company which are pending use at December 31, 2017:

Year	$	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	175,535,054	2020
Tax loss for the year 2016	279,953,581	2021
Tax loss for the year 2017	838,543,066	2022
Total tax loss carry-forwards at December 31, 2017	**1,419,166,085**	

NOTE 21: ALLOWANCES AND PROVISIONS

	For trade receivables	For contingencies
Balance at December 31, 2016	2,732,633	9,135,552
Increases	-	-
Decreases	(76,869)	(1,730,483)
Balances at December 31, 2017	**2,655,764**	**7,405,069**

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 22: SALES REVENUE

	12.31.2017	**12.31.2016**
Sale of electricity Res. No. 95/529/482/22/19 plus Spot	281,380,379	395,825,966
Energía Plus sales	939,033,852	764,763,473
Sale of electricity Res. No. 220	1,213,035,145	793,208,443
Sale of electricity Res. No. 21	178,289,173	-
	2,611,738,549	**1,953,797,882**

NOTE 23: COST OF SALES

	12.31.17	12.31.16
Purchase of electric energy	(792,562,558)	(599,787,678)
Gas and diesel consumption at the plant	(129,252,305)	(532,466,304)
Fees and compensation for services	(4,479,001)	(4,873,877)
Salaries and social security charges	(101,150,342)	(65,068,417)
Other employee benefits	(7,492,786)	(4,614,227)
Taxes, rates and contributions	(16,256,992)	(14,883,655)
Maintenance services	(175,325,306)	(98,105,821)
Depreciation of property, plant and equipment	(269,409,532)	(115,459,849)
Per diem, travel and representation expenses	(3,323,362)	(1,053,703)
Insurance	(26,428,755)	(16,515,300)
Communication expenses	(4,267,758)	(2,824,439)
Sundry	(4,050,206)	(4,806,679)
	(1,533,998,903)	**(1,460,459,949)**

NOTE 24: SELLING EXPENSES

	Note	12.31.17	12.31.16
Salaries and social security charges		-	(376,515)
Taxes, rates and contributions		(1,200,164)	(323,287)
Recovery of Turnover tax	39	19,643,732	-
Bad debts		15,459	(1,987,724)
		18,459,027	**(2,687,526)**

NOTE 25: ADMINISTRATIVE EXPENSES

	12.31.17	12.31.16
Fees and compensation for services	(38,830,691)	(24,424,174)
Directors' fees	(14,999,856)	-
Salaries and social security charges	-	(1,204,801)
Other employee benefits	-	(27,755)
Taxes, rates and contributions	(1,494,120)	(1,071,666)
Per diem, travel and representation expenses	(1,666,996)	(3,236,644)
Insurance	(195,229)	(486,430)
Office expenses	(3,643,883)	(2,222,545)
Communication expenses	(220,713)	(60,901)
Rental	(4,127,684)	(967,513)
Donations	(1,220,600)	(50,000)
Sundry	(1,965,897)	(1,176,903)
	(68,365,669)	**(34,929,332)**

NOTE 26: OTHER OPERATING INCOME

	12.31.17	12.31.16
Sale of land and extension of double circuit 132-kV transmission line	12,909,670	-
Recovery of insurance claim	-	6,742,280
Other income	2,317,325	1,749,582
	15,226,995	**8,491,862**

NOTE 27: FINANCIAL RESULTS

	12.31.17	12.31.16
Financial income		
Commercial interest	34,229,209	25,445,201
Interest on loans granted	26,674,216	6,798,695
Total financial income	**60,903,425**	**32,243,896**
Financial expenses		
Interest on loans	(304,469,387)	(188,657,645)
Commercial and other interest	(45,549,420)	(8,876,065)
Bank expenses and commissions	(3,300,682)	(8,154,617)
Total financial expenses	**(353,319,489)**	**(205,688,327)**
Other financial results		
Exchange differences, net	(303,684,676)	(121,980,552)
Changes in the fair value of financial instruments	61,186,024	77,700,793
Other financial results	(106,205,895)	(60,333,367)
Total other financial results	**(348,704,547)**	**(104,613,126)**
Total financial results, net	**(641,120,611)**	**(278,057,557)**

NOTE 28: EARNINGS PER SHARE

Basic

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

	12.31.17	12.31.16
Income for the year	307,696,455	99,455,353
Weighted average of outstanding ordinary shares	138,172,150	125,654,080
Basic earnings per share	**2.2269**	**0.7915**

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

NOTE 29: TRANSACTIONS AND BALANCES BETWEEN RELATED PARTIES

	Income / (Loss)	
	$	
a) Sales of energy	**12.31.17**	**12.31.16**
Other related parties:		
Solalban Energía S.A.	91,365,224	71,021,743
RGA	68,390,348	43,986,717
	159,755,572	**115,008,460**
b) Purchase of gas and energy		
Other related parties:		
Solalban Energía S.A.	(64,793)	(126,875)
RGA (*)	(1,733,067,795)	(769,055,961)
	(1,733,132,588)	**(769,182,836)**
c) Administrative services		
Other related parties:		
RGA	(26,445,027)	(30,014,052)
	(26,445,027)	**(30,014,052)**
d) Rental		
Other related parties:		
RGA	(4,120,200)	(981,000)
	(4,120,200)	**(981,000)**
e) Other purchases and services received		
Other related parties:		
RGA - guarantee	(49,659,250)	-
BDD – Purchase of wines	(2,449,372)	(241,462)
AJSA - Flights made	(52,359,804)	(27,241,634)
ASA - guarantee	(2,433,143)	(921,843)
	(106,901,569)	**(28,404,939)**

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

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

	Income / (loss)	
	$	
f) Recovery of expenses	**12.31.17**	**12.31.16**
Other related parties:		
RGA	(1,368,169)	(5,575,569)
GROSA	7,009,519	6,825,502
CTR	7,308,485	11,095,382
GFSA (1)	-	6,683,989
AESA	108,989	226,276
AJSA	678	-
AVRC	678	-
BDD	3,391	-
	13,063,571	**19,255,580**
g) Financial cost		
Other related parties:		
RGA	(29,461,193)	(3,515,702)
	(29,461,193)	**(3,515,702)**
h) Purchase of spare parts		
Other related parties:		
GROSA	-	(43,559)
GFSA (1)	-	(10,572,050)
	-	**(10,615,609)**
i) Fees		
Other related parties:		
Directors	(14,999,856)	-
	(14,999,856)	-
j) Interest accrued on loans granted		
Other related parties:		
GROSA	8,944,725	-
Directors	3,666,184	-
AISA	14,063,307	6,798,695
	26,674,216	**6,798,695**
k) Pipeline works		
Other related parties:		
RGA	(161,544,407)	-
	(161,544,407)	-

(1) Company merged into GMSA as from January 1, 2017 under a merger through absorption.

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

l) Work management services	Income / (loss) $	
	12.31.17	**12.31.16**
Other related parties:		
RGA	(90,185,100)	-
	(90,185,100)	**-**

m) Remuneration of key managerial staff

The senior management includes directors (executive and non-executive). Managerial staff's fees at December 31, 2017 and 2016 amounted to $10,342,765 and $8,163,695, respectively.

	12.31.17	**12.31.16**
Salaries	(10.342,765)	(8,163,695)
	(10.342,765)	**(8,163,695)**

n) Balances at the date of the statements of financial position

	12.31.17	**12.31.16**
Current trade receivables with other related parties		
GROSA	2,773,281	2,773,281
CTR	-	1,815,000
	2,773,281	**4,588,281**
Other current receivables with other related parties		
ASA	106,726,555	60,162,259
AISA	80,862,002	66,798,695
AJSA	841	-
CTR	936,085	8,061,229
GROSA (2)	37,200,637	8,060,360
Directors	13,643,390	-
	239,369,510	**143,082,543**
Other non-current receivables with other related parties		
Directors	-	15,112,286
	-	**15,112,286**

(2) For assignment of receivables with Directors of GMSA to GROSA dated 06/30/2017.

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

n) Balances at the date of the statements of financial position (Cont'd)

Current trade payables with other related parties	12.31.17	12.31.16
RGA	225,426,087	94,027,202
AJSA	674,260	13,351,020
Solalban Energía S.A.	-	541,641
	226,100,347	**107,919,863**

Other current debts with other related parties		
BDD	584,380	-
GFSA (1)	-	2,752,893
Provision for Directors' fees	14,999,856	-
	15,584,236	**2,752,893**

(1) Company merged with GMSA as from January 1, 2017 under a merger through absorption.

	12.31.17	12.31.16
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
Balance at year end	**80,862,002**	**66,798,695**

The loans are governed by the following terms and conditions:

Entity	Amount	Interest rate	Conditions
At 12.31.17			
AISA	60,000,000	BADLAR + 3%	Maturity date: 1 year, renewable automatically until 5 years.
Total in pesos	**60,000,000**		

	12.31.17	12.31.16
Loans to Directors		
Balances at beginning of year	15,112,286	-
Loans granted	15,650,000	15,112,286
Assignment (2)	(20,785,080)	-
Accrued interest	3,666,184	-
Balance at year end	**13,643,390**	**15,112,286**

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

n) Balances at the date of the statements of financial position (Cont'd)

The loans are governed by the following terms and conditions:

Entity	Amount	Interest rate	Conditions
At 12.31.17			
Directors	12,191,292	BADLAR + 3%	Maturity date: 1 year
Total in pesos	**12,191,292**		

	12.31.17	12.31.16
Loans to Directors		
Balances at beginning of year	-	-
Loans granted	10,244,113	-
Assignment (2)	20,785,080	-
Accrued interest	8,944,725	-
Balance at year end	**39,973,918**	-

The loans are governed by the following terms and conditions:

Entity	Amount	Interest rate	Conditions
At 12.31.17			
GROSA	31,029,193	35%	Maturity date: 1 year
Total in pesos	**31,029,193**		

(2) For assignment of receivables with Directors of GMSA to GROSA dated 06/30/2017.

Receivables from related parties arise mainly from transactions of services provided and fall due in the month following the transaction date. No provisions have been recorded for these receivables from related parties in any of the periods covered by these financial statements. Trade payables with related parties arise mainly from 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 30: WORKING CAPITAL

The Company reports at December 31, 2017 a deficit of $ 46,225,317 in its working capital (calculated as current assets less current liabilities), which means a decrease of $1,795,818,045, compared to the surplus in working capital at December 31, 2016 ($1,749,592,728 at 12/31/2016). The variation is mainly due to the application of funds due to the progress of investment projects developed by the Company.

NOTE 30: WORKING CAPITAL (Cont'd)

With the aim of reversing the current deficit in its working capital, GMSA and its shareholders are expecting to execute a plan for refinancing liabilities in the short term.

NOTE 31: RESTRICTED ASSETS AND OTHER COMMITMENTS

31.1 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.

31.2 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.

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

31.2 Loan BAF Latam Trade Finance Funds B.V. (Cont'd)

The rights assigned under the contract are detailed below:

- All GMSA rights under the project documents.
- All GMSA rights to collect and receive all payments in cash or in kind, owed to GMSA under present and future electricity sales transactions carried out on the Energía Plus market.
- All GMSA rights to collect and receive all payments in cash or in kind, for any item, owed to GMSA by any Insurance Company at present or at a future date.
- Fiduciary ownership of the Real Estate Property existing at the date and of any incorporated in the future.
- Fiduciary ownership of the Company's assets.
- The right to make any kind of claims and to file judicial proceedings in case of default in payment.
- Any collection right resulting from the rights assigned.
- Any and all rights that ASA has or may have with GMSA by reason of any Irrevocable Capital Contribution.
- All the funds existing in the Company's account that have been received by the Company in relation to the assigned rights.

At the date of issue of these 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.

NOTE 32: STORAGE OF DOCUMENTATION

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

Entity responsible for warehousing of information - Domicile
Iron Mountain Argentina S.A. – Av. Amancio Alcorta 2482, 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 33: SEGMENT REPORTING

The information on exploitation segments is presented in accordance with the interim 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.

The 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 having a single segment, the generation and sale of electricity.

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 34: PRESENTATION TO CAMMESA

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

On August 26, 2015, the Company filed a new note to CAMMESA, updating the amount of the request detailed in the above paragraph of Resolution No. 529/14.

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

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

On June 10, 2016 the Company submitted to CAMMESA a request for recognition of the remuneration for maintenance and investments, as set forth by Resolution No. 529/14 for CTLB and CTRi. Since the effective date of that Resolution, in February 2014 up to and including April 2016, GLB has generated a total of 60,166 MWh, equivalent to the amount of $2,935,346 and GR generated a total of 51,564 MWh, 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 plant and issued a report on CTLB and CTRi which is under economic assessment.

NOTE 34: PRESENTATION TO CAMMESA (Cont'd)

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

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, the Company made ten filings through note to CAMMESA for $44,681,566.

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 the Company 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 35: MERGER

a) 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").

NOTE 35: MERGER (Cont'd)

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

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 assets 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 authority of the Superintendency of Commercial Companies (IGJ); (b) GISA, GLBSA and GRISA were dissolved without being liquidated, and were absorbed by GMSA; (c) GMSA capital 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 35: MERGER (Cont'd)

b) 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, the amendment to Section 5 of corporate bylaws was approved.

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 of them 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; (b) GFSA was dissolved without liquidation, therefore it was absorbed by GMSA; (c) GMSA capital was increased from $ 125,654,080 to $ 138,172,150, with the consequent amendments to the bylaws of the merging company.

NOTE 35: MERGER (Cont'd)

b) 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 for 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 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 preceding conditions set forth in the agreement, the Company obtained commercial financing for 50% of the amount of the contract signed for the CTMM plant enlargement, equivalent to SEK 177,000,000 (approximately USD 21 million).

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

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

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

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

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 stated in dollars, on the basis of the time of payment according to the particular conditions of the contract.

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.

This financing will accrue interest at an annual rate of 7.67%, to be calculated on a 30-day month/360-day year basis, capitalized quarterly.

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

	Total	2018	2019	2020	2021	2022	2023
Commitments (1)	USD						
PWPS for the purchase of the FT4000™ SwiftPac® turbine	**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 dollars, on the basis of the time of payment according to the particular conditions of the contract.

NOTE 37: ALL-RISK INSURANCE COVERAGE

All-risk insurance policy with coverage for loss of profit

The Company 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 profit 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 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.

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 38: EXEMPTION GRANTED BY THE GENERAL REVENUE BOARD OF TUCUMÁN

On March 3, 2017, the General Revenue Board of Tucumán 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 39: SUPPLY CONTRACT WITH CAMMESA: AGREED UPON DATE OF AUTHORIZATION FOR THE COMMERCIAL OPERATION OF 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, that 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 SE 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 of authorization for commercial operation and, when pertinent (iii) consider the penalties comprised in the Supply Contract as not applicable.

NOTE 39: 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 ES; 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 the Company has not recognized any liability.

NOTE 40: SUBSEQUENT EVENTS

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

On January 3, 2018, the Company 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.

b) Borrowings

In January 2018, three loan agreements were signed 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%	March 2018
Banco Citibank N.A.	USD 10,000,000	3.5%	January 2019

c) Cargill 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.

NOTE 40: SUBSEQUENT EVENTS (Cont'd)

d) Execution of contracts for the purchase of machinery

BLC Asset Solutions B. V.

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.

e) Authorization for CTE and CTI commercial operation

The Company obtained authorization for the commercial operation of CTI and CTE on February 1, 2018 and February 3, 2018, respectively. Both 50-MW Siemens SGT800 turbines correspond to the second investment stage.

f) 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 a 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 41: 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

Summary of Activity at December 31, 2017 and December 31, 2016

1. Brief description of the activities of the issuing company, including references to relevant circumstances subsequent to year end.

In accordance with the provisions of CNV General Resolution No. 368/01, and subsequent amendments, we present below an analysis of the results of the operations of GMSA and its net worth and financial position, which must be read together with the financial statements attached.

The final merger agreement was entered into on November 15, 2016 establishing a merger of GFSA through absorption into GMSA effective as from January 1, 2017.The increase in the variations is mainly due to this condition. The information is not comparative.

Fiscal year ended December 31:

	2017	2016	Variation	Variation %
	GWh			
Sales by type of market				
Sales to CAMMESA Res. No. 220	664	423	241	57%
Energía Plus sales	744	709	35	5%
Sale of electricity Res. No. 95/529/482/22/19 plus Spot	536	651	(115)	(18%)
Sale of electricity Res.21	25	-	25	100%
	1,969	**1,783**	**186**	**10%**

The sales for each market (in millions of pesos) are shown below:

	2017	2016	Variation	Variation %
	(in millions of pesos)			
Sales by type of market				
Sales to CAMMESA Res. No. 220	1,213.0	793.2	419.8	53%
Energía Plus sales	939.0	764.8	174.2	23%
Sale of electricity Res. No. 95/529/482/22/19 plus Spot	281.4	395.9	(114.5)	(29%)
Sale of electricity Res.21	178.3	-	178.3	100%
	2,611.7	**1,953.8**	**657.9**	**34%**

Summary of Activity at December 31, 2017 and December 31, 2016

Income/loss for the year ended December 31, 2017 and 2016 (in millions of pesos):

	Fiscal year ended December 31: 2017	2016	Variation	Variation %
Sales of energy	2,611.7	1,953.8	657.9	34%
Net sales	**2,611.7**	**1,953.8**	**657.9**	**34%**
Purchase of electric energy	(792.6)	(599.8)	(192.8)	32%
Gas and diesel consumption at the plant	(129.3)	(532.5)	403.2	(76%)
Salaries, social security charges and employee benefits	(108.6)	(69.7)	(38.9)	56%
Maintenance services	(175.3)	(98.1)	(77.2)	79%
Depreciation of property, plant and equipment	(269.4)	(115.5)	(153.9)	133%
Insurance	(26.4)	(16.5)	(9.9)	60%
Taxes, rates and contributions	(16.3)	(14.9)	(1.4)	9%
Others	(16.1)	(13.6)	(2.5)	18%
Cost of sales	**(1,534.0)**	**(1,460.5)**	**(73.5)**	**5%**
Gross income	**1,077.7**	**493.3**	**584.4**	**118%**
Salaries, social security charges and employee benefits	-	(0.4)	0.4	(100%)
Taxes, rates and contributions	(1.2)	(0.3)	(0.9)	300%
Recovery of Turnover tax	19.6	-	19.6	100%
Bad debts	-	(2.0)	2.0	(100%)
Selling expenses	**18.4**	**(2.7)**	**21.1**	**(781%)**
Salaries, social security charges and employee benefits	-	(1.2)	1.2	(100%)
Fees and compensation for services	(38.8)	(24.4)	(14.4)	59%
Directors' fees	(15.0)	-	(15.0)	100%
Per diem, travel and representation expenses	(1.7)	(3.2)	1.5	(47%)
Leases	(4.1)	(1.0)	(3.1)	324%
Office expenses	(3.6)	(2.2)	(1.4)	62%
Donations	(1.2)	(0.1)	(1.1)	1100%
Sundry	(3.9)	(2.8)	(1.1)	39%
Administrative expenses	**(68.3)**	**(35.0)**	**(33.3)**	**95%**
Other operating income	15.2	8.5	6.7	79%
Operating income	**1,043.0**	**464.2**	**578.8**	**125%**
Commercial interest earned	34.2	25.4	8.8	35%
Loan interest	(277.8)	(181.9)	(95.9)	53%
Tax and commercial interest paid	(45.5)	(8.9)	(36.6)	411%
Bank expenses and commissions	(3.3)	(8.2)	4.9	(60%)
Exchange differences, net	(303.7)	(122.0)	(181.7)	149%
Other financial results	(45.0)	17.4	(62.4)	(359%)
Financial and holding results, net	**(641.1)**	**(278.1)**	**(363.0)**	**131%**
Income before taxes	**401.9**	**186.1**	**215.8**	**116%**
Income tax	(94.2)	(86.7)	(7.5)	9%
Net income for the year	**307.7**	**99.4**	**208.3**	**210%**

Summary of Activity at December 31, 2017 and December 31, 2016

	2017	2016	Variation	Variation %
Other Comprehensive Income for the year				
Change in the income tax rate - revaluation of property, plant and equipment	251.8	-	251.8	100%
Revaluation of property, plant and equipment	132.3	725.9	(593.5)	(82%)
Impact on income tax	(33.1)	(254.0)	221.0	(87%)
Other comprehensive income for the year	**351.0**	**471.8**	**(120.76)**	**(26%)**
Total comprehensive income for the year	**658.7**	**571.2**	**87.5**	**15%**

Sales:

Net sales for the year ended December 31, 2017 amounted to $ 2,611.7 million, compared with $ 1,953.8 million for fiscal year 2016, showing an increase of $ 657.9 million (or 34%).

During the fiscal year ended December 31, 2017, the sale of electricity was 1,969 GWh, accounting for a 10% increase compared with the 1,783 GWh for 2016.

The main sources of income of the Company and their performance during the fiscal year ended December 31, 2017 compared with the previous year are described below:

(i) $939.0 million from sales under Energía Plus, up 23% from the $764.8 million sold in 2016.This variation is explained by the favorable effect on the price as a result of the increase in the exchange rate.

(ii) $1,213.0 million for sales of electricity in the forward market to CAMMESA under the framework of Resolution No. 220/07, which accounted for an increase of 53% from the $793.2 million for 2016.This variation is explained by an increase in the price due to the increase in the exchange rate, an increase in the sales volume for the putting into operation of the new turbines and the impact of the merger of GFSA through absorption into GMSA.

(iii) $281.4 million for sales of energy under Resolutions Nos.95/529/482/22/19 and spot market, accounting for a 29% drop with regard to the $395.9 million for fiscal year 2016. This variation is explained by the management of excess generation volumes made by CAMMESA and the impact of the merger of GFSA through absorption into GMSA.

(iv) $178.3 million for sales of energy under Resolution No. 21, accounting for a 100% increase. That variation is due to the putting into operation of the new turbines during fiscal year 2017.

Cost of sales:

The total cost of sales for the year ended December 31, 2017 reached $ 1,534.0 million, compared with $ 1,460.5 million for fiscal year 2016, reflecting an increase of $ 73.5 million (or 5%).

The main costs of sales of the Company and their performance during the year compared with the previous fiscal year are detailed below in millions of pesos:

(i) $792.6 million for purchases of electricity, up 32% from the $599.8 million in 2016, as a result of the price effect due to exchange rate variation.

(ii) \$129.3 million for the cost of gas and diesel consumption at the plant, reflecting a 76% drop from the \$532.5 million for fiscal year 2016.This variation was due to a change in the calculation of gas consumption by CAMMESA.

(iii) \$175.3 million in maintenance services, up 79% from the \$98.1 million in fiscal year 2016.This variation is due to the variation in the dollar exchange rate, the putting into operation of the new turbines and the absorption of GFSA into GMSA.

(iv) Depreciation of property, plant and equipment of \$269.4 million, which accounted for 133% increase with regard to the depreciation of \$ 115.5 million in fiscal year 2016.This variation is mainly originated in the higher amortization value for the captions: building, facilities and machinery, as a result of their revaluation at December 31, 2017 and 2016; and the impact of absorption of GFSA into GMSA.

(v) \$108.6 million for payroll and social security charges, up 56% from the \$69.7 million for fiscal year 2016, mainly due to salary increases granted to staff hired and the impact of the absorption of GFSA into GMSA.

(vi) \$26.4 million for insurance, which accounted for a 60% increase from the \$ 16.5 million for fiscal year 2016, related to the exchange rate variation and the putting into operation of the new turbines.

Gross income:

Gross income recorded for the year ended December 31, 2017 was \$1,077.7 million, compared with a profit of \$493.3 million for the year 2016, accounting for a 118% increase. This is due to the variation in the exchange rate, the authorization to operate the new turbines and the absorption of GFSA into GMSA.

Selling expenses:

Selling expenses for the year ended December 31, 2017 amounted \$18.4 million profit, compared with \$2.7 million loss for fiscal year 2016, reflecting an improvement of \$21.1 million (or 781%). On March 3, 2017, the department of the General Revenue Board of Tucuman resolved to exempt GMSA from payment of Turnover Tax in that jurisdiction, amending the tax determined as from the period December 2011. (See Note 39 to the financial statement)

Administrative expenses:

Administrative expenses for the year ended December 31, 2017 amounted to \$ 68.3 million compared with \$ 35.0 million for the year 2016, which equals to an increase of \$ 33.3 million (or 95%).

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

(i) \$38.8 million of fees and compensation for services, which accounted for an increase of 59% from the \$ 24.4 million for the prior year.

(ii) \$3.9 million in sundry expenses, accounting for a 39% increase from the \$ 2.8 million for the previous fiscal year. Main variations are due to the captions office expenses and taxes and contributions.

(iii) $1.2 million in salaries and wages and social security contributions for the fiscal year 2016, which accounted for a 100% decrease for the year 2017. The decrease in payroll is mainly due to the hiring of services provided by third parties.

Operating income:

Gross income for the year ended December 31, 2017 was $1,043.0 million, compared with a profit of $464.2 million for the year 2016, accounting for a 125% increase.

Financial results:

Financial results for the fiscal year ended December 31, 2017 amounted to a total loss of $641.1 million, compared with a loss of $278.1 million for the year 2016, which accounted for an increase of 130%.

The most noticeable aspects of the variation are:

(i) $286.7 million loss for financial interest paid, up 58% compared with the $ 181.9 million loss for the year 2016 as a result of an increase in the financial debt generated by the merger through absorption and the investment projects.

(ii) $45.0 million loss for other financial results, compared with $ 17.4 million profit for the year 2016.

(iii) $303.7 million from net exchange differences, up 149% from the $ 122.0 million loss in the previous year.

Income before tax:

The Company reported earnings before tax for $ 401.9 million for the fiscal year ended December 31, 2017, which accounted for a 116% increase compared with the earnings for $ 186.1 million in the previous fiscal year.

The income tax charge represented a profit of $ 94.2 million for the current fiscal year, compared with the profit of $ 86.7 recorded in the previous fiscal year.

Net profit:

The net result for the fiscal year ended December 31, 2017 was a profit of $307.7 million, compared with the profit of $ 99.4 million reported in fiscal year 2016, accounting for a 210% increase.

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Summary of Activity at December 31, 2017 and December 31, 2016

2. Net worth structure comparative with the previous fiscal year:
(In millions of pesos)

	12.31.17	12.31.16	12.31.15	12.31.14	12.31.13
Non-Current Assets	10,834.3	4,599.4	1,209.9	888.1	368.0
Current Assets	2,184.2	2,257.8	323.0	284.2	217.4
Total Assets	**13,018.5**	**6,857.2**	**1,532.9**	**1,172.3**	**585.4**
Equity	2,640.1	1,770.1	699.3	481.3	114.6
Total Equity	**2,640.1**	**1,770.1**	**699.3**	**481.3**	**114.6**
Non-current Liabilities	8,148.0	4,578.9	516.2	310.6	171.0
Current Liabilities	2,230.4	508.2	317.4	380.4	299.8
Total Liabilities	**10,378.4**	**5,087.1**	**833.6**	**691.0**	**470.8**
Total Liabilities + Equity	**13,018.5**	**6,857.2**	**1,532.9**	**1,172.3**	**585.4**

3. Breakdown of results comparative with the previous fiscal year:
(In millions of pesos)

	12.31.17	12.31.16	12.31.15	12.31.14	12.31.13
Ordinary operating income/(loss)	1,043.0	464.2	169.6	136.8	107.3
Financial and holding results	(641.1)	(278.1)	(103.9)	(118.6)	(94.1)
Ordinary net income/(loss)	**401.9**	**186.1**	**65.7**	**18.3**	**13.1**
Income tax	(94.2)	(86.7)	(24.2)	(10.4)	(5.5)
Net Income/(loss)	**307.7**	**99.4**	**41.4**	**7.8**	**7.6**
Other comprehensive income	351.0	471.8	228.01	358.9	-
Total comprehensive income	**658.7**	**571.2**	**269.5**	**366.7**	**7.6**

Summary of Activity at December 31, 2017 and December 31, 2016

4. Cash flow structure comparative with the previous fiscal year:
(In millions of pesos)

	12.31.17	12.31.16	12.31.15	12.31.14	12.31.13
Funds provided by (used in) operating activities	24.8	(696.3)	104.2	130.8	58.9
Funds (used in) investment activities	(1,824.2)	(1,311.5)	(17.8)	(2.9)	(10.6)
Funds provided by (used in) financing activities	1,384.0	2,445.7	(99.3)	(109.0)	(39.7)
(Decrease) / Increase in cash and cash equivalents	**(415.5)**	**437.9**	**(12.9)**	**18.8**	**8.7**

5. Ratios presented comparatively with the previous year:

	12.31.17	12.31.16	12.31.15	12.31.14	12.31.13
Liquidity (1)	0.98	4.44	1.02	0.75	0.73
Solvency (2)	0.25	0.35	0.84	0.70	0.24
Tied-up capital (3)	0.83	0.67	0.79	0.76	0.63
Indebtedness ratio (4) (*)	5.54	6.46	1.34	1.37	2.17
Interest coverage ratio (5)	4.67	3.05	2.35	2.10	1.74
Profitability (6)	0.14	0.08	0.07	0.03	0.07

(1) Current assets / Current liabilities

(2) Equity / Total Liabilities

(3) Non-current assets / Total assets

(4) Financial debt / annual EBITDA (**)

(5) Annual EBITDA (**) / annual financial interest accrued (**)

(6) Net income/loss for the year (not including Other comprehensive income) / total net equity

(*) According to the guidelines for calculating the debt ratio included in the International Bond prospectus, at December 31, 2017 this ratio recorded a value of 5.43.
(**) Figure not covered by audit report.

Summary of Activity at December 31, 2017 and December 31, 2016

6. Brief remarks on the outlook for fiscal year 2018:

Commercial and Operating Area

The Company expects that the various generating units will continue to operate normally in line with dispatches defined by CAMMESA. The main objective is to maintain a high level of availability of the Power Plants, which ensures the profitability of the Company. For this purpose, a thorough preventive maintenance plan of the generating units is made which guarantees the high availability of the turbo generators of the Power Plants.

The Company developed investment projects that will imply an increase of the generation capacity by 400 MW.

Two projects with contracts under SE Resolution No. 220/07 are in progress for a total of 150 MW of additional generation capacity which is detailed below.

In CTRi, a Siemens SGT-800 turbine of 50 MW nominal capacity has been installed. On May 20, 2017, CAMMESA authorized the commercial operation.

Further, two Siemens SGT-800 turbines of 50 MW nominal capacity have been installed in CTMM. On July 6, 2017, CAMMESA authorized the commercial operation through a contract under SE Resolution No. 220/07.

Under the framework of Resolution No. 21/16, the Company presented projects to enlarge the power generation capacity by 250MW, which were awarded through a bidding process.

The projects are set within the framework of agreements entered into with CAMMESA under SE Resolution No. 21/16.

A 100 MW expansion of the generating capacity was commenced at CTI with the installation of two Siemens SGT-800 turbines of 50 MW each. On August 10, 2017, CAMMESA authorized the commercial operation of the first stage (50MW) and the second stage was authorized on February 1, 2018 (50 MW).

Also, the construction of a new plant commenced in the Province of Buenos Aires (CTE) with a generating capacity of 150 MW, with the installation of three Siemens SGT-800 turbines of 50 MW each. On September 29, 2017, CAMMESA authorized the commercial operation of the first stage (100MW) and the second stage was authorized on February 3, 2018 (50 MW).

Through SE Resolution No. 287 - E/2017 of May 10, 2017, the SE 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 MEM.
GMSA participated in that call and was awarded two projects for closure of combined cycles through SE Resolution 926 – E/2017.

One of them corresponds to the closure of combined cycle for the gas turbine 06 and 07 units at 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 three gas turbines (3x1 configuration).For such conversion, a heat recovery 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 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. This gas 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.

Other of the projects awarded was the closure of the combined cycle of the gas turbine 01, 02 and 03 units at 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 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 Modesto Maranzana 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 SE 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.

Financial condition

In the current year, the Company has the objective of improving the financing structure and ensuring the progress of investment works according to the budgeted schedules.

Bonds for USD 250 million were co-issued by GMSA, CTR and GFSA on July 27, 2016, and they fall due within 7 years. The international bond is secured by ASA. From the total issued, USD 173 million were allocated to GMSA, and USD 7 million to GFSA, to prepay financial debts and the financing of investment projects. On November 8, 2017, GMSA and CTR obtained the authorization for the reopening of the International Bonds. On December 5, 2017, Negotiable Obligations were issued for USD 86 million to repaid financial debts.

On October 11, 2017, GMSA and CTR co-issued Class I Negotiable Obligation for USD 30 million, allocating USD 20 million to GMSA. Funds will be used for investment in property, plant and equipment and to a lower extent, for working capital and refinancing of liabilities.

At the date of signing these financial statements, the Company obtained loans for the new investment projects (see Note 41).

The actions mentioned allowed the improvement of the working capital and financial debt profile, extending maturity dates and reducing the financial cost of the Company, ensuring, in addition, the financing of investment projects.

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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 GMSA

1. Significant and specific legal regimes implying contingent decline or renewal of benefits comprised in these legal provisions.

   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

	Trade receivables	Other financial assets at fair value through profit or loss	Other receivables	Trade payables	Loans	Salaries and social security liabilities	Tax payables and deferred tax liability	Other liabilities
	$							
To be due								
First quarter	965,166,041	9,631,484	476,038,538	1,147,564,988	290,232,428	7,296,574	8,391,076	38,226,314
Second quarter	-	-	138,266,948	198,102,280	26,328,957	1,309,209	-	52,641,790
Third quarter	-	-	138,266,948	-	192,533,274	1,309,209	11,551,445	37,641,934
Fourth quarter	-	-	138,266,948	-	190,894,066	1,309,209	-	25,094,623
More than 1 year	1,698,757	-	64,889,055	783,012,955	6,564,695,612	-	792,852,418	-
Subtotal	**966,864,798**	**9,631,484**	**955,728,435**	**2,128,680,223**	**7,264,684,337**	**11,224,202**	**812,794,939**	**153,604,660**
Past due	-	-	-	-	-	-	-	-
Without any stated term	77,028,796	-	106,726,555	-	-	-	-	-
Total at 12.31.17	**1,043,893,594**	**9,631,484**	**1,062,454,990**	**2,128,680,223**	**7,264,684,337**	**11,224,202**	**812,794,939**	**153,604,660**
Non-interest bearing	966,864,798	-	927,975,680	1,904,892,223	-	11,224,202	812,794,939	153,604,660
At fixed rate	-	-	-	223,788,000	6,277,055,386 (1)	-	-	-
At floating rate	77,028,796	9,631,484	134,479,310	-	987,628,951 (1)	-	-	-
Total at 12.31.17	**1,043,893,594**	**9,631,484**	**1,062,454,990**	**2,128,680,223**	**7,264,684,337**	**11,224,202**	**812,794,939**	**153,604,660**

(1) See Note 17 to the financial statements at December 31, 2017.

4. Breakdown of receivables and liabilities according to the financial impact of maintaining the balances.

Captions	Type and amount of foreign currency	Exchange rate at closing (1)	Amount recorded at 12.31.17	Amount recorded at 12.31.16
			$	
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents				
Cash	USD 3,529	18.549	65,452	105,226
Banks	USD 253,592	18.549	4,703,870	2,292,705
Trade receivables				
Trade payables - Energía Plus	USD 9,838,317	18.549	182,490,950	104,995,841
Trade receivables - Res. 220/07 - Res. 19/17 - Res. 21/17	USD 39,808,931	18.549	738,415,862	57,950,769
Trade payables - Rental of tanks	USD 641,404	18.549	11,897,395	10,127,762
Total current assets			**937,573,529**	**175,472,303**
Total Assets			**937,573,529**	**175,472,303**
LIABILITIES				
CURRENT LIABILITIES				
Trade payables				
Related parties	USD 12,156,586	18.599	226,100,347	107,378,222
Suppliers	USD 4,376,510	18.649	81,617,533	83,280,447
Suppliers	SEK 289,707,041	2.280	660,482,514	-
Financial debts				
Foreign loan	USD 16,152,698	18.649	301,231,671	186,907,614
Total current liabilities			**1,269,432,065**	**377,566,283**
NON-CURRENT LIABILITIES				
Trade payables				
Suppliers	USD 12,000,000	18.649	223,788,000	-
Suppliers	SEK 245,292,500	2.280	559,224,955	250,442,290
Financial debts				
Foreign loan	USD 322,968,816	18.649	6,023,045,441	3,290,993,368
Total non-current liabilities			**6,806,058,396**	**3,541,435,658**
Total Liabilities			**8,075,490,461**	**3,919,001,941**

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

5. Intercompany Section 33, Law 19550:

Participation percentage in companies Sect. 33, Law No. 19550:

None.

Accounts payable and receivable with companies Sect. 33, Law No. 19550:

See Note 29.n) to the 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 29 to the financial statements at December 31, 2017.

7. Frequency and scope of the physical inventory of materials and spare parts.

   The Company keeps a permanent record of its inventories, verifying it on a yearly basis.

   There are no impaired, damaged, out of service or idle assets.

Current values

8. Source of the data used in calculating the current values for the valuation of inventories, property, plant and equipment, and other significant assets.

   See Note 4 to the financial statements at December 31, 2017.

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.

    None.

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.

    See Note 4 to the financial statements at December 31, 2017.

Insurance

13. Insured items:

Kind of Risk	Insured amount 2017	Insured amount 2016
Operational all risks - Material damage	USD 597,345,092	USD 265,200,000
Operational all risk - Loss of profit	USD 136,584,860	USD 42,168,517
Contractors' all-risk - enlargement of power plants - material damages	USD 179,937,714	USD 285,706,443
Contractors' all-risk - enlargement of power plants - advance loss of profit (alop)	USD 69,400,838	USD 99,746,356
CL - Siemens STG-800	-	USD 5,000,000
Civil liability	USD 9,000,000	USD 9,000,000
Civil Liability (primary)	USD 6,000,000	USD 4,000,000
Directors and Officers (D&O) liability insurance	USD 15,000,000	USD 15,000,000
Transport Siemens STG-800	-	USD 103,890,000
Automobile	$1,606,000	$1,394,000
Transport insurance, Argentine and international market	USD 10,000,000	USD 10,000,000
Directors' bond	$450,000	$450,000
Customs bond	$1,412,444,971	$1,009,906,781
Financial bond	$175,150,000	-
Environmental insurance	$18,262,245	$14,017,389
Authorization for project commercial operation bond	$1,194,314,569	$499,810,500
Bond to secure offer maintenance	$53,805,150	-
Judicial bond	$5,000,000	-
Equipment technical insurance	USD 208,807	USD 89,287
Personal accidents	$550,000	$250,000
Personal accidents	USD 500,000	USD 500,000
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.

In October 2015, the insurance policy was renewed under better coverage conditions and with a reduction of the premium rate by 10%.

Civil liability:

These policies cover underlying civil liability of the insured, as a result of injuries and/or death of third parties and/or damages to property of third parties, caused and /or derived from the development of the insured activity and product liability, subject to the terms, conditions, limitations and exclusions contained in the policy.

They are structured as follows:

An individual policy for each of the Group companies was taken out, with a compensation limit of USD 1,000,000 - per event and two reinstatements during the effective term of the policy.

In addition, an insurance policy common to all companies has been taken out with a compensation limit of USD 9,000,000- per event and during the effective term of the policy in excess of USD 1,000,000 - (individual policies), with two reinstatements exclusively for operations liability and without reinstatement for product liability.

Transport insurance:

The Company has an insurance policy that covers transportation of all generators of Albanesi Group under the modality of sworn statement to be presented monthly in arrears. It covers losses or damages of goods of the insured as a result of its mobilization during transportation, which may be international, national or urban, either by land, air or sea.

Mandatory life insurance:

Mandatory life insurance is a coverage that the employer 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 $ 20,000, 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 Group employees. It grants compensation in case of death, double severance pay in case of accidental death, partial losses due to accident, advances for terminal diseases, organ transplant and birth of child after death.

Automobile insurance:

This insurance covers the damage to own vehicles as well as extra-contractual civil liability of the owner, user or driver of the automobile involved in an accident where third parties are injured or die.

Customs Guarantees:

- Temporary imports: this guarantee avoids the payment of pertinent duties for the entry of goods into the country, provided that they are exported in a term determined, at which time the guarantee is released.

- Temporary export: the amount of pertinent duties are guaranteed for the export of those exported goods which will be re-imported.

Directors' bond:

It is the guarantee required by the General Companies Law (Law 19550, Section 256, paragraph 2) from directors of corporations and members of the administrative bodies of other companies (LLC, joint stock company). This bond protects the Company against non-compliance with obligations by Directors or Managing partners while performing their duties.

Environmental bond:

The environmental bond for damage with group incidence covers the environmental bond established by the General Law on Environment No. 25675, Section 22 in agreement with the provisions of enforcement authorities.

Financial bond:

It guarantees that the money received by the customer on account of advance, will be applied to the effective compliance with the contract agreed upon.

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.

Project offer maintenance bond:

It guarantees the offer maintenance and signing of the contract in the time and manner required by law and bidding rules.

Positive and negative contingencies

14. Elements considered to calculate provisions whose balances, considered individually or in the aggregate, exceed 2% of the equity.

    See Note 4.15 to the financial statements at December 31, 2017.

15. Contingent situations not accounted for at the date of the financial statements.

    See Note 40 to the financial statements at December 31, 2017.

Irrevocable advances on account of future subscriptions

16. Status of the capitalization procedure.

    None.

17. Cumulative dividends on preferred shares

    None.

18. Conditions, circumstances or terms for the removal of restrictions on the distribution of unappropriated earnings.

    See Note 14 of the financial statements at December 31, 2017.

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REPORT OF THE INDEPENDENT AUDITORS

To the President and Directors of
Generación Mediterránea S.A.
Legal address: Leandro N. Alem 855 - 14th Floor
City of Buenos Aires
Tax Registration No. 30-68243472-0

Report on the financial statements

We have audited the attached financial statements of Generación Mediterránea S.A. (the Company), which consist of the statement of financial position as of December 31, 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 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 financial statements under International Financial Reporting Standards (IFRS) adopted by the Argentine Federation of Professional Councils in Economic Sciences (FACPCE) as professional accounting standards and incorporated into the regulations of the National Securities Commission (CNV), as approved by the International Accounting Standards Board (IASB). Further, the Board of Directors is responsible for the existence of adequate internal control to prepare financial statements free of any material misstatements due to error or irregularities.

Auditors' responsibility

Our responsibility is to express an opinion on the attached financial statements, based on our audit. We performed our audit in accordance with International 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 financial statements are free from any material misstatements.

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An audit involves performing procedures to obtain audit evidence about the amounts and other information disclosed in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the financial statements due to fraud or error. In making those risk assessments, the auditor must consider internal control relevant to the Company's preparation and reasonable presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by the Company's management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements mentioned the first paragraph of this report present fairly, in all material respects, the financial position of Generación Mediterránea S.A. as of December 31, 2017, as well as the comprehensive income and cash flows for the fiscal year then ended, in accordance with International Financing Reporting Standards.

Report on compliance with regulations in force

In accordance with current regulations, we report, in connection with Generación Mediterránea S.A., that:

a) the financial statements of Generación Mediterránea S.A. have been transcribed into the Inventory and Balance Sheet book and as regards those matters that are within our field of competence, they are in compliance with the provisions of the General Companies Law and pertinent resolutions of the National Securities Commission;

b) the financial statements of Generación Mediterránea S.A. arise from accounting records carried in all formal respects in conformity with legal provisions which maintain the security and integrity conditions based on which they were authorized by the National Securities Commission;

c) We have read the summary of activity and the additional information to the Notes to the financial statements as required by Section 12, Chapter III, Title IV of the National Securities Commission regulations, on which, as regards those matters that are within our field of competence, we have no observations to make;

d) at December 31, 2017 the debt accrued by Generación Mediterránea S.A. in favor of the Argentine Integrated Social Security System according to the Company's accounting records amounted to $ 1,581,563, none of which was claimable at that date.

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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) 62 % of the total fees for services billed to the Company for all items during that fiscal year;
e.2) 51 % 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) 29 % of the total fees for services billed to the Company, its parent companies, subsidiaries and related companies for all items during that year;

f) we have applied for Generación Mediterránea S.A. the money laundering abatement and anti-terrorist financing procedures comprised in the professional standards issued by the Professional Council in Economic Sciences of the City of Buenos Aires.

City of Buenos Aires, March 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
Generación Mediterránea 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 statement of financial position of Generación Mediterránea S.A. at December 31, 2017, and the related 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 Generación Mediterránea S.A.

2. Our examination was carried out in accordance with standards applicable to syndics. These standards require that the examinations of the financial statements be performed in accordance with current auditing standards, and include the verification of the fairness of the significant information contained in the documents examined and their consistency with the information on corporate decisions, which are known to us, as disclosed in the Board and Shareholders' meeting minutes, as well as the conformity of those decisions with the law and by-laws insofar as concerns formal and documentary aspects. To 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 financial statements of Generación Mediterránea 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 conformitywith professional accounting standards in force in the Autonomous City of Buenos Aires, and CNV regulations;

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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 Generación Mediterránea 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 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