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Generación Frías S.A.

FINANCIAL STATEMENTS
AT DECEMBER 31, 2016
PRESENTED IN COMPARATIVE FORMAT

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FINANCIAL STATEMENTS

AT DECEMBER 31, 2016
PRESENTED IN COMPARATIVE FORMAT

CONTENTS

Generación Frías 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 interim condensed financial statements of the Company.

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

Generación Frías S.A.

GLOSSARY OF TECHNICAL TERMS (Cont'd)

Terms	Definitions
GM	Central Térmica Modesto Maranzana located in Río IV, province of Córdoba
GMSA	Generación Mediterránea S.A.
Large Users	WEM agents classified according to their consumption unto: GUMAs, GUMEs, GUPAs and GUDIs
GR	Central Térmica Riojana located in La Rioja, La Rioja (merged with GMSA)
GRISA	Generación Riojana S.A.
GROSA	Generación Rosario S.A.
GUDIs	Large Demand from Distributors, with declared or demanded supplies of over 300kW.
GUMAs	Major Large Users
GUMEs	Minor Large Users
GUPAs	Particular Large Users
GW	Gigawatt Unit of power equivalent to 1,000,000,000 watts
GWh	Gigawatt hour Unit of energy equivalent to 1,000,000,000 watts hour
IASB	International Accounting Standards Board
IGJ	Superintendency of Commercial Companies
kV	Kilovolt Unit of electromotive force which is equal to 1,000 volts
kW	Kilowatt Unit of power equivalent to 1,000 watts
kWh	Kilowatt hour Unit of energy equivalent to 1,000 watts hour
LGS	General Companies Law
LVFVD	Sales liquidations with maturity date to be defined
MAT	Futures market
MAPRO	Major Scheduled Maintenance
WEM	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
AR GAAP	Argentine Generally Accepted Accounting Principles
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
ON	Negotiable obligations
PWPS	Pratt & Whitney Power System Inc
Resolution 220/07	Regulatory framework for the sale of energy to CAMMESA through the "WEM Supply Contract" under Energy Secretariat Resolution No. 220/07
GR	General Resolution
RGA	Rafael G. Albanesi S.A.
RT	Technical pronouncements
TRASNOA S.A.	An electric power carriage company by means of a trunk line in the Argentine Northwestern region
SADI	Argentine Interconnection System
ES	Energy Secretariat
CGU	Cash-Generating Unit

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Generación Frías S.A.

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

President
Armando R. Losón

First Vicepresident
Guillermo G. Brun

Second Vicepresident
Julián P. Sarti

Full Directors
Carlos A. Bauzas
Oscar C. De Luise
Sebastián A. Sánchez Ramos
Jorge H. Schneider
Juan Carlos Collin

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

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

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

GENERACIÓN FRÍAS S.A.

Generación Frías S.A.

Annual Report for Fiscal Year 2016

GLOSSARY OF TECHNICAL TERMS

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

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

GLOSSARY OF TECHNICAL TERMS (Cont.)

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

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Generación Frías S.A.

Annual Report Fiscal Year 2016

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Annual Report for Fiscal Year 2016

To the Shareholders of GFSA,

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

I. ACTIVITY OF THE COMPANY

GFSA was formed on April, 20, 2010 for the generation and marketing of electric energy as its principal activity.

The site of the Plant is adjacent to the TRANSNOA S.A. transformer to allow a strategic connection to the network with the ability to inject energy generated by the Argentine interconnection system. In addition, it has a power pipeline that ensures a supply of natural gas for electricity generation.

The project now underway involves the installation of a 60 MW capacity of thermal generation through the installation of a turbine powered by PWPS, similar to those used in the related companies GMSA and Solaban Energia S.A.

During 2014 GFSA executed the works necessary for the installation of the FT4000 turbine with a capacity to generate 60 MW, including the installation of a 75 MWA main transformer and two transformers for ancillary services at the plant of 2 and 3 KWA; construction of two diesel oil storage tanks, construction of the water treatment plant, and civil and electrical works that were carried out for the proper start-up of the Power Plant. The total invested was USD 55 million.

Purchase agreements with PWPS were signed on April 4, 2014.

The purchase of the FT4000 SwiftPac® 60 turbine with everything needed for installation and putting it into operation was the first step. The unit consists of two gas turbines transmitting mechanical power to a single generator of 60MW. This machine functions by converting the chemical energy of the fuel, which is injected (in both liquid and gaseous state) into the combustion chambers, into mechanical energy that is transmitted to the generator, which then performs a final conversion to electric power.

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

Furthermore, the agreement sets out 4-year financing for USD 12 million by PWPS, upon provisional acceptance by GFSA. This amount, equivalent to $191 trillion, has been disclosed under non-current trade payables. Financing will accrue interest at an annual rate of 7.67%, calculated monthly (30 days)/annually (360 days), with interest capitalized quarterly, which at the date of these financial statements amounts to $3.9 trillion and is disclosed as non-current, and accrued interest payable disclosed under current trade payables amounts to $993.1 billion.

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

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

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

On December 5, 2015, the Company was commercially authorized to operate in the WEM. The Company entered into with CAMMESA a supply contract to the Wholesale Electric Market for 55.5 MW power. Sales under this modality are denominated in dollars and are paid by CAMMESA under a take or pay clause and the generated surplus is sold to the Spot Market, pursuant to regulations in effect in the WEM administered by CAMMESA.

At the date of these financial statements, civil and electromechanical works, stage II, had been completed, which included construction of an unloading yard for trucks, a scale base, an office building and a base for a diesel oil treatment and propelling system, among others.

2. MACROECONOMIC CONTEXT

International context

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

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

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

Regional context

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

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

Argentina

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

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

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

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

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

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

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

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

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

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

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

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

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

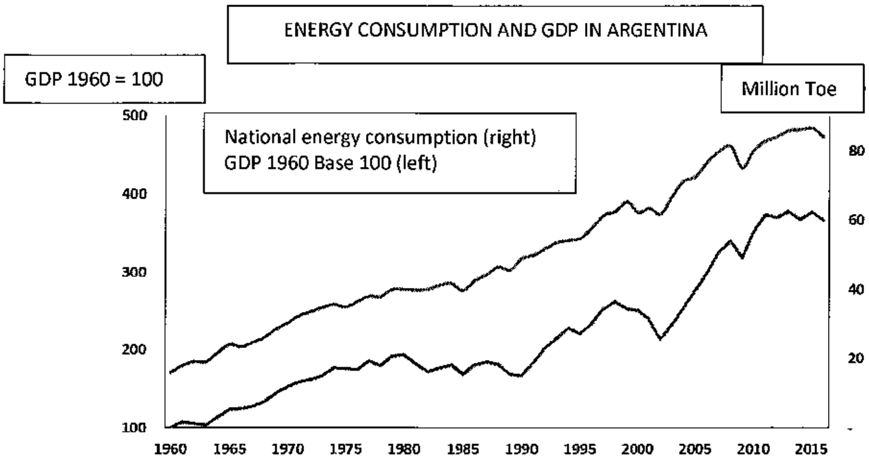
Considering the year 2016 as a whole and unlike what happened in previous years, foreign currency purchases constituted the main source of variation in the monetary base, leaving transfers to the National Treasury in second place. As a result, the increase in non-monetary liabilities in 2016 was met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

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

Structure of the Energy Sector

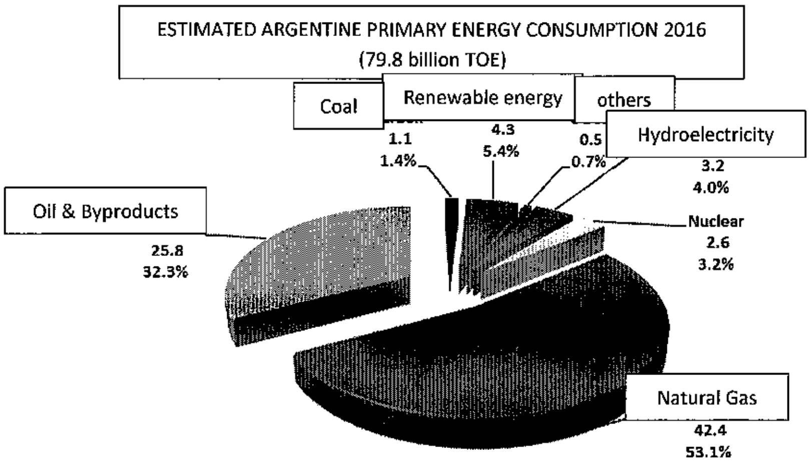
The evolution of energy demand and consumption in Argentina is positively related to the evolution of the GDP, so that higher economic growth implies greater consolidated energy demand for all the energy products. In the last 57 years[1] energy consumption has shown a historical annual average cumulative growth of 3.1%, with a cumulative annual median of 2.2%[2] since 2002, despite the fact that economic growth reached a median of 3.9% during this last period, exceeding the 2.5% cumulative annual growth recorded since 1959.

[1] From 1959 to the estimated figure for 2016.
[2] Official data on energy consumption until 2014, using 2015 estimates published by G&G Energy Consultants.



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

Argentine primary energy consumption is highly dependent on hydrocarbons, which accounted for an estimated 86.7% in 2016[3].

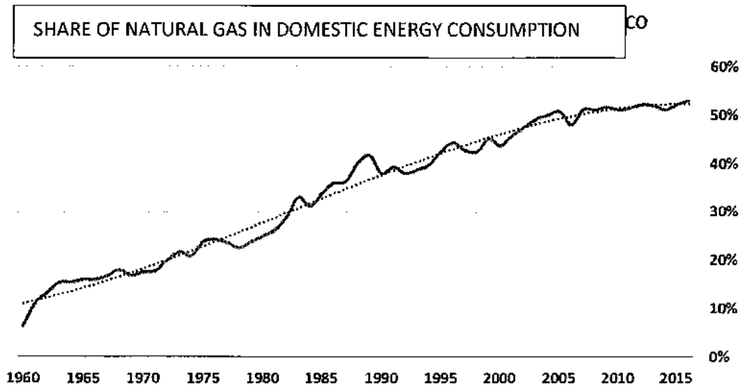


This percentage has dropped slightly in the last five years as a result of the obligation imposed on fuel supplying refineries to incorporate increasing ratios of biodiesel and bioethanol in their diesel and gasoline production. Few countries show this structure of heavy reliance on oil and natural gas byproducts, and typically only those with significant oil and gas reserves. The particularly high reliance on natural gas – an estimated 53.1% in 2016 – fluctuates annually based on imports of natural gas and liquefied natural gas (LNG) to meet the demand. Despite these imports, the potential natural gas demand remains partly unmet in the industrial segment in the winter, generating restrictions on consumption, without replacing it with other types of fuel, and on the steam power generation segment[4]. The main difficulty faced to modify the current energy consumption structure in the short term is the nature, characteristics and cost of the investments required;

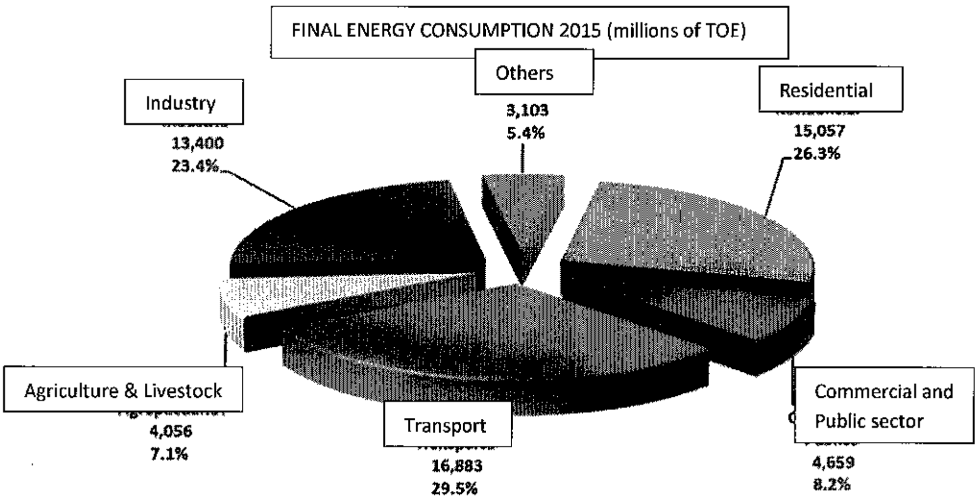
[3] Latest official data for 2015 and estimate for 2016 by G&G Energy Consultants, expressed in thousands of Tons of Oil Equivalent (TOE) for Primary Energy Consumption.

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

nevertheless, the current administration has set ambitious targets to increase the use of renewable energies in the power supply.



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



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

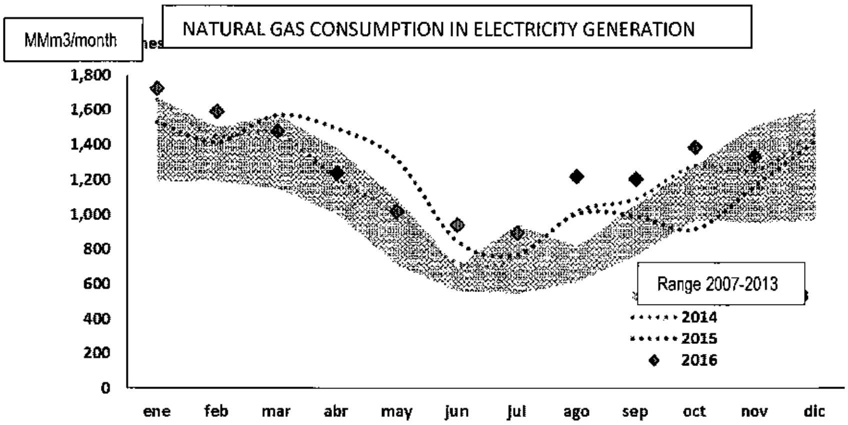
- An atypical breakdown featuring Oil and Gas as the predominant energy sources, typical only of large hydrocarbon exporters such as countries of the Middle East, Russia, African LNG exporters, or Venezuela.
- Additionally, 53.1% of consumption relies on natural gas, with gas penetrating consumption, despite significant restrictions to discourage potential demand for this energy source. This leads to the substitution of gas for alternate fuel sources in electric power generation, and direct restrictions on industrial demand in certain branches of industry, which is surpassed by few countries with significant excess natural gas production.
- Stagnant local energy supply – which in recent years also affected the domestic energy demand, mitigating the relative scarcity; this is attributed to insufficient investments in recent years in the highly oil-and-gas-dependent

energy sector in order to effectively increase the domestic productive supply to meet a demand that rises during periods of economic growth.

- Demand for natural gas and electricity driven in some specific segments by unreasonably low tariffs for the residential/commercial sector, encouraging unreasonable growth in residential energy consumption.

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

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



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

Specific Condition of the Argentine Electricity Sector

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

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

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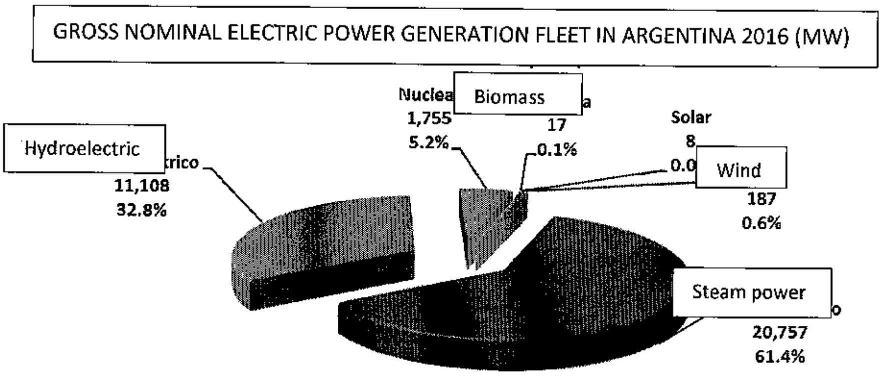
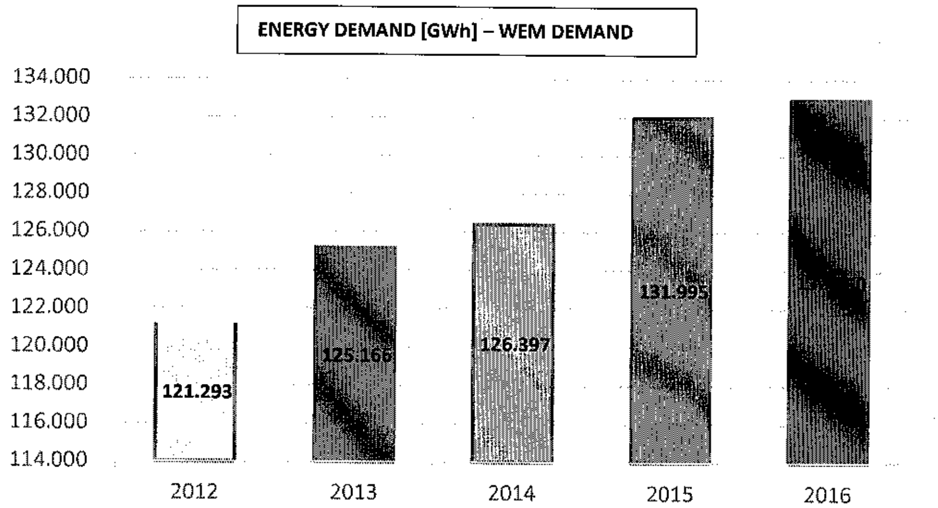


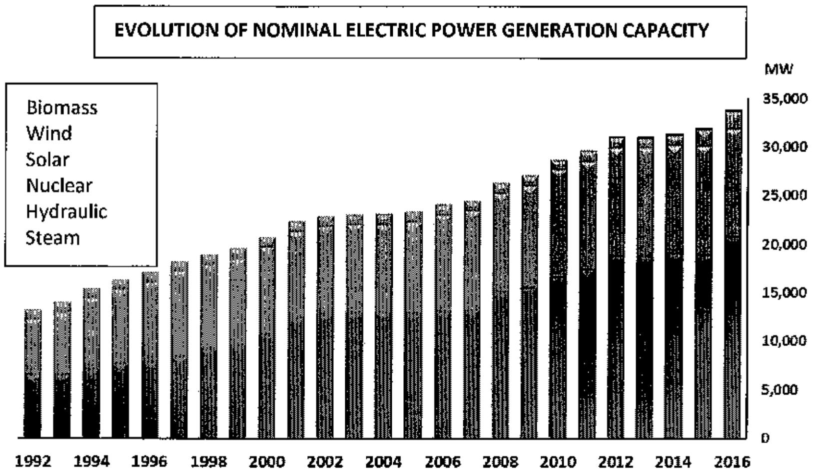
Gross electricity demand rose slightly in 2016 (including consumption by the company at electric power generation plants and losses in transmission and distribution systems) by 0.6% compared with 2015.



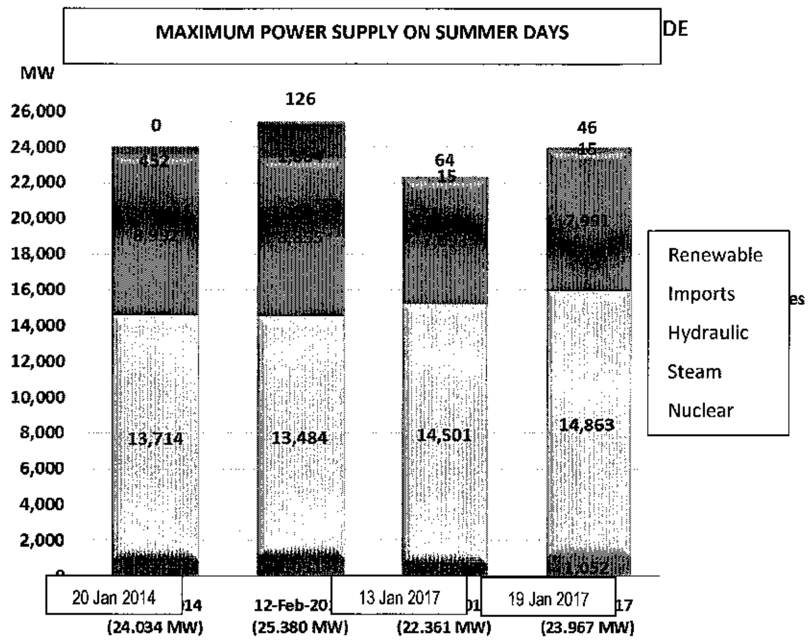
The greatest increase in maximum gross demand was recorded in February 2016, when maximum demand was 10% higher compared with the same month of the previous year.

Nominal Electricity Generation Capacity

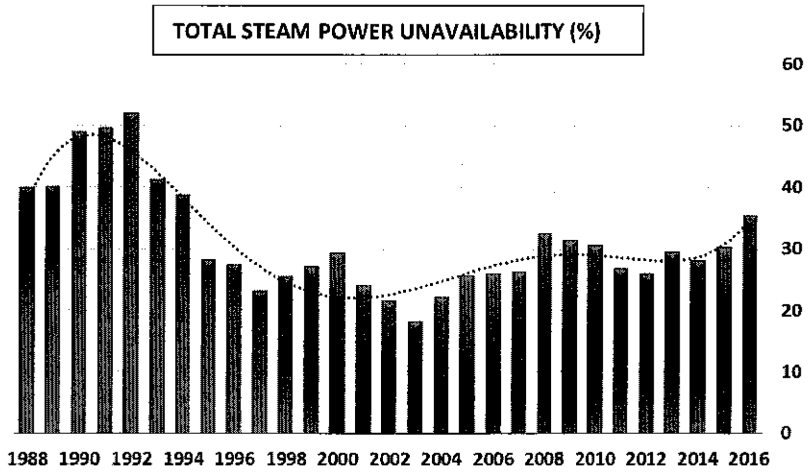
The Nominal Installed Capacity is generated predominantly using steam power, although this segment still features a high level of unavailability, in particular during the winter season when fuel restrictions cause a reduction in the available effective power.



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



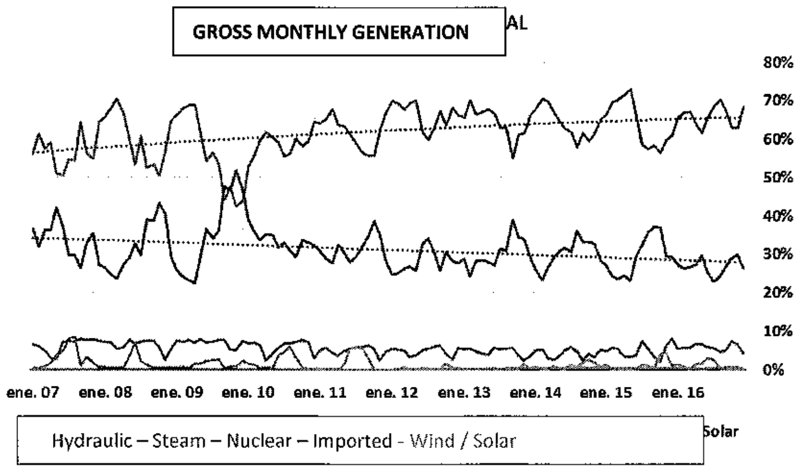
Investments in maintenance improved the availability of the steam power generation fleet in December 2016 and January 2017 alone, with local generation availability close to approximately 25,000 MW.

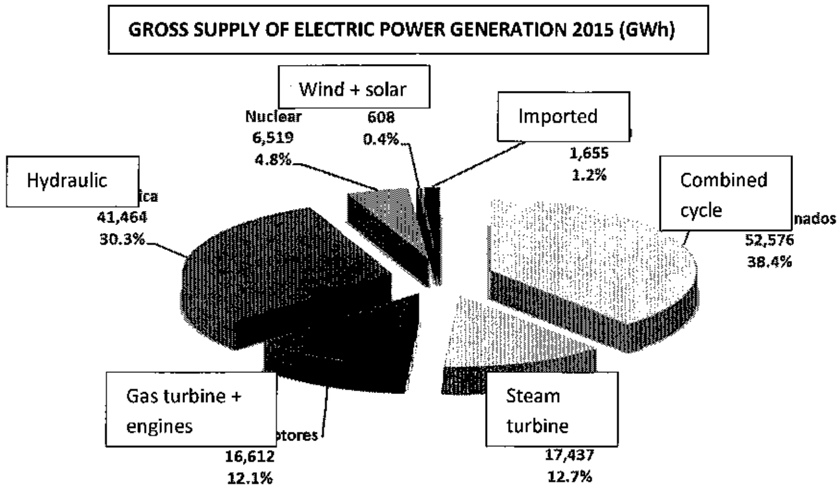


An increase in effective available power was achieved through repairs executed at units that were normally unavailable, and the incorporation of power referred to above. The companies belonging to Grupo Albanesi continued to invest in various power plants, among which it is worth noting two GT units,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

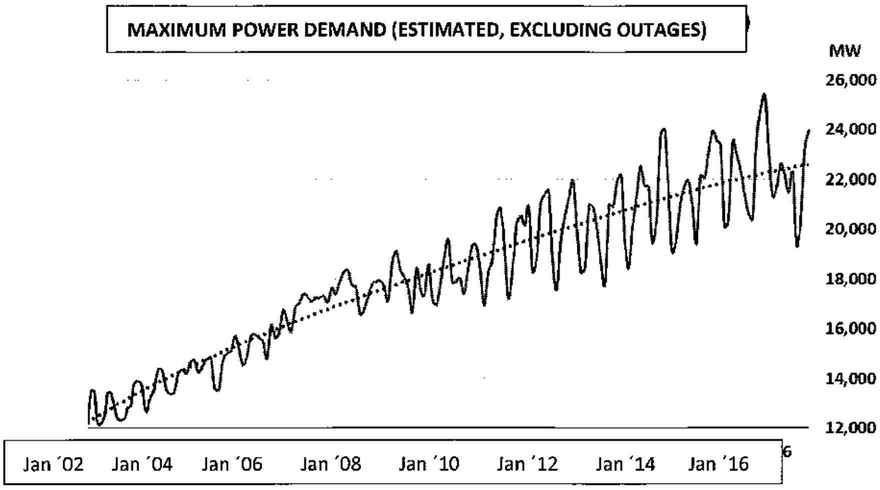
The Group entered a commitment with CAMMESA to provide a new generating plant - the 150 MW Ezeiza SPP, and to expand the capacity at GI by 100 MW in two stages, under the framework of the Electricity Secretariat´s call for bids for new generation capacity under Resolution 21/2016, in which the Grupo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

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



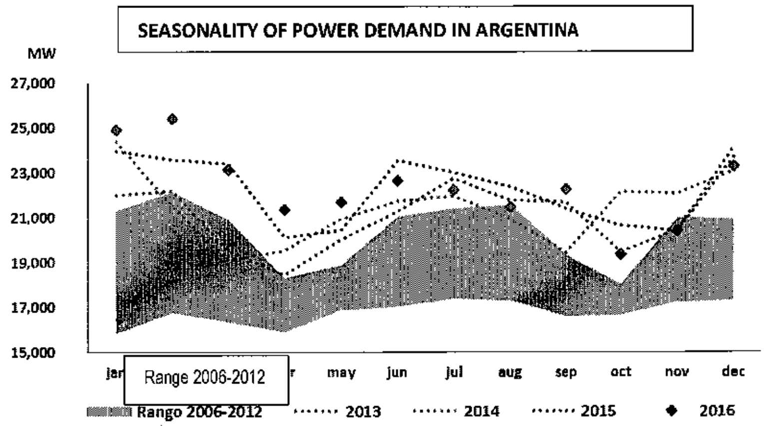


The electric power demand shows a strong upward trend, with slow-downs during periods of economic decline, as was the case in 2016, with a 2.5% drop in the GDP.



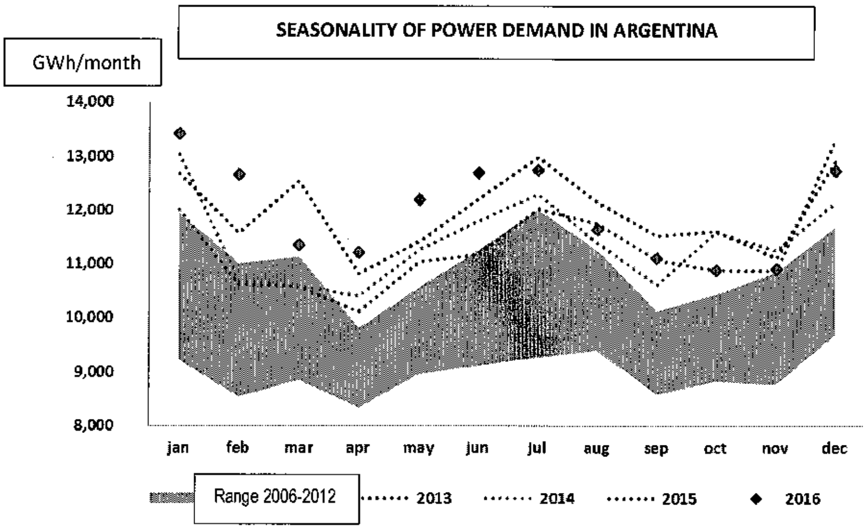
The hourly power demand for each month reported a rise following the drop recorded after the restrictions on industrial electricity consumption in the winter of 2007 and the international crisis at the end of 2008 and beginning of 2009, reflecting the strong rise in industrial activity and in mass consumption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

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

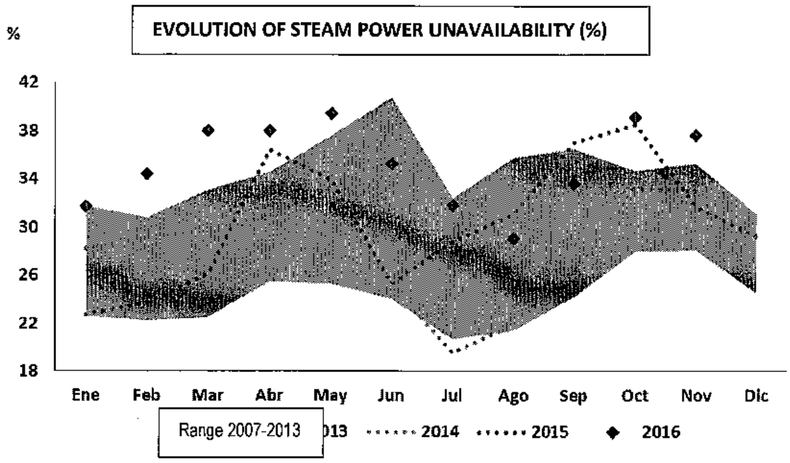


CHANGES IN RECORD ELECTRICITY CONSUMPTION IN RECENT YEARS						
DAY	PREVIOUS RECORDS		CURRENT RECORDS		VARIATION (%)	VARIATION (MW)
	POWER (MW)					
Saturday	12/28/13	21.264	01/18/14	21,866	2.8%	602
Sunday	01/25/15	21.024	12/27/15	21,973	4.5%	949
Working Day	01/20/14	24.034	02/12/16	25,380	5.6%	1,346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

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

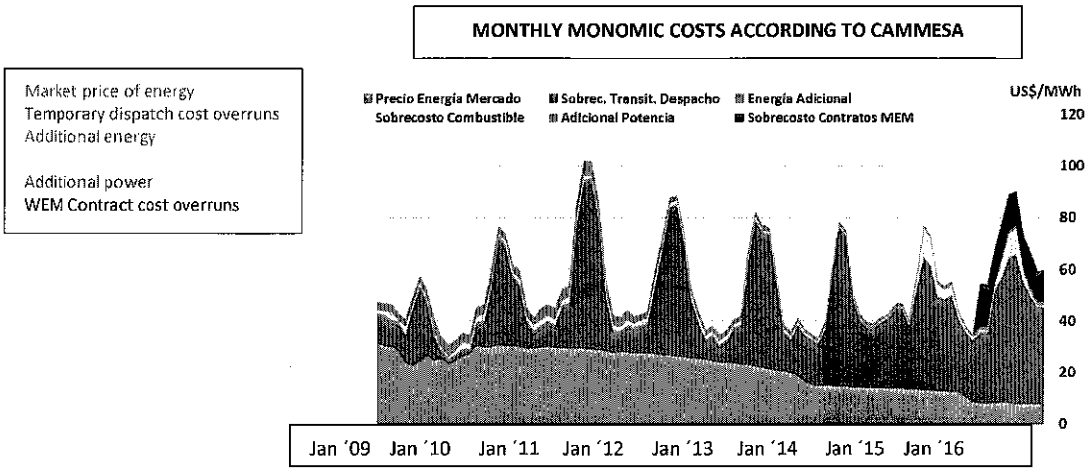


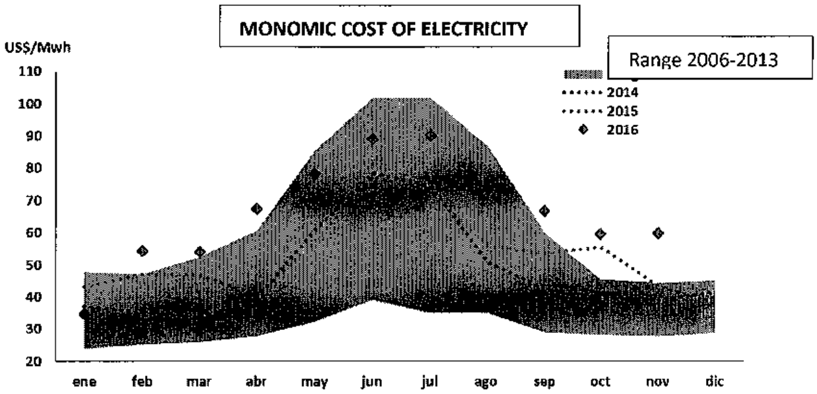
The technical unavailability of steam power plants improved after the winter of 2015, compared with the severe situation evidenced in previous winters that left 5,000 to 6,000 MW permanently out of service due to technical issues or insufficient logistics to supply plants with liquid fuel in the absence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



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

CAMMESA adjusted its determination of the cost of fuel, and consequently currently includes the actual cost of gas imported from Bolivia as LNG and the price of local gas which increased in 2016. This adjustment by CAMMESA of the previous methodology that considered that all the imported gas had the same price as the local gas enabled to curb the costs relating to steam power generation in 2016 by reducing the import price of fuel which has an impact on the Temporary Dispatch Cost Overruns.





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

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

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

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

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

The new resolution became effective on February 1, 2017.

3. HIGHLIGHTS FOR FISCAL YEAR 2016

3.1 Electricity

In 2016, the unit operated with a 42% dispatch and had an average availability of 84% throughout the year.

3.2 Maintenance

The following works were performed during 2016, which enabled to obtain the commercial authorizations to operate with both kinds of fuel.

- Mounting of gas oil pumping skid.
- Mounting of an Alfa Laval centrifugal pump for filtering gas oil.
- Building of hydrocarbon screening chamber.
- Construction of fire protection system (mounting of Jockey pump, electric pump, motor-driven pump, fire protection network, foaming system, monitoring devices and hydrants).
- Mounting of a truck scale.
- A control system was developed for all the ancillary equipment needed for automated operation with gas oil (control of release pump, pumps supplying gas oil to the turbine/TG, Alfa Laval pumps, etc.).

In addition, these civil works were performed:

- Building of a new control room, canteen, offices, conference room, enlargement of existing toilets, building of spare parts storeroom and barbecue area.

Maintenance works are performed following the corresponding manufacturer's recommendations for the equipment installed, in order to achieve high availability (84% for 2016).

The first plant maintenance shutdown took place in May 2016, after 6 months functioning, and in November the annual audit was performed, including a thorough maintenance work on all the equipment at the plant; the most important tasks were:

- All the tasks recommended by P&W were performed on the gas turbine, such as: calibration of critical signage, control of alignment between turbine and generator, general electrical checkup, upgrade of control software, control of fire protection system, among others. All these tasks were supervised by P&W personnel.
- Regarding the gas compressor, the manufacturer Exterran was engaged to perform annual maintenance tasks under their supervision. The tasks were: control of alignment between the motor and the compressor, control of oil dosing, review of the intake and release valves, control and repair of electric systems, etc. During the maintenance shutdown, a gas piping was modified because, due to its geometry, it tended to accumulate oil and this would cause the compressor valves to break. Also, a valve with actuator was dismounted and sent for repair, as its operation was faulty.
- All the security valves in the plant were calibrated.
- Personnel from WET carried out the annual maintenance of the water treatment plant, including calibration of sensors, control of filters, sample taking, etc.
- Lastly, maintenance work was made on the ancillary equipment of the plant, such as pumps, transformers, air compressors, machine switch, etc.

Implementation of the Infor Eam software to manage maintenance/procurement for the whole plant.

In the course of the first year of the power plant, preventative maintenance works were performed according to the manufacturers' recommendation, for example: thermography, measurement of exhaust gases (NOx), and analysis of oils, natural gas, well and demi water and effluents.

On relation to tree planting and their watering with effluents from the water treatment plant, an agreement was entered into with the Municipality of Frías whereby the latter will be in charge of weed clearing and watering control.

It is also important to mention that the Company entered into a long term maintenance service agreement (LTSA) with P&W, whereby the latter agrees to provide on-site technical assistance on a permanent basis, a remote monitoring system to follow up on the efficient performance of the turbines, 24-hour assistance from the engineering department in USA, original spare parts in a timely manner and repairs for planned and unplanned maintenance.

3.3 Environmental Management

Corporate Environmental Management System

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

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

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

The Corporate Environmental System applied is supported by a work structure characterized by the periodic review of progress reports, analysis and planning as an essential management principle, and the continued strengthening of human resources capacities. As a result, it has been proven effective to face the management challenges taken on to achieve the goals of the Organization in terms of growth in environmental performance.

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

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

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

3.4 Human Resources

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

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

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

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

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

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

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

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

3.5 Systems and Communications

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

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

The projects and objectives achieved during 2016 are summarized below:

- Implementation of ERP SAP was completed in October. This entailed establishing a uniform standardized process model throughout the Grupo Albanesi, improving quality and incorporating the best practices in management processes and reporting.
- Implementation of Office 365 as the current office IT solution. Additionally, 98% of e-mail accounts were migrated to this new platform.
- Technological improvement of internal monitoring tools at the Headquarters Data center.
- New last generation telephone switchboard at one of the sites of the group.
- Restructuring of the internet linkage system, increasing band width at various sites and migrating links to optic fiber to provide greater robustness and service quality both internally and for visitors.
- Implementation and standardization of devices at all sites was completed, with the incorporation of Fortinet equipment (internationally approved firewall).
- Implementation of Business Intelligence System (Tableau software) for technological update and improvement of management reports commenced.
- IT devices were updated throughout the company's sites.
- SDD disks were applied to terminals, achieving greater agility in data search time in devices.
- Incorporation of Documentation Digitalization in several administrative sectors of the group.

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

Projects for 2017 include the following:

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

3.6 Merger with takeover

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

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

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

The merger process was carried out as follows:

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

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

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

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

The aforementioned merger will allow a business reorganization aimed at optimizing the technical, financial, administrative, tax and commercial structures of these companies with the purpose of achieving synergies and efficiencies in the development of the organizations through a single operating unit.

3.7 Financial Position

Under the program for the issuance of ordinary Negotiable Obligations (not convertible into shares) for an amount of up to USD 50 million, on March 8, 2016 the Company issued Class II Negotiable Obligations for an amount of $ 130 million, and on July 6, 2016 Class III Negotiable Obligations for a nominal value of $ 160 million. They accrue interest at private banks BADLAR rate plus a margin of 6.5% and 5.6%, respectively. Final maturity date of Class II Negotiable Obligations is March 8, and for Class III Negotiable Obligations it is July 6, 2018.

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

On July 27, 2016, GFSA made a joint issue of NOs with GMSA and CTR on the international market for USD 250 million maturing in 7 years. These NOs are secured by ASA and have obtained a B+ rating (Fitch Ratings / B3 (Moody's). They accrue interest at a fixed 9.625% rate.

This issue will allow the Group to fund investments in development works required for the installation of a nominal 460 MW capacity, and at the same time improves the financial profile of the debt. The funds obtained from this issue have been used to pre-cancel existing debts and release the associated surety, achieving a financing term that is line with the development projects and lowering the financial cost.
Of this total issue, USD 7 million was allocated to GFSA.

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

The Company's bank and financial debt at December 31, 2016 had the following structure:

	$		
	Current	Non-Current	Total
Negotiable Obligations	90,184,236	209,060,312	299,244,548
International Bond	4,086,836	109,051,161	113,137,997
Leasing payable	310,799	-	310,799
Bank loans	11,592,487	-	11,592,487
	106,174,358	**318,111,473**	**424,285,831**

Ratios:

	2016	2015
Credit Standing (Equity / Liabilities)	0.31	0.30
Indebtedness (Liabilities / Equity)	3.18	3,33
Current Liquidity (Current Assets/ Current liabilities)	1,63	0.34
Ratio of equity to assets (Equity / Total assets)	0.24	0.23
Ratio of fixed assets (Non-current assets/Total assets)	0.78	0.91
Return on assets or economic return (Gross profit / Total assets)	0.14	0.01
Return on equity or financial return (Net profit / Average equity)	(0,23)	(0,23)
Financial leverage (Return on equity / Return on assets)	(1,60)	(23,00)
Asset Turnover (Sales / Total assets)	0.35	0.02

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

Analysis of results:

Net sales for the fiscal year ended December 31, 2016 reached $ 315,766.2 thousand, a 2387% increase compared with 2015.

The table below presents physical units detail:

	Fiscal years ended December 31,			
	2016	**2015**	**Var.**	**Var. %**
	MWh			
Sales per type of market				
Sales CAMMESA 220	205,533	13,749	191,784	93%
	205,533	**13,749**	**191,784**	**93%**

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

	Fiscal years ended December 31,			
	2016	**2015**	**Var.**	**Var. %**
	(in thousands of pesos)			
Sales per type of market				
Sales CAMMESA 220	315,766.2	12,698.9	303,067.3	96%
	315,766.2	**12,698.9**	**303,067.3**	**96%**

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

	Fiscal years ended December 31, 2016	2015	Var.	Var. %
Sale of energy	315,766.2	12,698.9	303,067.3	2387%
Net sales	**315.766.2**	**12,698.9**	**303,067.3**	**2387%**
Cost of purchase of electric energy	(852.9)	(92.0)	(760.9)	827%
Cost of gas and gasoil consumption	(134,871.1)	(2,690.3)	(132,180.8)	4913%
Salaries and social security contributions	(6,187.6)	(865.0)	(5,322.6)	615%
Staff expenses	(83.1)	(50.2)	(32.9)	66%
Travel and per diem	(22.0)	(355.3)	333.3	(94%)
Insurance	(2,829.5)	(250.0)	(2,579.5)	1032%
Electricity Service	(97.0)	(82.6)	(14.4)	17%
Security and vigilance	(429.4)	(957.2)	527.8	(55%)
Maintenance services	(7,113.9)	-	(7,113.9)	100%
Maintenance supplies	(749.5)	(255.9)	(493.6)	193%
Third party services	(2,208.1)	(29.6)	(2,178.5)	7360%
Cleaning	(538.6)	(13.0)	(525.6)	4043%
Sundry	(481.4)	(265.4)	(216.0)	81%
Taxes and rates	(337.2)	(33.2)	(304.0)	916%
Communication expenses	(290.0)	(48.9)	(241.1)	493%
Depreciation of property, plant and equipment	(28,484.6)	(1,822.3)	(26,662.3)	1463%
Cost of sales	**(185,576.0)**	**(7,810.9)**	**(177,765.1)**	**2276%**
Gross income	**130,190.1**	**4,888.02**	**125,302.1**	**2563%**
Other income	10,576.1	-	10,576.1	100%
Other income	**10,576.1**	-	**10,576.1**	**100%**
Professional fees	(1.411.8)	(882.7)	(529.1)	60%
Taxes and rates	(595.1)	(57.0)	(538.1)	944%
Rentals	(5.0)	(12.0)	7.0	(58%)
Salaries and social security contributions	-	(409.6)	409.6	(100%)
Insurance	-	(8.9)	8.9	(100%)
Certifications	(141.8)	(86.2)	(55.6)	65%
Sundry	(23.1)	(119.1)	96.0	(81%)
Administrative expenses	**(2,176.8)**	**(1,575.5)**	**(601.3)**	**38%**
Operating income	**138,589.4**	**3,312.5**	**135,276.9**	**4084%**

Summary of Activity at December 31, 2016 and 2015

	2016	2015	Var.	Var. %
Operating income	**138,589.4**	**3,312.5**	**135,276.9**	**4084%**
Financial costs	(136,909.0)	(9,464.7)	(127,444.3)	1347%
Other financial results	(38,194.3)	(40,390.7)	2,196.4	(5%)
Financial result, net:	**(175,103.3)**	**(49,855.4)**	**(125,247.9)**	**251%**
(Loss) before tax	**(36,513.9)**	**(46,542.9)**	**145,907.2**	**(313%)**
Income tax	11,628.5	16,290.0	(4,661.5)	(29%)
(Loss) for the year	**(24,885.4)**	**(30,252.9)**	**5,367.5**	**(18%)**

Sales:

Net sales for the fiscal year ended December 31, 2016 reached $ 315,766.2 thousand, a 2387% increase compared with fiscal year 2015.

On December 5, 2015, the Company was commercially authorized to operate in the WEM. GFSA entered into with CAMMESA a supply contract to the Wholesale Electric Market for 55.5 MW power. Sales under this modality are denominated in dollars and are paid by CAMMESA under a take or pay clause and the generated surplus is sold to the Spot Market, pursuant to regulations in effect in the WEM administered by CAMMESA.

Cost of sales:

The total cost of sales for the fiscal year ended December 31, 2016 reached $185,576.0 thousand, reflecting a 2276% increase due to the start-up of the Power plant.

Gross profit:

The gross profit for the fiscal year ended December 31, 2016 reached $130,190.1 thousand, reflecting a 2563% increase due to the start-up of the Power plant.

Other income

Corresponds to the sale of spare parts during the current fiscal year. It should be noted that such result is of exceptional and unique nature and is not relevant for the Company's main business.

Administrative expenses:

The total administrative expenses for the fiscal year ended December 31, 2016 reached $2,176.8 thousand, up 38% compared with $1,575.5 thousand in fiscal year 2015.

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

(i) $1,411.8 thousand in service fees and retributions, representing a $ 529.1 thousand increase compared with $360.7 thousand in fiscal year 2015. This increase is attributed to the new services hired under the project.

(ii) $ 595.1 thousand of taxes and rates, which represented a $ 538.1 increase in comparison with the previous period 2015. This increase is attributed to the payment of rates related to the operations of the business.

Summary of Activity at December 31, 2016 and 2015

Financial Result:

The total financial result for the fiscal year ended December 31, 2016 reflected a loss of $175,103.3 thousand, which represents an increase of $125,247.9 thousand compared to the loss of $49,855.4 thousand in fiscal year 2015.

The most salient aspects of this variation are described below:

(i) A loss of $136,909.1 thousand due to financial expenses, which reflects an increase of $127,444.3 thousand compared with the loss of $9,464.7 thousand in previous fiscal year, as a result of the application of the criterion for capitalizing the financial investment component during the fiscal year 2015.

(ii) A loss of $38,194.2 thousand under other financial results, up $2,196.4 thousand compared to the loss of $40,390.7 thousand in the previous fiscal year. This variation is mainly attributed to the devaluation of the peso during the fiscal year, and its impact on the foreign currency debt.

Net Result for the year:

The Company's net result for the fiscal year ended December 31, 2016, was a loss before tax of $36,513.9 thousand, which compares with a loss of $46,542.9 thousand in fiscal year 2015.

The income tax result was a gain of $11,628.5 thousand for the fiscal year ended December 31, 2016, which compares with a gain of $16,290.0 thousand in the previous fiscal year.

The net result for the fiscal year ended December 31, 2016 was a loss of $24,885.4 thousand, compared with the loss of $30,252.9 thousand in fiscal year 2015.

Equity structure compared with the previous fiscal year (in thousands of pesos):

	12/31/2016	12/31/2015	12/31/2014
Non-current assets	713,728.3	598,292.4	226,168.3
Current Assets	197,990.8	57,749.8	43,621.1
Total Assets	**911,719.1**	**656,042.2**	**269,789.4**
Shareholders' Equity	218,115.1	151,644.6	107,577.5
Total shareholders' equity	**218,115.1**	**151,644.6**	**107,577.5**
Non-Current Liabilities	572,107.5	333,067.1	141,000.3
Current Liabilities	121,496.5	171,330.5	21,211.6
Total Liabilities	**693,604.0**	**504,397.6**	**162,212.0**
Total Liabilities and Shareholders' Equity	**911,719.1**	**656,042.2**	**269,789.4**

At December 31, 2016, the Company decided to re-appraise the items land, buildings, facilities and machinery under the caption Property, plant and equipment. The revaluation model more reliably reflects the real value of these assets. The impact of this revaluation on the Statement of Financial Position implied an increase under the heading Property, plant and equipment of $ 140,547.5 thousand, an increase in Liabilities for deferred taxes of $ 49,191.6 thousand, and an increase in Shareholders´ Equity of $ 91,355.9 thousand.

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

Summary of Activity at December 31, 2016 and 2015

1- Breakdown of results presented comparatively with the previous fiscal year (In thousands of pesos):

	12/31/2016	12/31/2015	12/31/2014
Ordinary Operating Result	138,589.4	3,312.5	(2,041.4)
Financial and Holding Result	(175,103.3)	(49,855.4)	(965.4)
Net ordinary Result	**(36,513.9)**	**(46,542.9)**	**(3,006.8)**
Income Tax	11,628.5	16,290.0	284.0
Net Result (Loss)	**(24,885.4)**	**(30,252.9)**	**(2,722.8)**

2- Cash flow structure presented comparatively with the previous fiscals years (In thousands of pesos):

	12/31/2016	12/31/2015	12/31/2014
Funds generated by (applied to) operating activities	102,819.8	(52,082.3)	(5,980.5)
Funds (applied to) investment activities	(29,667.5)	(83,061.3)	(188,006.4)
Funds (applied to) generated by financing activities	(5,901.2)	146,463.8	192,970.4
Increase /(Decrease) in Cash and cash equivalents	**67,251.1**	**11,320.2**	**(1,016.5)**

4. CORPORATE STRUCTURE

Corporate Capital

At December 31, 2016 the Company's capital was made up by 112,408,964 common, non-endorsable, registered shares with a face value of $ 1 each and a right to one vote per share.

On December 10, 2015 the Company's shareholders paid in capital for $ 3 million; the due date for payment was March 17, 2016.

No variations in the amount of the Company's capital or shares held were recorded in the fiscal year ended December 31, 2016.

The company's capital presents the following structure:

Albanesi S.A.	95.00 %
Armando Roberto Losón	2.50%
Holen S.A.	1.50%
Carlos Alfredo Bauzas	1.00%

Organization of decision making

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

Decisions that are considered significant and/or relevant in terms of their magnitude and/or of the amount involved, that relate to the administration of the Company's activities, are made directly by the Board of Directors in a meeting specially convened for this purpose. When required in specific cases, the decision will be made by a specially convened extraordinary Shareholders' Meeting. During fiscal year 2015, all decisions were carried unanimously by these two organs.

Remunerations of the Board of Directors

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

5. OUTLOOK FOR FISCAL YEAR 2017

5.1 Outlook for the Electricity Generation Market

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

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

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

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

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

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

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

In view of this, the outlook is favorable for modern steam power generators located in regions with a high growth in demand, since their units will receive increasing dispatch requirements. The drop in international prices of fuel has narrowed the gap between the cost for generators and the income they will receive from the different consumers once the Government implements tariff adjustments. Consequently, it is likely that the current fuel supply by CAMMESA – received in part from ENARSA- will be modified to encourage generators to seek their own sources of fuel supply and to execute spot contracts with industrial consumers and, eventually, with distributors.

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

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

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

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

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

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

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

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

The new resolution becomes effective on February 1, 2017.

5.2 Company Outlook for Fiscal Year 2017

Electric power

The Company expects to continue operating the generating unit normally during 2017, based on the dispatch and assignment of fuel by CAMMESA. The execution of the maintenance plan is also foreseen for 2017, to ensure availability as agreed under the contract signed with CAMMESA.

Financial condition

To streamline and optimize the management of the economic activities and of the companies' structures, GFSA has merged with GMSA effective January 1, 2017. GFSA will continue trading under the name GMSA with the aim of achieving financial synergies and securing financing of new investments, such as the correct operation of the generating units.

6. DISTRIBUTION OF RESULTS

In compliance with the prevailing legal provisions, the Board of Directors of the Company states that losses for the year amount to $ 24,885,399. Accumulated losses at December 31, 2016 amount to $ 56,278,333. Since the Company does not fall within the provisions of Section 206 of Law No. 19550 for mandatory capital reduction, the Board of Directors proposes that the treatment of accumulated losses should be analyzed in the next fiscal year.

7. ACKNOWLEDGEMENTS

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

Autonomous City of Buenos Aires, March 10, 2017

THE BOARD OF DIRECTORS

Generación Frías S.A.

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

Report on compliance with the Code of Corporate Governance

	Compliance		Noncompliance (1)	Report (2) or Explain (3)
	Total(1)	Partial(1)		
PRINCIPLE I. MAKE CLEAR THE RELATIONSHIP BETWEEN THE ISSUER, THE ECONOMIC GROUP THAT THE ISSUER HEADS AND/OR FORMS PART OF AND ITS RELATED PARTIES.				
Recommendation I.1: Ensuring the disclosure by the Governing Body of the policies applicable to the relationship between the Issuer and the Economic Group that the Issuer heads and/or forms part of and its related parties.	X			The acts and contracts the Company may perform and execute with a related party for a significant amount are approved by the Board of Directors. Further, if there are acts or contracts with a related party for significant amounts, they are reported as a Major Event to the National Securities Commission (CNV) and to the Buenos Aires Stock Exchange (BASE). All transactions between related parties are reported in the financial statements.
Recommendation I.2: Ensure the existence of mechanisms that prevent conflicts of interest.		X		Conflicts of interests are resolved by a decision of the Board of Directors by majority vote, as set forth in the bylaws, and the Director that might be involved in the conflict abstains from voting. The Policies and Procedures Manual of Human Resources and the Code of Ethics and Conduct were approved by Board Meeting Minutes dated April 25, 2016, and they are currently working on their implementation on the merging company (Generación Mediterránea S.A. – "GMSA").
Recommendation I.3: Preventing the improper use of proprietary information.		X		The Company does not have a Code of Ethics and Conduct approved by Board Meeting Minutes dated April 25, 2016, in which the use and/or disclosure of relevant and/or confidential information is forbidden. The Company is currently working on the implementation of a procedure to prevent the use of insider information and the treatment of its disclosure on the merging company (Generación Mediterránea S.A. – "GMSA").

PRINCIPLE II PROVIDE THE BASIS FOR A SOLID ADMINISTRATION AND SUPERVISION OF THE ISSUER				
Recommendation II 1: Ensure that the Governing Body assumes the administration and supervision of the Issuer and its strategic goals.				
II.1.1				
II.1.1.1	X			The Board of Directors approves the Company's general strategies and policies, entrusting the directors and managerial staff, where applicable, with the executive business management.
II.1.1.2	X			The Board of Directors approves the investment and financing policies.
II.1.1.3		X		In 2016, the Company continued working with the advice from an external consulting firm on the adaptation of the internal structures, as well as on the development, wording and formalization of the Code of Corporate Governance. The Policies and Procedures Manual of Human Resources and the Code of Ethics and Conduct as well as the Corporate Governance Code were approved by Board Meeting Minutes dated April 25, 2016, and they are currently working on their implementation on the merging company (Generación Mediterránea S.A. – “GMSA”).
II.1.1.4		X		Although the Company does not have a written policy in place, the Board of Directors approves the issues relating to the selection and remuneration of the senior managers. A special procedure has been implemented since 2014, headed by the Human Resources Division with the final approval from the Board of Directors, in relation to the assessment of senior managers and the whole staff. Further, within the framework of the formalization of this type of internal procedures, The Company approved by Board Meeting Minutes dated April 25, 2016 a Policies and Procedures Manual of Human Resources, which is currently under implementation.
II.1.1.5	X			The Board of Directors approves the policies on the assignment of responsibilities to senior managers.
II.1.1.6		X		The Board of Directors approves the supervision of the succession plans for senior managers. Further, within the

				framework of the formalization of this type of internal procedures, the Company approved by Board Meeting Minutes dated April 25, 2016 a Policies and Procedures Manual of Human Resources, which is currently under implementation on the merging company ("GMSA").
II.1.1.7		X		The aspects referred to the social corporate responsibility were addressed in the Policies and Procedures Manual of Human Resources approved by Board Meeting Minutes dated April 25, 2016, which are currently under implementation on the merging company ("GMSA"). It should be noted that as set out by current regulations, the Annual Report on the Financial Statements includes the measures taken in relation to corporate social responsibility.
II.1.1.8		X		Although the Company does not have a written policy on comprehensive risk management, which is to be implemented in due course, the matters relating to this instance are submitted to the consideration of the Board of Directors.
II.1.1.9		X		Bearing in mind the professional qualities of the persons who have been or are members of the Board of Directors, the Company does not have a continuous training program for the directors and managerial executives. However, as part of the Company's usual management, the Board of Directors adopts actions for general and/or particular training and update according to the specific needs that may arise in the exercise of their functions and responsibilities under their charge. However, the Company through Board Meeting Minutes dated April 25. 2016 approved the Policies and Procedures Manual of Human Resources, which is currently under implementation on the merging company ("GMSA").
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 the aspects mentioned in the preceding point, to facilitate the Governing Body decision-making process.
II.1.4	X			For the different issues submitted to the consideration of the Board of Directors that in view of their magnitude require a specific analysis, presentations are made evaluating the different problems to be considered so that the level of risk to be assumed is acceptable to the Company. In addition, the Company worked on the establishment of regular procedures involving informative meetings on all the aspects mentioned in the preceding point, to facilitate the Governing Body decision-making process.
Recommendation II.2: Ensure an effective corporate Management Control				
II.2.1	X			The Board of Directors receives a monthly economic and financial report which shows the development of the budget and the business plan, and verifies compliance therewith based on information received.
II.2.2	X			Control by the Board of Directors is performed on a monthly basis. In this regard, considering the adoption by the Company of the integrated management system, the respective management division prepares the Operations, Maintenance, Environmental and Safety Report. It also prepares the Monthly Economic and Financial Report contemplating all the management aspects of the Issuer. A process is in place for the assessment of senior managers and all employees; this assessment process is headed by the Human Rights Department and approved by the Board of Directors. The Company through Board Meeting Minutes dated April 25, 2016 approved the Policies and Procedures Manual of Human Resources, which addresses the performance evaluation. This manual is currently under implementation on the merging company ("GMSA").

Recommendation II.3: Communicate the Governing Body's performance appraisal process and its impact.				
II.3.1	X			All members of the Board are fully in compliance with the provisions of articles 8 and 9 of the Company Bylaws, regarding the Board membership and performance. The Company does not have Regulations on the operation of the Board of Directors. However, it is working on certain guidelines to be incorporated to the Code of Corporate Governance on the merging company ("GMSA") which are expected to be approved in 2017.
II.3.2	X			The Board of Directors prepares and issues the Annual Report jointly with the annual financial statements. These documents include sufficient information to assess the results obtained by the Board of Directors in the administration of the Company, considering the objectives originally proposed, and this information is considered by the Meeting of Shareholders when they deal with and resolve the issues contemplated in Section 234, sub-sections 1 and 2, of the General Corporations Law, also taking into account all the information provided by the documents prepared for such purpose, as well as the additional reports that must be provided in compliance with applicable regulations on public offering and quotation of securities. The latest Meeting of Shareholders that dealt with this issue was held on April 26, 2016.
Recommendation II.4: The number of external and independent members in the Governing Body of the Issuer should be significant.				
II.4.1			X	On the basis of its ownership structure and as the Company does not make public offering of its shares, the Company does not consider it necessary to have independent Directors.
II.4.2			X	In conformity with the shareholders agreement entered into on April 26, 2012, as amended on March 30, 2015, between Armando R. Losón, Carlos Alfredo Bauzas and Holen S.A., the Board of Directors of GFSA, 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 GFSA, currently composed of eight members in conformity with the shareholders agreement, have been designated according to the following procedure: (i) six (6) 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 GFSA is composed of a higher or lower number of directors, and those proportions should be observed also in the case of the designation of deputy directors.
Recommendation II.5: Requiring the existence of regulations and procedures intended to select and propose members of the Governing Body and senior management of the Issuer.				
II.5.1			X	Based on its current structure, the Company does not deem necessary to have an Appointments Committee.
II.5.1.1			X	Not applicable
II.5.1.2			X	Not applicable
II.5.1.3			X	Not applicable
II.5.1.4			X	Not applicable
II.5.1.5			X	Not applicable
II.5.2			X	Not applicable
II.5.2.1.			X	Not applicable
II.5.2.2			X	Not applicable
II.5.2.3			X	Not applicable
II.5.2.4			X	Not applicable
II.5.2.5			X	Not applicable
II.5.2.6			X	Not applicable
II.5.2.7			X	Not applicable
II.5.3			X	Not applicable
Recommendation II.6: Evaluating the convenience that the members of the Governing Body and/or syndics and/or members of the surveillance committee perform functions at several Issuers.			X	The Company does not set limits on the participation of the Governing Body and/or surveillance committee members in bodies of other issuers.

Recommendation II.7: Ensuring training and career development for the members of the Governing Body and the senior management of the Issuer.				
II.7.1		X		Bearing in mind the professional qualities of the persons who have been or are members of the Board of Directors, the Company does not have a continuous training program for the directors and managerial executives. However, as part of the Company's usual management, the Board of Directors adopts general and/or specific training and update actions according to the specific needs that may arise in the exercise of their functions and responsibilities. Further, within the framework of the formalization of this type of internal procedures, the merging company ("GMSA") is in the process of implementing and approving a Human Resources Manual that is expected to be completed in 2017.
II.7.2	X			The Issuer recommends and encourages permanent training of its members through financing and registration in refresher courses and specific training courses given by universities and/or specific entities. The Company through Board Meeting Minutes dated April 25, 2016 approved the Policies and Procedures Manual of Human Resources, which addresses the staff training plan for the Group, which is currently under implementation on the merging company ("GMSA").
PRINCIPLE III ENDORSE AN EFFECTIVE POLICY TO IDENTIFY, MEASURE, MANAGE AND COMMUNICATE CORPORATE RISK				
Recommendation III: The Governing Body must have a comprehensive corporate risk management policy and monitor its correct implementation.				
III.1	X			The Issuer has an ENVIRONMENTAL MANAGEMENT SYSTEM (EMS) in conformity with ISO 14001:2004 Standards, whereby all necessary issues for the comprehensive management of risks inherent in the environment are covered. The EMS permits establishing the procedures to be performed, controlling compliance through regular audits to verify that management tasks are carried

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

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

				be noted that in the fiscal year 2016 all Shareholders' Meetings were unanimous, with shareholders representing 100% of capital in attendance, so it was not necessary to call for meetings under the terms of section 237 of Law 19550.
V.2.2			X	Although the Company does not have Regulations on the Internal Functioning of Shareholders' Meetings, the information to be considered by them is provided well in advance, inasmuch as the shareholders are also members of the Board of Directors. Further, during 2016, the Company worked on the analysis of the advisability of a formal policy establishing the procedures related to the provision of information to the Board of Directors, which will have a direct impact on shareholders because they form part of the Governing Body. It is the Company's intention to perform the work necessary to approve these documents during 2016.
V.2.3	X			Minority shareholders have no restrictions on proposing matters to be dealt with at Shareholders' Meetings.
V.2.4			X	According to the Company's structure and considering that 100% of the shareholders are members of the Board of Directors, it is not deemed necessary to have a policy that encourages the participation of the shareholders in particular.
V.2.5			X	During the year ended December 31, 2015, new authorities were designated; the designated directors were familiarized with the tasks the Company was carrying out in relation to the formalization of the Code of Corporate Governance.
Recommendation V.3: Ensure the principle of equality between share and vote.	X			The Company does not have different classes of shares. All of the shares that form part of capital are entitled to 1 vote per share.
Recommendation V.4: Establish mechanisms to protect all shareholders from takeovers.	X			The Company does not make public offering of its shares. Article 6 of the Corporate Bylaws specifically establishes the procedure to be followed for transfers of shares *inter vivos*, giving the non-selling shareholders the right of first refusal over the offered shares or the right to offer their shares for sale under the same conditions as the shares first offered.
Recommendation V.5: Encouraging the share dispersion of the Issuer.				Not applicable. The Issuer's share dispersion is 0% (it has no share dispersion) because its shares are not publicly offered to investors and therefore are not listed for trading on the market. The Issuer does not expect to increase its

				share dispersion in the future for it has not planned to publicly offer its capital stock to investors. During the last three years, the Issuer's share dispersion remained at 0%, for the reason stated above.
Recommendation V.6: Ensure that there is a transparent dividend policy.				
V.6.1		X		The Issuer does not have a specific policy for dividend distributions established by the Bylaws and approved by the Shareholders' Meeting. It is established in article 13 of Bylaws that dividends must be paid in proportion to the shares paid up within the year in which dividends are approved. Evidence is left that the policy of Grupo Albanesi which permitted significant growth in the last few years is the reinvestment of profits in the development of new projects. As part of the formalization of the Corporate Governance policies, the Company is evaluating the possibility of establishing special contents relating to this matter, in order to regulate the dividend distribution procedure, where appropriate.
V.6.2			X	The Company does not have specific procedures for the formulation of a proposal for allocation of retained earnings. Retained earnings are considered by the General Meeting of Shareholders held to deal with the annual financial statements, according to the parameters established by article 13 of Bylaws and Law No. 19550 and other related provisions, as regards the percentages of liquid profits for the year to be allocated to each account, and the treatment of losses, if any.
PRINCIPLE VI. A DIRECT AND RESPONSIBLE RELATION SHOULD BE MAINTAINED WITH THE COMMUNITY				
Recommendation VI: Disclose to the community the matters related to the Issuer and provide a direct communications channel with the company.				
VI.1		X		The information concerning the Company merely consists of a general overview of the Company's business activities. The Company has a section in the website providing detailed information about the Issuer, as required by the CNV for each

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

				defines, according to objective criteria, the fixed and variable remuneration of all employees, considering as one of the main elements the levels of remuneration established in other companies of similar importance in the industry, as well as the criteria for promotion and penalties at an internal level. As part of the process of formalization of the Corporate Governance policies, the Company is analyzing the best way to articulate the internal procedures to regulate, where appropriate, the other points considered in this recommendation.
PRINCIPLE VIII. ENCOURAGE BUSINESS ETHICS				
Recommendation VIII: Ensure ethical conduct at the Issuer.				
VIII.1		X		The issuer has a Corporate Code of Conduct, which was approved by Board Meeting Minutes dated April 25, 2016, which is currently under implementation on the merging company ("GMSA"). 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, on the merging company ("GMSA").
VIII.3		X		The issuer is currently working on the implementation of the reception and evaluation of reports, on the merging company ("GMSA").
PRINCIPLE IX: EXTEND THE SCOPE OF THE CODE				
Recommendation IX: Encouraging the incorporation of good governance practices in the bylaws.			X	The Company does not consider it necessary to include provisions related to good corporate governance practices in the wording of the Corporate Bylaws.

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Generación Frías S.A.

Corporate Name:	**Generación Frías S.A.**
Legal domicile:	Av. L.N. Alem 855, piso 14, Ciudad Autónoma de Buenos Aires.
Main business activity:	Development of energy-related projects, generation and sale of electric power

Registration with the Superintendency of Commercial Companies:

By-laws	May 17, 2010
Last amendment:	January 29, 2016

Registration with the Superintendency of Commercial Companies:	No. 8929 of Book 49 of Companies by shares
Tax ID: No.	30-71147036-7
Expiration date of Company By-laws:	May 17, 2109
Parent company:	Albanesi S.A.
Legal domicile of Parent Company:	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 12)			
Shares			
Number	**Type**	**Number of votes per share**	**Subscribed, registered and paid-in**
			$
112,408,964	Ordinary of face value $ 1	1	112,408,964

Generación Frías S.A.

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Statement of Financial Position

As of December 31, 2016 and 2015 presented in comparative format.

Stated in pesos

	Note	12.31.16	12.31.15
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	708,545,901	567,721,270
Other receivables	10	5,182,389	30,571,195
Total non-current assets		**713,728,290**	**598,292,465**
CURRENT ASSETS			
Materials and spare parts		1,493,915	-
Other receivables	10	50,883,671	36,008,169
Trade receivables	9	59,089,006	10,055,241
Cash and cash equivalents	11	86,524,181	11,686,369
Total current assets		**197,990,773**	**57,749,779**
Total Assets		**911,719,063**	**656,042,244**
SHAREHOLDERS' EQUITY			
Share Capital	12	112,408,964	112,408,964
Technical revaluation reserve		161,984,473	74,320,070
Retained earnings and accumulated losses		(56,278,333)	(35,084,388)
TOTAL EQUITY		**218,115,104**	**151,644,646**
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred tax liabilities	19	59,896,217	22,333,091
Loans	16	318,111,473	154,251,227
Trade payables	14	194,099,776	156,482,739
Total non-current liabilities		**572,107,466**	**333,067,057**
CURRENT LIABILITIES			
Other liabilities	15	-	2,525,105
Tax payables	18	2,130,510	36,273
Salaries and social security charges	17	683,062	375,965
Loans	16	106,174,358	163,182,254
Trade payables	14	12,508,563	5,210,944
Total current liabilities		**121,496,493**	**171,330,541**
Total Liabilities		**693,603,959**	**504,397,598**
Total Liabilities and Equity		**911,719,063**	**656,042,244**

Generación Frías S.A.

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Statement of Comprehensive Income

For the fiscal years ended December 31, 2016 and 2015

Stated in pesos

	Note	12.31.16	12.31.15
Sales revenue	20	315,766,204	12,698,916
Cost of sales	22	(185,576,007)	(7,810,800)
Gross income		**130,190,197**	**4,888,116**
Other income		10,576,050	-
Administrative expenses	21	(2,176,814)	(1,575,554)
Operating income	23	**138,589,433**	**3,312,562**
Financial expenses	24	(136,909,031)	(9,464,731)
Other financial results	24	(38,194,291)	(40,390,736)
Financial results, net		**(175,103,322)**	**(49,855,467)**
Loss before tax		**(36,513,889)**	**(46,542,905)**
Income tax	19	11,628,490	16,290,013
Comprehensive (loss) for the year		**(24,885,399)**	**(30,252,892)**
Revaluation of property, plant and equipment		140,547,472	114,338,570
Impact on income tax		(49,191,615)	(40,018,500)
Other comprehensive income for the year		**91,355,857**	**74,320,070**
Total comprehensive income for the year		**66,470,458**	**44,067,178**
Earnings per share			
Basic and diluted (loss) per share	25	(0,2214)	(0.2691)

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

Generación Frías S.A.

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Statement of Changes in Equity
For the fiscal years ended December 31, 2016 and 2015
Stated in pesos

	Share Capital (Note 12)	Technical revaluation reserve	Accumulated Profits and losses	Total shareholders' equity
Balances at December 31, 2014	**112,408,964**	-	**(4,831,496)**	**107,577,468**
Other comprehensive income for the year	-	74,320,070	-	74,320,070
Comprehensive loss for the year	-	-	(30,252,892)	(30,252,892)
Balances at December 31, 2015	**112,408,964**	**74,320,070**	**(35,084,388)**	**151,644,646**
Other comprehensive income for the year	-	91,355,857	-	91,355,857
Reversal of technical revaluation reserve	-	(3,691,454)	3,691,454	-
Comprehensive loss for the year	-	-	(24,885,399)	(24,885,399)
Balances at December 31, 2016	**112,408,964**	**161,984,473**	**(56,278,333)**	**218,115,104**

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

Generación Frías S.A.

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

	Notes	12.31.16	12.31.15
Cash flow provided by operating activities:			
Comprehensive loss for the year		(24,885,399)	(30,252,892)
Adjustments to arrive at net cash flows provided by operating activities:			
Income tax		(11,628,490)	(16,290,013)
Interest accrued, net	24	132,915,429	9,446,102
Changes in the fair value of financial instruments	24	(7,586,646)	(315,280)
Depreciation of property, plant and equipment	7 and 22	28,484,620	1,822,288
Exchange difference	24	41,205,415	40,224,000
Changes in operating assets and liabilities:			
(Increase) in other receivables		(49,033,765)	(10,055,241)
Decrease / (Increase) in trade receivables		7,189,933	(91,587,251)
(Increase) of Materials and spare parts		(1,493,915)	-
Increase / (Decrease) in trade payables		9,169,271	(9,605,961)
Increase in social security payables		307,097	322,075
(Decrease) in tax payables		(929,108)	(648,355)
(Decrease) / Increase in other liabilities		(20,894,639)	54,858,219
Net cash flow generated by / (applied to) operating activities		**102,819,803**	**(52,082,309)**
Cash flow provided by investing activities:			
Acquisition of property, plant and equipment	7	(29,667,469)	(83,061,317)
Net cash flow (used in) investing activities		**(29,667,469)**	**(83,061,317)**
Cash flow provided by financing activities:			
Loans taken out	16	447,382,100	161,300,000
Payment of loans	16	(353,624,785)	(6,496,092)
Payment of interest	16	(109,948,483)	(39,310,078)
Subscribed paid-in capital		10,290,000	30,970,000
Net cash flow (applied to) / generated by financing activities		**(5,901,168)**	**146,463,830**
NET INCREASE IN CASH		**67,251,166**	**11,320,204**
Cash and cash equivalents at the beginning of year	11	11,686,369	50,885
Financial results generated by cash and cash equivalents		(7,586,646)	(315,280)
Cash and cash equivalents at the end of year	11	86,524,181	11,686,369
		67,251,166	**11,320,204**
Material transactions not showing changes in cash			
Subscribed capital not yet paid in		-	10,290,000
Property, plant and equipment not yet paid	7	-	(116,258,739)
Interest capitalized in property, plant and equipment	7	(3,157,460)	(53,559,372)
Increase in technical revaluation	7	(140,547,472)	(114,338,570)

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

NOTE 1: GENERAL INFORMATION

GFSA was formed on April, 20, 2010 for the generation and marketing of electric energy as its principal activity.

The site of the Plant is adjacent to the TRANSNOA S.A. transformer to allow a strategic connection to the network with the ability to inject energy generated by the Argentine interconnection system. In addition, it has a power pipeline that ensures a supply of natural gas for electricity generation.

The power plant has 60 MW capacity of thermal generation through the installation of a turbine powered by PWPS, similar to those used in the related companies GMSA and Solaban Energia S.A.

During 2014 GFSA executed the works necessary for the installation of the FT4000 turbine with a capacity to generate 60 MW, including the installation of a 75 MWA main transformer and two transformers for ancillary services at the plant (of 2 and 3 KWA); construction of two diesel oil storage tanks, construction of the water treatment plant, and civil and electrical works that were carried out for the proper start-up of the Power Plant. The total invested was USD 55 million.

Purchase agreements with PWPS were signed on April 4, 2014.

The purchase of the FT4000 SwiftPac® 60 turbine with everything needed for installation and putting it into operation was the first step. The unit consists of two gas turbines transmitting mechanical power to a single generator of 60MW. This machine functions by converting the chemical energy of the fuel, which is injected (in both liquid and gaseous state) into the combustion chambers, into mechanical energy that is transmitted to the generator, which then performs a final conversion to electric power.

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

Furthermore, the agreement sets out 4-year financing for USD 12 million by PWPS, upon provisional acceptance by GFSA. This amount, equivalent to $191 trillion, has been disclosed under non-current trade payables. Financing will accrue interest at an annual rate of 7.67%, calculated monthly (30 days)/annually (360 days), with interest capitalized quarterly, which at the date of these financial statements amounts to $3.9 trillion and is disclosed as non-current, and accrued interest payable disclosed under current trade payables amounts to $993.1 billion.

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

	Total	2016	2017	2018	2019	2020	2021	2022	2023
Commitments (1)	USD								
PWPS for the purchase of the turbine FT4000™ SwiftPac®	17,975,401	750,000	750,000	750,000	750,000	3,743,495	3,743,495	3,743,495	3,744.916

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

NOTE 1: GENERAL INFORMATION (Cont'd)

On December 5, 2015, the Company was commercially authorized to operate in the WEM. GFSA entered into with CAMMESA a supply contract to the Wholesale Electric Market for 55.5 MW power. Sales under this modality are denominated in dollars and are paid by CAMMESA under a take or pay clause and the generated surplus is sold to the Spot Market, pursuant to regulations in effect in the WEM administered by CAMMESA.

At the date of these financial statements, civil and electromechanical works, stage II, had been completed, which included construction of an unloading yard for trucks, a scale base, an office building and a base for a diesel oil treatment and propelling system, among others.

ISO 14001:2004 certification of the Power Plant´s Environmental Management System is still in effect and the documentation for the System is kept duly updated. Personnel have received the necessary training for the correct performance of their work and environmental care, and preventive follow-up and controls have been done as agreed. There have been no environmental incidents or other emergencies as a result of the development of the process and the performance of service activities.

The first external audit was carried out in November 2016 for maintenance of the Environmental Management System after recertification obtained in 2015, and the results were satisfactory.

An internal audit under ISO 14001:2004 is scheduled for the first half of 2017, as well as the migration of the Environmental Management System to the new 2015 version and implementation of the changes, essentially through in-house training and distance learning. An annual external audit for system maintenance will be conducted in the second half of 2017 (the second one in the triennial certification period) under the 2015 version that will be in place as from July 2017.

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

The electric energy generated by the Company is sold to CAMMESA according to Resolution 220/07.

WEM Supply Contracts (Resolution 220/07)

In January 2007, the Energy Secretariat adopted Resolution No. 220/07 authorizing the execution of Supply Contracts between the 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 shall be established in each contract based on the costs accepted by the Energy Secretariat. The contracts will also establish that the machines and power plants used to cover the Supply Contracts will generate energy as they are dispatched by CAMMESA.

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

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

This contract sets a remuneration comprised of 5 components: i) a fixed charge for the average monthly availability of contracted power, for a price of USD 19,272/MW per month; ii) a fixed charge that recognizes the costs of transportation plus other costs of the generating agents; iii) a variable charge associated with the energy actually provided under the contract, the objective of which is to remunerate operation and maintenance of the power plant (Gas 10.83 USD/MWh – Fuel oil 11.63 USD/MWh); iv) a variable charge for repayment of fuel costs, all at reference price; and v) a discount for penalties. These penalties are applied to the hours in which 92% of the agreed upon power has not been reached and are valued on a daily basis and according to the operating condition of the machine and the market situation.

NOTE 3: BASES OF PRESENTATION

These financial statements of the Company have been prepared in accordance with Technical Pronouncements No. 26 and No. 29 of the FACPCE. These technical pronouncements adopt the International Financial Reporting Standards issued by the IASB, including IFRIC Interpretations, jointly "IFRS". All IFRS effective at the date of preparation of these financial statements have been applied.

The presentation in the balance sheets 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.

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

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

Comparative information

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

Financial reporting in hyperinflationary economies

IAS 29, Financial Reporting in Hyperinflationary Economies, requires that the financial statements of an entity whose functional currency is that of a hyperinflationary economy should be stated in terms of the current measuring unit at the end of reporting period, irrespective of whether they are based on a historical cost or current cost approach. 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%.

NOTE 3: BASES OF PRESENTATION (Cont'd)

Financial reporting in hyperinflationary economies (Cont'd)

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, in the last years, certain macroeconomic variables affecting Company business, such as salary costs and prices of supplies, have varied significantly year on year, and this circumstance should be considered in the evaluation and interpretation of the Company's financial position and results disclosed in the financial statement.

NOTE 4: ACCOUNTING POLICIES

The main accounting policies used in the preparation of these financial statements are summarized 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 standards, modifications and interpretations not yet effective, but early adopted by the Company

- IFRS 9 - Financial instruments: the modification was issued in July 2014. This modification includes in only one place all the stages of the project of IASB 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 Company has adopted the first phase of IFRS 9 at the date of these financial statements.

4.1.2 New standards, modifications and interpretations not yet effective and not early adopted by the Company:

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

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

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

NOTE 4: ACCOUNTING POLICIES (Cont'd)

4.1) Changes in accounting policies (Cont'd)

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

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

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

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

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

4.2) Revenue recognition – Sale of energy

a) Sale of energy

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

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

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

4.2) Revenue recognition – Sale of energy (Cont'd)

b) Interest revenue

Interest revenue is recognized applying the effective interest rate method. Interest is recorded on a temporary basis, regarding the outstanding principal and the applicable effective rate.

Revenue is recognized when it is probable that future economic benefits will flow to the entity and these benefits 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).

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 restated. Gains and losses generated by foreign exchange differences resulting from each transaction and by the translation of monetary items stated in foreign currency at year end are recognized in the statement of income, except for the amounts that are capitalized.

The exchange rates used are: bid exchange rate for monetary assets, offer exchange rate for monetary liabilities, both prevailing at year end, as released by Banco Nación, and one-off rates for transactions in foreign currency.

4.4) Property, plant and equipment

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

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

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

NOTE 4: ACCOUNTING POLICIES (Cont'd)

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

Buildings, facilities, machinery and turbines are measured at their fair value less accumulated depreciation and impairment losses, if any, recognized at the date of revaluation. Land is measured at fair value and is not depreciated. Revaluations 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 land, buildings, facilities, machinery and turbines with their recoverable value calculated as described in the following section.

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

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.

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

According to IAS 23 "Borrowing costs", financial costs must be capitalized in the cost of an asset when it is in the process of production, construction, assembly or finishing, and those processes are not interrupted due to their long-term nature; the term for production, construction, assembly or finishing does not exceed the period technically required; the activities needed for the asset to be ready for its intended use or sale are not substantially complete; and the asset is not in condition to be used in the production of other assets or placed into service, according to the purpose of its production, construction, assembly or finishing.

Financial costs capitalized in the carrying amount of property, plant and equipment during the fiscal year ended on December 31, 2016 and 2015 totaled $3,157,460 and $53,559,372, respectively. The average interest rate used for each fiscal year was 33% for 2016 and 27% for 2015.

Subsequently to initial recognition, costs are included in the carrying amount of that asset or recognized as a separate asset, as applicable, only when it is probable that the future economic benefits associated to those assets will flow to the Company and their cost can be determined reliably.

In the case of replacements, the carrying amounts of the replaced part is derecognized from accounting Other repair and maintenance costs are recognized as an expense in the period in which they are incurred.

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

	12.31.16
Cost	483,971,557
Accumulated depreciation	(24,632,538)
Residual value	**458,339,019**

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

NOTE 4: ACCOUNTING POLICIES (Cont'd)

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.

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

4.6) Financial assets

4.6.1 Classification

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

a) Financial assets at amortized cost

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

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

b) Financial assets at fair value

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

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

NOTE 4: ACCOUNTING POLICIES (Cont'd)

4.6) Financial assets (Cont'd)

4.6.2 Recognition and measurement

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

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

4.6.3 Impairment losses on financial assets

Financial assets at amortized cost

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

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

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

The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding future credit losses expected and that have not yet occurred), discounted at the original effective interest rate of financial assets. The carrying amount of the asset is written down and the amount of the impairment loss is recognized in the statement of comprehensive income.

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

4.6.4 Offsetting of financial instruments

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

4.7 Trade receivables and other receivables

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

NOTE 4: ACCOUNTING POLICIES (Cont'd)

4.7 Trade receivables and other receivables (Cont'd)

Other receivables are initially recognized at fair value and subsequently measured at amortized cost, using the effective interest rate method and, where appropriate, adjusted at the time value of money.

4.8 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.

4.9 Advances to suppliers

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

At December 31, 2016, the Company recorded a balance of advance to suppliers of $ 2,763,969.

4.10 Trade and other payables

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

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

4.11 Loans

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

4.12 Borrowing costs

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

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

4.13 Leases

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

NOTE 4: ACCOUNTING POLICIES (Cont'd)

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

4.14 Income tax and minimum notional income tax

a) Current and deferred income taxes

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

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

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

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

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

b) Minimum notional income tax

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

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

The Company recognized minimum notional income tax accrued for the year and paid in prior fiscal years as credit since it estimates that it may compute it as payment on account of income tax in future fiscal years.

4.15 Balances with related parties

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

NOTE 4: ACCOUNTING POLICIES (Cont'd)

4.16 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) *Retained earnings and accumulated losses*

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.

c) *Distribution of dividends*

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

NOTE 5: FINANCIAL RISK MANAGEMENT

5.1) Financial risk factors

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

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

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.

NOTE 5: FINANCIAL RISK MANAGEMENT (Cont'd)

5.1) Financial risk factors (Cont'd)

a) Market risk

Foreign exchange risk

Sales made by the company are denominated in US dollars, but due to the fact that they are performed under Resolution 220/07, they are converted into pesos at the exchange rate per BCRA Communication A 3500 (Wholesale) corresponding to the business day preceding the due date. The financial debt for working capital and the investment for the installation and start-up of the FT-4000 PWPS turbine is denominated in USD. Trade payable with PWPS amounts to USD 12 million and is due in 2019.

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

Captions	Type and amount of foreign currency	Exchange rate at closing (1)	Amount recorded at 12.31.16	Amount recorded at 12.31.15
ASSETS				
CURRENT ASSETS				
Trade receivables				
Trade receivables - Resolution 220/07	USD 3,742,179	15.79	59,089,006	10,055,241
Total Current Assets			**59,089,006**	**10,055,241**
Total Assets			**59,089,006**	**10,055,241**
LIABILITIES				
CURRENT LIABILITIES				
Trade payables				
Supplier	USD 521,461	15.89	8,286,015	-
Loanss				
International Bond	USD 229,712	15.89	4,086,836	-
Total current liabilities			**12,372,851**	**-**
NON-CURRENT LIABILITIES				
Trade payables Suppliers	USD 12,215,216	15.89	194,099,776	156,482,739
Loanss International Bond	USD 6,831,425	15.89	109,051,161	156,482,739
Total Non-Current Liabilities			**303,150,937**	**156,482,739**
Total Liabilities			**315,523,788**	**156,482,739**

The exchange rate applied corresponds to the US dollar exchange rate prevailing at December 31, 2016 as per Banco Nación.

NOTE 5: FINANCIAL RISK MANAGEMENT (Cont'd)

5.1) Financial risk factors (Cont'd)

a) Market risk (Cont'd)

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

	Argentine Pesos	
Net position Asset / (Liability)	**12.31.16**	**12.31.15**
US Dollars	(2,564,348)	(1,464,275)
	(2,564,348)	**(1,464,275)**

Price risk

The price for the Company's sales revenues under Resolution 220/07 is expressly stipulated in US dollars in the contract in force signed with CAMMESA, the duration of which is 10 years.

If Resolution No. 220/07 was repealed or substantially amended in such a way that the Company is obliged to sell the power generated in the Spot Market, the income/loss of GFSA might depend on the price of electricity in the Spot Market. Likewise, the Company's results could also be badly affected if the National Government or CAMMESA limited the price receivable under Resolution 220/07. If these situations occur, there might be an adverse impact on the Company business, financial condition and results of operations.

Interest rate risk

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

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

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

	12.31.16	**12.31.15**
Fixed rate:	113,137,997	-
Floating rate:	311,147,834	317,433,481
	424,285,831	**317,433,481**

NOTE 5: FINANCIAL RISK MANAGEMENT (Cont'd)

5.1) Financial risk factors (Cont'd)

a) Market risk (Cont'd)

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

	12.31.16	12.31.15
Variable rate	3,111,478	3,174,335
Increase in loss for the year	**3,111,478**	**3,174,335**

b) Credit risk

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

The electricity generators with contracts under Resolution 220/07 collect through CAMMESA the payments for making available the power and energy supplied to the system. Although CAMMESA relies on refundable contributions from the Treasury to make payments, in the last fiscal year it has reduced the average payment term.

c) Liquidity risk

The Management of the Company monitors the updated projections on liquidity requirements to ensure that the Company has enough cash to cover the operational needs while maintaining an adequate level of credit facilities available. In this way, the Company is expected to meet its commitments assumed as a result of the financial debt arising from any credit facility.

The projections consider 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.

NOTE 5: FINANCIAL RISK MANAGEMENT (Cont'd)

5.1) Financial risk factors (Cont'd)

c) Liquidity risk (Cont'd)

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, 2016	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Total
Trade and other payables	10,698.308	16,063,267	208,556,132	235,317,707
Loans	41,920,759	135,819,777	328,982,417	506,722,953
Total	**52,619,067**	**151,883,044**	**537,538,549**	**742,040,660**

At December 31, 2015	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Total
Trade and other payables	7,736,049	-	289,610,971	297,347,020
Loans	25,901,049	164,945,183	293,207,494	484,053,726
Total	**33,637,098**	**164,945,183**	**582,818,465**	**781,400,746**

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 Adjusted EBITDA. Net borrowings correspond to total borrowings (including current and non-current borrowings) less cash and cash equivalents. Adjusted EBITDA represents earnings before net financial results, income tax, minimum notional income tax, depreciation and amortization.

To maintain or adjust the capital structure, the Company may change the amount of dividends paid to shareholders, return capital to the shareholders, issue new shares or sell assets to reduce its debt.

Consolidated Debt to Adjusted EBITDA ratios were as follows:

	12.31.16	12.31.15
Total loans	424,285,831	317,433,481
Less: Cash and equivalent cash	(86,524,181)	(11,686,369)
Net debt	337,761,650	305,747,112
EBITDA	167,074,053	5,134,850
Net debt/ EBITDA	**2,022**	**59,544**

The variance in the debt/EBITDA ratio is a consequence of EBITDA at December 31, 2015 including revenue since December 5, 2015, date on which the Company obtained authorization to operate in the WEM. However, in the year ended December 31, 2014 the debt/EBITDA ratio was negative as the Company was at the investment stage prior to commercial operation.

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 and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are detailed below.Notes to the

a) Fair value of property, plant and equipment

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

b) Impairment of assets

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

The Company in itself is a cash generating unit, which is composed of its electric power generation plant. Consequently, the Company represents 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 amount exceeds its recoverable amount. The recoverable amount 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 amount of the assets of the CGU) as follows:

1) First, to reduce the carrying amount of goodwill allocated to the cash generating unit, and
2) To the other assets of the unit (or group of units), prorated on the basis of the carrying amount of each asset in the unit (or group of units), taking into account not to reduce the carrying amount of the asset below the higher of its fair value less costs to sell and value in use or zero.

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

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

c) 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.

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

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

d) Provisions

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

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

NOTE 7: PROPERTY, PLANT AND EQUIPMENT

	Original value					Depreciation				Net amount at end of year	
Type of asset	At beginning of year	Increases (3)	Transfers /Deletions	Technical revaluation (1)	At year end	Accumulated at beginning of year	For the year (2)	Revaluation (1)	Accumulated at end of year	At 12.31.16	At 12.31.15
Land	280,000	-	-	61,200	341,200	-	-	-	-	341,200	280,000
Computer equipment	23,949	178,405	-	-	202,354	9,579	8,874	-	18,453	183,901	14,370
Buildings	6,449,500	8,711,431	-	1,278,169	16,439,100	-	151,978	(151,978)	-	16,439,100	6,449,500
Facilities	38,172,100	-	(4,063,150)	15,351,050	49,460,000	-	1,866,137	(1,866,137)	-	49,460,000	38,172,100
Machinery	61,541,300	10,908,221	-	7,595,179	80,044,700	-	3,150,228	(3,150,228)	-	80,044,700	61,541,300
Turbine	461,264,000	13,026,872	-	87,786,128	562,077,000	-	23,307,403	(23,307,403)	-	562,077,000	461,264,000
Total at 12.31.16	**567,730,849**	**32,824,929**	**(4,063,150)**	**112,071,726**	**708,564,354**	**9,579**	**28,484,620**	**(28,475,746)**	**18,453**	**708,545,901**	-
Total at 12.31.15	**202,330,350**	**252,879,428**	-	**112,521,071**	**567,730,849**	**4,790**	**1,822,288**	**(1,817,499)**	**9,579**	-	**567,721,270**

(1) Correspond to technical revaluation amounted $ 140,547,472 offset by the accumulated depreciation at the time of the revaluation for $ 28,475,746.

(2) Depreciation charges for the fiscal year 2016 and 2015 were allocated to the cost of sale, including $5,679,160 corresponding to a higher value of technical revaluation.

(3) Financial costs capitalized during the fiscal year ended on December 31, 2016 and 2015 totaled $3,157,460 and $53,559,372, respectively. The average interest rate used for each fiscal year was 33% for 2016 and 27% for 2015 (See Note 5)

NOTE 8: FINANCIAL AND NON-FINANCIAL ASSETS AND LIABILITIES

At December 31, 2016	Financial assets/ liabilities at amortized cost	Financial assets at fair value through profit and loss	Non-financial assets/ liabilities	Total
Assets				
Other receivables	7,413,049	-	48,653,011	56,066,060
Trade receivables	59,089,006	-	-	59,089,006
Cash and cash equivalents	3,839,786	82,684,395	-	86,524,181
Non-financial assets	-	-	710,039,816	710,039,816
Total	**70,341,841**	**82,684,395**	**758,692,827**	**911,719,063**
Liabilities				
Trade and other payables	206,608,339	-	-	206,608,339
Loans	423,975,032	-	-	423,975,032
Financial leases	310,799	-	-	310,799
Non-financial liabilities	-	-	62,709,789	62,709,789
Total	**630,894,170**	**-**	**62,709,789**	**693,603,959**

At December 31, 2015	Financial assets/ liabilities at amortized cost	Financial assets at fair value through profit and loss	Non-financial assets/ liabilities	Total
Assets				
Other receivables	10,685,628	-	55,893,736	66,579,364
Trade receivables	10,055,241	-	-	10,055,241
Cash and cash equivalents	679,780	11,006,589	-	11,686,369
Non-financial assets	-	-	567,721,270	567,721,270
Total	**21,420,649**	**11,006,589**	**623,615,006**	656,042,244
Liabilities				
Trade and other payables	164,218,788	-	-	164,218,788
Loans	316,991,504	-	-	316,991,504
Financial leases	441,977	-	-	441,977
Non-financial liabilities	-	-	22,745,329	22,745,329
Total	**481,652,269**	**-**	**22,745,329**	**504,397,598**

NOTE 8: FINANCIAL AND NON-FINANCIAL ASSETS AND LIABILITIES (Cont'd)

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

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

At December 31, 2016	Financial assets at amortized cost	Financial assets at fair value through profit and loss	Financial liabilities at amortized cost	Total
Interest paid	-	-	(132,915,429)	(132,915,429)
Exchange difference	-	-	(41,205,415)	(41,205,415)
Other financial costs	-	-	(8,569,124)	(8,569,124)
Changes in the fair value of financial instruments	-	7,586,646	-	7,586,646
Total	**-**	**7,586,646**	**(182,689,968)**	**(175,103,322)**

At December 31, 2015	Financial assets at amortized cost	Financial assets at fair value through profit and loss	Financial liabilities at amortized cost	Total
Interest paid	-	-	(9,446,102)	(9,446,102)
Exchange difference	-	-	(40,224,000)	(40,224,000)
Other financial costs	-	-	(500,645)	(500,645)
Changes in the fair value of financial instruments	-	315,280	-	315,280
Total	**-**	**315,280**	**(50,170,747)**	**(49,855,467)**

NOTE 8: FINANCIAL AND NON-FINANCIAL ASSETS AND LIABILITIES (Cont'd)

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: Fair value hierarchy includes these levels:

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

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

	Level 1	Level 3	Total
Balances as of December 31, 2016			
Cash and cash equivalents	82,684,395	-	82,684,395
Property, Plant, and equipment's technical revaluation	-	708,362,000	708,362,000
Total	**82,684,395**	**708,362,000**	**791,046,395**

	Level 1	Level 3	Total
Balances as of December 31, 2015			
Cash and cash equivalents	11,006,589	-	11,006,589
Property, Plant, and equipment's technical revaluation	-	567,706,900	567,706,900
Total	**11,006,589**	**567,706,900**	578,713,489

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

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

If one or more of the significant inputs is not based on observable market inputs (i.e. unobservable inputs), the instrument is included in level 3. These instruments are included in Level 3.

NOTE 8: FINANCIAL AND NON-FINANCIAL ASSETS AND LIABILITIES (Cont'd)

Fair value estimates (Cont'd)

This is the case of the revaluation of certain categories of property, plant and equipment.

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

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

b) For determining the fair value of machinery and facilities, an external appraiser has been hired who has used the replacement cost method, determining the components that form part of the power plants and obtaining values from new suppliers in the industry, adding the cost of freight, insurance, assembly and other general expenses. Depreciation was computed according to the consumed useful life of assets, for the case of facilities, the depreciation factor was 93% at December 31, 2016 and 2015 respectively and for machinery it was 81% and 93% for turbine, at December 31, 2016 and 2015.

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

c) 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: TRADE RECEIVABLES

Current	12.31.16	12.31.15
Trade receivables in local currency	17,098,311	391,394
Revenues to be billed	41,990,695	9,663,847
	59,089,006	**10,055,241**

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

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 10: OTHER RECEIVABLES

Non-Current	Note	12.31.16	12.31.15
Other receivables – Gasnor's pipeline		1,106,621	-
Value added tax		-	29,391,592
Minimum notional income tax credit		4,075,768	1,179,603
		5,182,389	**30,571,195**

NOTE 10: OTHER RECEIVABLES (Cont'd)

Current	Note	12.31.16	12.31.15
Albanesi S.A.	26	-	9,765,000
Minority interest	26	-	525,000
Related companies	26	2,752,893	-
Advances to suppliers		2,763,969	365,102
Value added tax		40,847,647	24,488,384
Turnover tax withholdings and credit balance		433,973	539,549
Pre-paid insurance		17,345	74,259
Other receivables – Gasnor's pipeline		3,535,190	-
Sundry		532,654	114,570
Minimum notional income tax, net of prepayments		-	23,679
Deferred charge NO II		-	293,086
		50,883,671	**36,008,169**

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

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

NOTE 11: CASH AND CASH EQUIVALENTS

	12.31.16	12.31.15
Cash	35,354	48,000
Banks	3,804,432	631,780
Mutual funds	82,684,395	11,006,589
Cash and cash equivalents (bank overdrafts excluded)	**86,524,181**	**11,686,369**

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

	12.31.16	12.31.15
Cash and cash equivalents	86,524,181	11,686,369
Cash and cash equivalents (bank overdrafts included)	**86,524,181**	**11,686,369**

NOTE 12: CAPITAL STATUS

The corporate capital subscribed at December 31, 2016 is made up of 112,408,964 ordinary shares of $1 par value each and entitled to one vote per share. Those shares are representative of $112,408,964, of which outstanding shares for $10,290,000 were paid up on October 7, 2016. Thus, the corporate capital has been fully paid up.

NOTE 13: DISTRIBUTION OF PROFITS

Dividends

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

NOTE 14: TRADE PAYABLES

	Note	12.31.16	12.31.15
Non-current			
Foreign suppliers		194,099,776	156,482,739
		194,099,776	**156,482,739**
Current			
Suppliers		3,187,393	1,838,750
Balances with related companies	**26**	37,300	2,002,124
Provision for invoices to be received		9,283,870	1,370,070
		12,508,563	**5,210,944**

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

NOTE 15: OTHER LIABILITIES

	Note	12.31.16	12.31.15
Current			
Balances with related companies	**26**	-	2,525,105
		-	**2,525,105**

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

NOTE 16: LOANS

Non-Current	12.31.16	12.31.15
Banco Ciudad loan	-	10,864,542
Syndicated Loan	-	84,372,153
Negotiable obligations	209,060,312	58,837,061
International Bond	109,051,161	-
Finance lease debts	-	177,471
	318,111,473	**154,251,227**

Current	12.31.16	12.31.15
Banco Ciudad loan	11,592,487	14,861,833
Banco Provincia loan	-	9,872,293
Syndicated loan	-	22,749,994
Negotiable obligations	90,184,236	62,275,259
International Bond	4,086,836	
Puente Hnos. S.A. loan	-	53,158,369
Finance lease debt	310,799	264,506
	106,174,358	**163,182,254**

	Original principal	Balance as of December 31, 2016	Interest rate	Currency	Date of issuance	Maturity date
		(Pesos)	(%)			
Debt securities						
International bond	USD 7,000,000	113,137,997	9.625%	USD	July 27, 2016	July 27, 2023
NO Class II	$ 130,000,000	131,308,289	BADLAR + 6.5%	ARS	March 8, 2016	March 8, 2018
NO Class III	$ 160,000,000	167,936,259	BADLAR + 5.6%	ARS	July 6, 2016	July 6, 2018
Subtotal		**412,382,545**				
Other debts						
Other bank debts		11,592,487				
Finance leases		310,799				
Subtotal		**11,903,286**				
Total		**424,285,831**				

Loans

a) Banco Ciudad loan:

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

The outstanding balance at December 31, 2016 amounted to $ 11,592,847 including interest of $ 197,184 net of transaction costs pending amortization.

NOTE 16: LOANS (Cont'd)

Loans (Cont'd)

a) Banco Ciudad loan:

The purpose of this loan was to finance the works required for the installation of new 60-MW generation capacity (see Note 1)

b) Negotiable Obligations

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

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

NO Class II:

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

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

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

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

Maturity date of ONes Class II: March 8, 2018

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

NO Class III:

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

Interest: private banks BADLAR rate plus 5.6 %

NOTE 16: LOANS

Loans (Cont'd)

NO Class III (Cont'd):

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

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

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

The amount was paid in in cash and in kind, through the swap of Class I Negotiable Obligations of $79,600,000. The proceeds from the issuance of Class III Negotiable Obligations were applied to the repayment of the loan from Puente Hnos S.A., the repurchase of the remaining balance of Class I Negotiable Obligations, working capital and investments in fixed assets. The swap and subsequent repurchase of Class I Negotiable Obligations improved the Company's financial profile and created the conditions to release the guarantees granted and at the date of issue of these interim condensed financial statements, the Company is formalizing this process.

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

c) International issuance of negotiable obligations

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

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

This issuance makes it possible to finance investments under the Company's expansion plans, with the award by the Energy Secretariat of Wholesale Demand Contracts under Resolution 115/2016 dated June 14, 2016, and the Group's projects under way to complete works for the installation of a nominal capacity of 460 MW. It will also improve the Group's financial profile, permitting it to repay existing loans before maturity within a financing term commensurate with the projects to be financed, as well as a considerable reduction of financing costs which involves a greater financial efficiency and to the release of the respective guarantees.

NOTE 16: LOANS (Cont'd)

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

ON International:

Principal: Total nominal value: USD 250,000,000 (two hundred and fifty million dollars); nominal value assigned to GFSA: USD 7,000,000 (seven million dollars).

Interest: Accrues interest at a fixed rate of 9.625%

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

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

The remaining balance net of transaction costs pending amortization of that negotiable obligation at December 31, 2016 amounted to $ 113,137,997 including interest of $ 4,211,312.

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

With the proceeds from the issuance of the International Bond described above, the following financial loans were repaid in advance and the pertinent guarantees were released:

- Loans from Banco de la Provincia de Buenos Aires
- Syndicated loan (*)

(*) At the date of these financial statements, the syndicated loan has been fully repaid with the proceeds from the issuance of the International Bond disbursed on July 27, 2016. Consequently, as all the obligations were extinguished, the guarantees provided have been released.

NOTE 16: LOANS (Cont'd)

d) Additional information

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

	12.31.16	12.31.15
Fixed rate		
Less than 1 year	4,086,836	-
Between 1 and 2 years	109,051,161	-
	113,137,997	-

	12.31.16	12.31.15
Floating rate		
Less than 1 year	102,087,522	163,182,254
Between 1 and 2 years	209,060,312	154,251,227
	311,147,834	**317,433,481**

Company loans are denominated in the following currencies:

	12.31.16	12.31.15
Argentine pesos	311,147,834	317,433,481
Dolares estadounidenses	113,137,997	-
	424,285,831	**317,433,481**

Changes in loans during the fiscal year were as follow:

	12.31.16	12.31.15
Loans at beginning of year	317,433,481	146,650,436
Loans received	447,382,100	161,300,000
Loans paid	(353,624,785)	(6,496,092)
Accrued interest	116,749,050	62,998,244
Exchange difference	6,787,900	
Interest paid	(109,948,483)	(39,310,078)
Capitalized expenses/present values	(493,432)	(7,709,029)
Loans at year end	**424,285,831**	**317,433,481**

NOTE 17: SALARIES AND SOCIAL SECURITY CHARGES

Current	12.31.16	12.31.15
Social security charges payable	127,488	217,096
Vacation accrual	540,195	158,869
Sundry	15,379	-
	683,062	**375,965**

NOTE 18: TAX PAYABLES

Current	12.31.16	12.31.15
Income tax withholdings to be deposited	117,123	36,273
Minimum notional income tax provision, net of prepayments	1,896,595	-
Other tax liabilities, net	117,123	-
	2,130,510	**36,273**

NOTE 19: INCOME TAX/ DEFERRED TAX

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

	12.31.16	12.31.15
Deferred tax assets:		
Deferred tax assets to be recovered in more than 12 months	61,189,934	240,757
	61,189,934	**240,757**
Deferred tax liabilities:		
Deferred tax liabilities payable in more than 12 months	(121,086,150)	22,573,848
	(121,086,150)	**22,573,848**
Deferred tax (liabilities) assets (net)	**(59,896,216)**	**(22,333,091)**

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

	12.31.16	12.31.15
Balances at beginning of year	(22,333,091)	1,395,396
Charge to income statement	11,628,490	16,290,013
Charge to technical revaluation reserve	(49,191,615)	(40,018,500)
Balance at year end	**(59,896,216)**	**(22,333,091)**

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

	Other receivables	Property, plant and equipment	Tax loss	Loans	Mutual funds' valuation
Balances as of December 31, 2015	**240,757**	**(71,694,892)**	**48,476,820**	**644,224**	-
Charge to income statement	(240,757)	1,882,305	12,713,114	(1,695,263)	(1,030,909)
Charge to technical revaluation reserve	-	(49,191,615)	-	-	-
Balances as of December 31, 2016	-	**(119,004,202)**	**61,189,934**	**(1,051,039)**	**(1,030,909)**

NOTE 19: INCOME TAX/ DEFERRED TAX (Cont'd)

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

The income tax charge is broken down as follows:

	12.31.16	12.31.15
Deferred tax	12,779,861	16,290,013
Variation of tax loss carry-forwards	(1,151,371)	-
Balance at year end	**11,628,490**	**16,290,013**

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

	12.31.16	12.31.15
Income before tax	(36,513,889)	(46,542,905)
Current tax rate	35%	35%
Net income/loss at the tax rate	**12,779,861**	**16,290,013**
Other permanent differences	(1,151,371)	-
Total income tax charge	**11,628,490**	**16,290,013**

The accumulated tax losses recorded by the Company that are pending use at December 31, 2016 and may be offset against the taxable income for the year ended on that date are as follows:

Year	$	Year of expiration
Tax losses for the year 2012	717,828	2017
Tax losses for the year 2013	693,110	2018
Tax losses for the year 2014	8,430,141	2019
Tax losses for the year 2015	125,374,491	2020
Tax losses for the year 2016	39,612,813	2021
Total accumulated tax losses at December 31, 2016	**174,828,384**	

NOTE 20: SALES REVENUE

	12.31.16	12.31.15
Electric energy sales - Resolution No. 220	315,766,204	12,698,916
	315,766,204	**12,698,916**

Generación Frías S.A.

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

Notes to the financial statements (Cont'd)

NOTE 21: OTHER INCOME

	12.31.16	12.31.15
Other income (Note 31)	10,576,050	-
	10,576,050	**-**

NOTE 22: COST OF SALES

	12.31.16	12.31.15
Cost of purchase of electric energy	(852,919)	(92,043)
Cost of gas and gasoil consumption	(134,871,062)	(2,690,300)
Salaries and wages	(6,187,629)	(864,990)
Personnel expenses	(83,149)	(50,168)
Travel and per diem	(21,950)	(355,251)
Insurance	(2,829,458)	(249,985)
Electricity expenses	(97,040)	(82,582)
Safety and security	(429,363)	(957,157)
Maintenance services	(7,113,879)	-
Maintenance inputs	(749,544)	(255,935)
Third-party services	(2,208,072)	(29,559)
Cleaning services	(481,420)	(13,000)
Sundry expenses	(337,246)	(265,441)
Taxes and rates	(290,015)	(33,157)
Communication expenses	(28,484,620)	(48,944)
Depreciation of property, plant and equipment	(852,919)	(1,822,288)
	(185,576,007)	**(7,810,800)**

NOTE 23: ADMINISTRATIVE EXPENSES

	12.31.16	12.31.15
Professional fees	(1,411,819)	(882,719)
Taxes, rates and contributions	(595,069)	(57,018)
Leases	(5,000)	(12,000)
Salaries and social security contributions	-	(409,642)
Insurance	-	(8,919)
Attestations	(141,796)	(86,155)
Sundry expenses	(23,130)	(119,101)
	(2,176,814)	**(1,575,554)**

Notes to the financial statements (Cont'd)

NOTE 24: FINANCIAL RESULTS

	12.31.16	12.31.15
Financial expenses		
Net financial interest and others	(119,297,382)	(9,445,896)
Tax interest	(119,866)	(206)
Commercial interest	(13,498,181)	-
Bank expenses and commissions	(3,993,602)	(18,629)
Total financial expenses	**(136,909,031)**	**(9,464,731)**
Other financial results		
Exchange difference, net	(41,205,415)	(40,224,000)
Changes in the fair value of financial instruments	7,586,646	315,280
Other financial results	(4,575,522)	(482,016)
Total other financial results	**(38,194,291)**	**(40,390,736)**
Total financial results, net	**(175,103,322)**	**(49,855,467)**

NOTE 25: EARNINGS PER SHARE

Basic

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

	12.31.16	12.31.15
Comprehensive (loss) for the year	(24,885,399)	(30,252,892)
Weighted average of outstanding ordinary shares	112,408,964	112,408,964
Basic and diluted (loss) per share	**(0,2214)**	**(0,2691)**

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

NOTE 26: TRANSACTIONS AND BALANCES BETWEEN RELATED PARTIES

a) Transactions with related parties

	12.31.16	12.31.15
	Profit / (Loss)	
	$	
Leases:		
RGA	(5,000)	(12,000)
	(5,000)	**(12,000)**
Reimbursement of expenses:		
RGA	-	(3,591)
GMSA	(6,683,989)	(263,002)
GISA (1)	-	(2,407,934)
GRISA (1)	-	(1,723,569)
	(6,683,989)	**(4,398,096)**
Sale of spare parts		
GMSA (Note 31)	10,572,050	-
	10,572,050	-
Services received		
GMSA	-	(1,000,000)
	-	**(1,000,000)**
Flights		
AJSA	-	(897,288)
	-	**(897,288)**
Purchase of wine:		
BDD	(40,797)	(8,777)
	(40,797)	**(8,777)**
Guarantees received		
ASA	(37,300)	-
	(37,300)	-

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

NOTE 26: TRANSACTIONS AND BALANCES BETWEEN RELATED PARTIES (Cont'd)

b) Remuneration of key managerial staff.

There is no remuneration for key managerial staff.

	12.31.16	12.31.15
Salaries	-	-
	-	-

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

	12.31.16	12.31.15
Other receivables		
Related company - ASA- share capital no yet paid in	-	9,765,000
Minority interest - share capital no yet paid in	-	525,000
Related company – GMSA	2,752,893	-
	2,752,893	**10,290,000**
Current trade payables with other related parties		
Related company – BDD	-	16,620
Related company - ASA	37,300	-
Related company – GMSA	-	1,000,000
Related company - AJSA	-	991,504
	37,300	**2,002,124**
Current other liabilities		
Related company – GMSA	-	2,525,105
	-	**2,525,105**

NOTE 27: WORKING CAPITAL

The Company reports at December 31, 2016 a positive in working capital of $ 76,494,280 (calculated as current assets less current liabilities), which means an improvement of $ 190,075,042, compared to the working capital at the annual closing 2015 (deficit $ 113,580,762 at 12/31/2015).

The Company's management has taken measures to improve the working capital position. Among them is the proceeds from new loans detailed below:

On July 6, 2016, the Company issued Class III Negotiable Obligations for $ 160 million, payable in 3 quarterly installments as from January 6, 2018, disclosed as non-current liabilities (see Note 16.b).

An International Bond for USD 250 million was issued on July 27, 2016, with GMSA, GFSA and CTR having co-issued 69%, 3% and 28%, respectively. See Note 16.c.

After the commercial authorization of December 5, 2015, the EBITDA at December 31, 2016 amounted to $ 167,074,053, which shows compliance with objectives and efficiency of the Company's operations.

In conclusion, this shows that the measures adopted have contributed to improving the deficit in working capital, substantially increasing liquidity as well as improving the indebtedness profile of the company.

NOTE 28: LONG TERM MAINTENANCE SERVICE AGREEMENT

GFSA and PWPS entered into a global service agreement (Long Term Service Agreement), for the power plant. As set forth in the agreement, PWPS must provide on-site technical assistance on a permanent basis, a remote monitoring system to follow up on the efficient performance of the turbines, 24-hour assistance from the engineering department in the USA, original spare parts in a timely manner and repairs for planned and unplanned maintenance. 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 Plant has its own repair shop with tools and stocks of spare parts to perform on-site repairs without having to send the equipment to the shop in the USA. The gas turbine equipment can be sent by plane, thus reducing the transportation time.

Compliance with the power sale agreement with CAMMESA under Resolution 220/07 is thus guaranteed.

NOTE 29: SEGMENT REPORTING

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

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

The Board of Directors considers the business as having a single segment, the generation and sale of electricity.

NOTE 29: SEGMENT REPORTING (Cont'd)

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 30: DOCUMENTATION STORAGE

On August 14, 2014, the CNV adopted General Resolution No. 629 that introduces amendments to its regulations involving storage and preservation of corporate books, accounting records and business documents. The Company keeps and preserves its corporate books, accounting records and relevant business documents at its principal place of business located at Av. L.N. Alem 855, 14th floor - City of Buenos Aires.

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

Company – Location
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, Province of Buenos Aires

In addition, it is hereby stated that a detail of the documents stored and the documents referred to in article 5 a.3) of Section I, Chapter V, Title II of the RULES (NT 2013 as amended).

NOTE 31: PURCHASE OFFER - SALE OF SPARE PARTS WITH GENERACIÓN MEDITERRANEA S.A.

On February 18, 2016, the Company accepted the purchase offer with GMSA whereby the sale of spare parts and components acquired from the PWPS supplier is confirmed. The result of the transaction is disclosed in "Other income" in the condensed statement of comprehensive income for $ 10,572,050, which is considered exceptional income, unique and unrelated to the Company's main activity.

NOTE 32: GASNOR S.A. FRAMEWORK OFFER

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

The parties agreed that the Company would charge the distributor $ 4,079,677 (plus value added tax) for the entire work. This amount has been invoiced and will be offset against the gas carriage charges recorded subsequent to the performance and authorization of the works.

NOTE 33: GMSA-GFSA MERGER THROUGH ABSORPTION

On August 31, 2016, GMSA and GFSA entered into a preliminary merger agreement (the "GMSA-GFSA Preliminary Merger Agreement") whereby the companies started a process for the merger of GFSA into GMSA (the "GMSA-GFSA Corporate Reorganization").

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

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

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

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

Publication for 3 (three) days of the mandatory notices required under Section 83 of the General Companies Law ended on October 21, 2016, thus opening the term for creditors to file objections. No objections were filed after expiration of this term.

NOTE 33: GMSA-GFSA MERGER THROUGH ABSORPTION (Cont'd)

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

NOTE 34: BUSINESS INTERRUPTION INSURANCE COVERAGE

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

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.

NOTE 35: SUBSEQUENT EVENTS

a) Merger through absorption GMSA – GFSA

On January 10, 2017, the Board approved the issue of 12,518,070 ordinary, registered non-endorsable shares of $1 par value each and entitled to one voting right per share, corresponding to the capital increase mentioned in Note 31.

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

b) Program of issuance Negotiable Obligations

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

NOTE 36: 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

NOTE 36: FINANCIAL STATEMENTS TRASLATION INTO ENGLISH LANGUAGE (Cont'd)

financial statements are not intended to present the financial position, statements of comprehensive income, changes in equity or cash flows in accordance with accounting principles generally accepted in the countries of users of the financial statements, other than Argentina.

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

Summary of Activity at December 31, 2016 and 2015

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

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

	Fiscal years ended December 31,			
	2016	**2015**	**Var.**	**Var. %**
	MWh			
Sales per type of market				
Sales CAMMESA 220	205,533	13,749	191,784	93%
	205,533	**13,749**	**191,784**	**93%**

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

	Fiscal years ended December 31,			
	2016	**2015**	**Var.**	**Var. %**
	(in thousands of pesos)			
Sales per type of market				
Sales CAMMESA 220	315,766.2	12,698.9	303,067.3	96%
	315,766.2	**12,698.9**	**303,067.3**	**96%**

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

Summary of Activity at December 31, 2016 and 2015

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

	Fiscal years ended December 31,			
	2016	**2015**	**Var.**	**Var. %**
Sale of energy	315,766.2	12,698.9	303,067.3	2387%
Net sales	**315.766.2**	**12,698.9**	**303,067.3**	**2387%**
Cost of purchase of electric energy	(852.9)	(92.0)	(760.9)	827%
Cost of gas and gasoil consumption	(134,871.1)	(2,690.3)	(132,180.8)	4913%
Salaries and social security contributions	(6,187.6)	(865.0)	(5,322.6)	615%
Staff expenses	(83.1)	(50.2)	(32.9)	66%
Travel and per diem	(22.0)	(355.3)	333.3	(94%)
Insurance	(2,829.5)	(250.0)	(2,579.5)	1032%
Electricity Service	(97.0)	(82.6)	(14.4)	17%
Security and vigilance	(429.4)	(957.2)	527.8	(55%)
Maintenance services	(7,113.9)	-	(7,113.9)	100%
Maintenance supplies	(749.5)	(255.9)	(493.6)	193%
Third party services	(2,208.1)	(29.6)	(2,178.5)	7360%
Cleaning	(538.6)	(13.0)	(525.6)	4043%
Sundry	(481.4)	(265.4)	(216.0)	81%
Taxes and rates	(337.2)	(33.2)	(304.0)	916%
Communication expenses	(290.0)	(48.9)	(241.1)	493%
Depreciation of property, plant and equipment	(28,484.6)	(1,822.3)	(26,662.3)	1463%
Cost of sales	**(185,576.0)**	**(7,810.9)**	**(177,765.1)**	**2276%**
Gross income	**130,190.1**	**4,888.02**	**125,302.1**	**2563%**
Other income	10,576.1	-	10,576.1	100%
Other income	**10,576.1**	**-**	**10,576.1**	**100%**
Professional fees	(1.411.8)	(882.7)	(529.1)	60%
Taxes and rates	(595.1)	(57.0)	(538.1)	944%
Rentals	(5.0)	(12.0)	7.0	(58%)
Salaries and social security contributions	-	(409.6)	409.6	(100%)
Insurance	-	(8.9)	8.9	(100%)
Certifications	(141.8)	(86.2)	(55.6)	65%
Sundry	(23.1)	(119.1)	96.0	(81%)
Administrative expenses	**(2,176.8)**	**(1,575.5)**	**(601.3)**	**38%**
Operating income	**138,589.4**	**3,312.5**	**135,276.9**	**4084%**

Summary of Activity at December 31, 2016 and 2015

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

	2016	2015	Var.	Var. %
Operating income	**138,589.4**	**3,312.5**	**135,276.9**	**4084%**
Financial costs	(136,909.0)	(9,464.7)	(127,444.3)	1347%
Other financial results	(38,194.3)	(40,390.7)	2,196.4	(5%)
Financial result, net:	**(175,103.3)**	**(49,855.4)**	**(125,247.9)**	**251%**
(Loss) before tax	**(36,513.9)**	**(46,542.9)**	**145,907.2**	**(313%)**
Income tax	11,628.5	16,290.0	(4,661.5)	(29%)
(Loss) for the year	**(24,885.4)**	**(30,252.9)**	**5,367.5**	**(18%)**

Sales:

Net sales for the fiscal year ended December 31, 2016 reached $ 315,766.2 thousand, a 2387% increase compared with fiscal year 2015.

On December 5, 2015, the Company was commercially authorized to operate in the WEM. GFSA entered into with CAMMESA a supply contract to the Wholesale Electric Market for 55.5 MW power. Sales under this modality are denominated in dollars and are paid by CAMMESA under a take or pay clause and the generated surplus is sold to the Spot Market, pursuant to regulations in effect in the WEM administered by CAMMESA.

Cost of sales:

The total cost of sales for the fiscal year ended December 31, 2016 reached $185,576.0 thousand, reflecting a 2276% increase due to the start-up of the Power plant.

Gross profit:

The gross profit for the fiscal year ended December 31, 2016 reached $130,190.1 thousand, reflecting a 2563% increase due to the start-up of the Power plant.

Other income

Corresponds to the sale of spare parts during the current fiscal year. It should be noted that such result is of exceptional and unique nature and is not relevant for the Company's main business.

Administrative expenses:

The total administrative expenses for the fiscal year ended December 31, 2016 reached $2,176.8 thousand, up 38% compared with $1,575.5 thousand in fiscal year 2015.

Summary of Activity at December 31, 2016 and 2015

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

(i) $1,411.8 thousand in service fees and retributions, which represents an increase of $ 529.1 thousand compared with $882.7 thousand in fiscal year 2015. This increase is attributed to the new services hired under the project.

(ii) $ 595.1 thousand of taxes and rates, which represented a $ 538.1 increase in comparison with fiscal year 2015. This increase is attributed to the payment of rates related to the operations of the business.

Financial Result:

The total financial result for the fiscal year ended December 31, 2016 reflected a loss of $175,103.3 thousand, which represents an increase of $125,247.9 thousand compared to the loss of $49,855.4 thousand in fiscal year 2015.

The most salient aspects of this variation are described below:

(i) A loss of $136,909.1 thousand due to financial expenses, which reflects an increase of $127,444.3 thousand compared with the loss of $9,464.7 thousand in previous fiscal year, as a result of the application of the criterion for capitalizing the financial investment component during the fiscal year 2015.

(ii) A loss of $38,194.2 thousand under other financial results, up $2,196.4 thousand compared to the loss of $40,390.7 thousand in the previous fiscal year. This variation is mainly attributed to the devaluation of the peso during the fiscal year, and its impact on the foreign currency debt.

Net Result for the year:

The Company's net result for the fiscal year ended December 31, 2016, was a loss before tax of $36,513.9 thousand, which compares with a loss of $46,542.9 thousand in fiscal year 2015.

The income tax result was a gain of $11,628.5 thousand for the fiscal year ended December 31, 2016, which compares with a gain of $16,290.0 thousand in the previous fiscal year.

The net result for the fiscal year ended December 31, 2016 was a loss of $24,885.4 thousand, compared with the loss of $30,252.9 thousand in fiscal year 2015.

2. Equity structure presented comparatively with the previous fiscal year:
(In thousands pesos)

	12/31/2016	12/31/2015	12/31/2014
Non-current assets	713,728.3	598,292.4	226,168.3
Current Assets	197,990.8	57,749.8	43,621.1
Total Assets	**911,719.1**	**656,042.2**	**269,789.4**
Shareholders' Equity	218,115.1	151,644.6	107,577.5
Total shareholders' equity	**218,115.1**	**151,644.6**	**107,577.5**
Non-Current Liabilities	572,107.5	333,067.1	141,000.3
Current Liabilities	121,496.5	171,330.5	21,211.6
Total Liabilities	**693,604.0**	**504,397.6**	**162,212.0**
Total Liabilities and Shareholders' Equity	**911,719.1**	**656,042.2**	**269,789.4**

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Summary of Activity at December 31, 2016 and 2015

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

	12/31/2016	12/31/2015	12/31/2014
Ordinary Operating Result	138,589.4	3,312.5	(2,041.4)
Financial and Holding Result	(175,103.3)	(49,855.4)	(965.4)
Net ordinary Result	**(36,513.9)**	**(46,542.9)**	**(3,006.8)**
Income Tax	11,628.5	16,290.0	284.0
Net Result (Loss)	**(24,885.4)**	**(30,252.9)**	**(2,722.8)**

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

	12/31/2016	12/31/2015	12/31/2014
Funds generated by (applied to) operating activities	102,819.8	(52,082.3)	(5,980.5)
Funds (applied to) investment activities	(29,667.5)	(83,061.3)	(188,006.4)
Funds generated by (applied to) financing activities	(5,901.2)	146,463.8	192,970.4
Increase /(Decrease) in Cash and cash equivalents	**67,251.1**	**11,320.2**	**(1,016.5)**

Summary of Activity at December 31, 2016 and 2015

5. Ratios presented comparatively with the previous fiscal year:

	12.31.16	12.31.15	12.31.14
Current liquidity (1)	1.63	0.34	2.06
Credit standing (2)	0.31	0.30	0.66
Ratio of fixed assets (3)	0.78	0.91	0.84

(1) Current assets /current liabilities
(2) Equity / Total liabilities
(3) Non-current assets / Total assets

6. Brief comment regarding the outlook for the next fiscal year

Electric Power

The Company expects to continue operating the generating unit normally during 2017, based on the dispatch and assignment of fuel by CAMMESA. The execution of the maintenance plan is also foreseen for 2017, to ensure availability as agreed under the contract signed with CAMMESA.

Financial Condition

To streamline and optimize the management of the economic activities and of the companies' structures, GFSA has merged with GMSA effective January 1, 2017. GFSA will continue trading under the name GMSA with the aim of achieving financial synergies and securing financing of new investments, such as the correct operation of the generating units.

ADDITIONAL INFORMATION REQUIRED BY SECTION 12, CHAPTER III, TITLE IV, OF THE NATIONAL SECURITIES COMMISSION REGULATIONS, FOR THE YEAR ENDED DECEMBER 31, 2016

General matters referred to the activity of Generación Frías S.A. (the Company)

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

   There are none.

2. Significant changes in the company activities or similar circumstances that took place during the fiscal periods corresponding to the financial statements, which affect their comparability with those presented in previous periods, or that could affect comparability with those to be presented in future periods.

   There are none.

3. Breakdown of receivables and liabilities balances according to their age and due date

	Other receivables	Trade receivables	Trade payables	Loans	Salaries and social security charges	Tax payables and deferred tax liability
	$					
To be due						
First quarter	15,032,950	38,803,303	7,204,272	21,708,157	683,062	233,915
Second quarter	11,830,805	-	1,768,097	4,180,932	-	1,896,595
Third quarter	11,830,805	-	1,768,097	40,982,256	-	-
Fourth quarter	12,189,111	-	1,768,097	39,303,013	-	-
More than one year	5,182,389	-	194,099,776	318,111,473	-	59,896,217
Subtotal	56,006,060	38.803,303	206,608,339	424,285,831	683,062	62,026,727
Past due	-	20,285,703	-	-	-	-
Without stated term	-	-	-	-	-	-
Total at 12.31.16	**56,066,060**	**59,089,006**	**206,608,339**	**424,285,831**	**683,062**	**62,026,727**
Non-interest bearing	56,066,060	59,089,006	26,968,265	-	683,062	62,026,727
At fixed rate	-	-	179,640,074	113,137,997	-	-
At floating rate	-	-	-	(1) 317,611,653	-	-
Total at 12.31.16	**56,066,060**	**59,089,006**	**206,608,339**	**424,285,831**	**683,062**	**62,026,727**

(1) See Note 16 of the financial statements at December 31, 2016.

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 12.31.16	Amount recorded at 12.31.15
ASSETS				
CURRENT ASSETS				
Trade receivables				
Trade payables - Resolution 220/07	USD 3,742,179	15.79	59,089,006	10,055,241
Total Current Assets			**59,089,006**	**10,055,241**
Total Assets			**59,089,006**	**10,055,241**
LIABILITIES				
CURRENT LIABILITIES				
Trade payables				
Suppliers	USD 521,461	15.89	8,286,015	-
Loans				
International Bond	USD 257,195	15.89	4,086,836	-
Total current liabilities			**12,372,851**	-
NON-CURRENT LIABILITIES				
Trade payables				
Suppliers	USD 12,215,216	15.89	194,099,776	156,482,739
Trade payables				
International Bond	USD 6,862,880	15.89	109,051,161	-
Total non-current liabilities			**303,150,937**	**156,482,739**
Total Liabilities			**315,523,788**	**156,482,739**

(1) The exchange rate used is that prevailing at 12.31.16 of Banco Nación for US dollars (USD)

5. Intercompany Sect. 33 Law No. 19.550:

Percentage of participation in intercompany:

There are no participations in intercompany.

Accounts payable and receivable with intercompany:

See Note 26 to the financial statements at December 31, 2016.

6. Trade receivables or loans against directors, syndics, members of the surveillance committee or their relatives in the second degree inclusive.

There are none.

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

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

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

Current values

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

   See Note 4 to the financial statements at December 31, 2016.

Property, plant and equipment

9. Release of the Reserve for technical revaluation when part of it had been previously reduced to absorb losses.

   There are none.

10. Value of unused Property, plant and equipment due to obsolescence.

    There are none.

Equity interest in other companies

11. Interests in other companies in excess of what is authorized by Sect. 31 of Law No. 19550.

    There are none.

Recoverable values

12. Criteria followed to determine significant recoverable values of the items Property, plant and equipment and Material and spare parts, applied as the limit to their accounting valuation.

    See Note 4 to the financial statements at December 31, 2016.

Insurance

Kind of risk	Insured amount 2016	Insured amount 2015
Operational all risks - Material damage	USD 40,000,000	USD 39,607,776
Operational all risks - Loss of profit	USD 13,297,473	USD 18,746,292
Civil Liability (primary)	USD 1,000,000	USD 1,000,000
Civil Liability (excess coverage)	USD 9,000,000	USD 10,000,000
Civil liability of Directors and Executives (D&O)	USD 15,000,000	USD 15,000,000
Transport insurance, Argentine and international market	USD 10,000,000	USD 10,000,000
Directors' bond	$ 450,000	$ 450,000
Customs bond	-	$ 73,570,298
Technical equipment insurance	USD 7,460	-
Life insurance - mandatory life insurance	$ 33,330	$ 20,000
Life - 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

13. Insured items:

Operational all risk:

The all-risk insurance covers for all the risks of loss or physical damage caused to property owned by or under the charge of the insured while situated in the place(s) described in the policy, provided that such damage occurs accidentally, suddenly or unexpectedly, and makes it necessary to repair and/or replace such property as a direct consequence of any of the risks covered by the policy. This policy includes coverage of loss of profits, with the aim of covering the losses caused by the interruption of the activities as a result of the accident, both as regards the profit that is no longer obtained and the expenses the Company continues to bear despite its inactivity, such that the insured may be in the same financial situation as if the accident had not occurred.

Civil liability:

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

They are structured as follows:

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

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

Civil liability of Directors and Executives (D&O)

This policy covers all actions or decision making of directors and/or executives as such, outside the professional service or company where they work; for example, dismissal of employees, hirings, financial decisions, advertising and marketing, merger or acquisitions, shareholders' statements, accounting records, which may be performed with negligence or fault, error or imprudence and cause an economic damage to an employee, shareholder or third party. It does not cover malicious intent.

It covers the company in case of stock-exchange claims or from holders of bonds or securities.
It covers the personal equity of the present, past or future directors and/or executives, and to the company for capital market issues.

Transport insurance:

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

Customs Guarantees:

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

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

Directors' bond:

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

Mandatory life insurance:

Mandatory life insurance is a coverage that the employer has mandatorily to take out on behalf of its employees. It covers the risk of death of worker on an employment relationship, for any cause, without limitations of any kind, 24 hours a day, in or outside the country.
The insured amount is $ 33,330, as established by the National Insurance Superintendency.

Life insurance (LCT, employment contract Law):

This insurance covers underlying obligations from the Employment Contract Law, in case the company has to pay compensation in case of a total and permanent disability or death of the employee, whichever the case.

Group Life insurance:

The Company has taken out a group life insurance policy, on behalf of all Group employees. It grants compensation in case of death, double severance pay in case of accidental death, partial losses due to accident, advances for terminal diseases, organ transplant and birth of child after death.

Insurance is bought at market values, which widely cover accounting values.

Positive and negative contingencies

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

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

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

    The following have been set up:

    a) Allowances deducted from assets:

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

    b) Provisions carried under liabilities:

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

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

    There are none.

Irrevocable contributions on account of the future subscription of shares

16. Status of the procedure for its capitalization.

    There are none.

17. Unpaid cumulative dividends on preferred shares.

    There are none.

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

    See Note 13 to the financial statements at December 31, 2016.

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INDEPENDENT AUDITORS' REPORT

To the President and Directors of
Generación Frías S.A.
Legal domicile: Leandro N. Alem 855, 14th floor
City of Buenos Aires
Tax Registration No. 30-71147036-7

Report on the financial statements

We have audited the attached financial statements of Generación Frías S.A. (the Company), which consist of the statement of financial position as of December 31, 2016, the statement of comprehensive income, statements of changes in equity and cash flows for the year then ended, as well as a summary of the most significant accounting policies and other explanatory information.

The balances and other information corresponding to the fiscal year 2015 are an integral part of the audited financial statements mentioned above; therefore, they must be considered in connection with these financial statements.

Board responsibility

The Board of Directors of the Company is responsible for the preparation and reasonable presentation of these financial statements under International Financial Reporting Standards (IFRS) adopted by the Argentine Federation of Professional Councils in Economic Sciences (FACPCE) as professional accounting standards and incorporated into the regulations of the National Securities Commission (CNV), as approved by the International Accounting Standards Board (IASB). Further, the Board of Directors is responsible for the existence of adequate internal control to prepare financial statements free of any material misstatements due to error or irregularities.

Auditors' responsibility

Our responsibility is to express an opinion on the attached financial statements, based on our audit. We performed our audit in accordance with International Auditing Standards (IASs) as adopted in Argentina by the Argentine Federation of Professional Councils in Economic Sciences (FACPCE) through Technical Pronouncement No. 32 and the Adoption Circulars. These standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from any material misstatements.

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 Frías S.A. as of December 31, 2016, as well as the comprehensive income and cash flows for the fiscal year then ended, in accordance with International Financing Reporting Standards.

Report on compliance with regulations in force

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

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

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

d) at December 31, 2016 the debt accrued by Generación Frías S.A. in favor of the Argentine Integrated Social Security System according to the Company's accounting records amounted to $106,092, none of which was claimable at that date;

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e) as required by section 21, subsection e), Chapter III, Part VI, Title II of the rules issued by the National Securities Commission, we report that total fees for auditing and related services billed to the Company during the fiscal year ended December 31, 2016 account for:

e.1) 74 % of the total fees for services billed to the Company for all items during that fiscal year;
e.2) 11 % of the total fees for services for auditing and related services billed to the Company, its parent companies, subsidiaries and related companies during that year;
e.3) 3 % of the total fees for services billed to the Company, its parent companies, subsidiaries and related companies for all items during that year;

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

City of Buenos Aires, March 10, 2017

PRICE WATERHOUSE & CO. S.R.L.

(Partner)

Carlos Horacio Rivarola

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Report of the Syndics' Committee

To the Shareholders of
Generación Frías S.A.

1. In line with the provisions of Section 294 of Law 19550, the National Securities Commission (CNV) regulations, and the Buenos Aires Stock Exchange regulations, we have examined the statement of financial position of Generación Frías S.A. (the "Company") at December 31, 2016, the related statements of comprehensive income, changes in equity and cash flows for the fiscal year ended December 31, 2016 and complementary notes. We have also examined the Annual Report of the Board of Directors for that fiscal year. The preparation and issuance of these financial statements are the responsibility of Generación Frías S.A.

2. Our examination was carried out in accordance with standards applicable to syndics. These standards require that the examinations of the financial statements be performed in accordance with current auditing standards, and include the verification of the fairness of the significant information contained in the documents examined and their consistency with the information on corporate decisions, which are known to us, as disclosed in the Board and Shareholders' meeting minutes, as well as the conformity of those decisions with the law and by-laws insofar as concerns formal and documentary aspects. To carry out our professional work, we have reviewed the work done by the Company's external auditors, Price Waterhouse & Co. SRL, which issued their unqualified opinion on March 10, 2017. An audit requires that the auditor plan and perform the work to obtain reasonable assurance that the financial statements are free of material misstatements or significant errors. An audit includes examining, on a selective test basis, the judgmental elements supporting the disclosures in the financial statements, assessing the accounting standards used, the significant estimates made by the Company, and the overall financial statement presentation. We have not assessed the administrative, financing, marketing or operating business criteria as these matters fall within the exclusive competence of the Board of Directors and Shareholders' meeting.

3. Furthermore, with regard to the Annual Report for the fiscal year ended December 31, 2016, we have verified that it contains the information required by Section 66 of the General Companies Law No. 19550, Law No. 26831 and its amendments, and as regards those matters that are within our field of competence, the figures shown therein agree with the Company's accounting records and other pertinent documentation.

4. We have verified compliance by the Directors in office with the qualification bonds as of the date of presentation of the special financial statements at December 31, 2016, as called for by item 1.4 of Appendix I to Technical Pronouncement No. 15 issued by the Argentine Federation of Professional Councils in Economic Sciences.

5. Based on the work done with the scope described above, we report that:

   a. In our opinion, the Company's financial statements present fairly, in all material respects, its financial position at December 31, 2016, its comprehensive income, changes in its equity and cash flow for the year then ended, in conformity with professional accounting standards in effect in the Autonomous City of Buenos Aires, and CNV regulations;

b. As regards those matters that are within our competence, we have no comments to make in connection with the Annual Report of the Board of Directors, any statement referred to future events being their exclusive responsibility;

c. Regarding the independence of the external auditors, the quality of the auditing policies applied by the auditor and the accounting policies of the Company, the report of the external auditors includes the representation of having applied auditing standards in effect in Argentina, which comprise independence requirements, and has no qualifications as regards the application of such standards or professional accounting standards in force in Argentina, and we have no observations to make in connection with the accounting policies mentioned above;

d. The provisions of CNV Resolution No. 606, referred to the presentation of the report on compliance with the Code of Corporate Governance, have been duly fulfilled.

e. As provided for by CNV regulations, we report that we have read the report of the external auditors, from which it follows that:

i. the auditing standards applied are the ones approved by the Professional Council in Economic Sciences for the Autonomous City of Buenos Aires, which comprise independence requirements, and

ii. the financial statements have been prepared under International Financial Reporting Standards (IFRS), adopted by the Argentine Federation of Professional Councils in Economic Sciences (FACPCE) as professional accounting standards and incorporated into the regulations of the National Securities Commission (CNV), as approved by the International Accounting Standards Board (IASB).

f. We have applied money laundering abatement and anti-terrorist financing procedures, as established by the professional standards issued by the Argentine Federation of Professional Councils in Economic Sciences.

6. In the exercise of the legality control falling within our field of competence, during the year we have applied the other procedures described in section 294 of the General Companies Law No. 19550 that we considered necessary under the circumstances, and we have no observations to make.

City of Buenos Aires, March 10, 2017

For the Syndics' Committee

Dr. Marcelo P. Lerner
Full Syndic

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Report of the Syndics' Committee

To the Shareholders of
Generación Frías S.A.

1. In line with the provisions of Section 294 of Law 19550, the National Securities Commission (CNV) regulations, and the Buenos Aires Stock Exchange regulations, we have examined the statement of financial position of Generación Frías S.A. (the "Company") at December 31, 2016, the related statements of comprehensive income, changes in equity and cash flows for the fiscal year ended December 31, 2016 and complementary notes. We have also examined the Annual Report of the Board of Directors for that fiscal year. The preparation and issuance of these financial statements are the responsibility of Generación Frías S.A.

2. Our examination was carried out in accordance with standards applicable to syndics. These standards require that the examinations of the financial statements be performed in accordance with current auditing standards, and include the verification of the fairness of the significant information contained in the documents examined and their consistency with the information on corporate decisions, which are known to us, as disclosed in the Board and Shareholders' meeting minutes, as well as the conformity of those decisions with the law and by-laws insofar as concerns formal and documentary aspects. To carry out our professional work, we have reviewed the work done by the Company's external auditors, Price Waterhouse & Co. SRL, which issued their unqualified opinion on March 10, 2017. An audit requires that the auditor plan and perform the work to obtain reasonable assurance that the financial statements are free of material misstatements or significant errors. An audit includes examining, on a selective test basis, the judgmental elements supporting the disclosures in the financial statements, assessing the accounting standards used, the significant estimates made by the Company, and the overall financial statement presentation. We have not assessed the administrative, financing, marketing or operating business criteria as these matters fall within the exclusive competence of the Board of Directors and Shareholders' meeting.

3. Furthermore, with regard to the Annual Report for the fiscal year ended December 31, 2016, we have verified that it contains the information required by Section 66 of the General Companies Law No. 19550, Law No. 26831 and its amendments, and as regards those matters that are within our field of competence, the figures shown therein agree with the Company's accounting records and other pertinent documentation.

4. We have verified compliance by the Directors in office with the qualification bonds as of the date of presentation of the special financial statements at December 31, 2016, as called for by item 1.4 of Appendix I to Technical Pronouncement No. 15 issued by the Argentine Federation of Professional Councils in Economic Sciences.

5. Based on the work done with the scope described above, we report that:

   a. In our opinion, the Company's financial statements present fairly, in all material respects, its financial position at December 31, 2016, its comprehensive income, changes in its equity and cash flow for the year then ended, in conformity with professional accounting standards in effect in the Autonomous City of Buenos Aires, and CNV regulations;

b. As regards those matters that are within our competence, we have no comments to make in connection with the Annual Report of the Board of Directors, any statement referred to future events being their exclusive responsibility;

c. Regarding the independence of the external auditors, the quality of the auditing policies applied by the auditor and the accounting policies of the Company, the report of the external auditors includes the representation of having applied auditing standards in effect in Argentina, which comprise independence requirements, and has no qualifications as regards the application of such standards or professional accounting standards in force in Argentina, and we have no observations to make in connection with the accounting policies mentioned above;

d. The provisions of CNV Resolution No. 606, referred to the presentation of the report on compliance with the Code of Corporate Governance, have been duly fulfilled.

e. As provided for by CNV regulations, we report that we have read the report of the external auditors, from which it follows that:

i. the auditing standards applied are the ones approved by the Professional Council in Economic Sciences for the Autonomous City of Buenos Aires, which comprise independence requirements, and

ii. the financial statements have been prepared under International Financial Reporting Standards (IFRS), adopted by the Argentine Federation of Professional Councils in Economic Sciences (FACPCE) as professional accounting standards and incorporated into the regulations of the National Securities Commission (CNV), as approved by the International Accounting Standards Board (IASB).

f. We have applied money laundering abatement and anti-terrorist financing procedures, as established by the professional standards issued by the Argentine Federation of Professional Councils in Economic Sciences.

6. In the exercise of the legality control falling within our field of competence, during the year we have applied the other procedures described in section 294 of the General Companies Law No. 19550 that we considered necessary under the circumstances, and we have no observations to make.

City of Buenos Aires, March 10, 2017

For the Syndics' Committee

Dr. Marcelo P. Lerner

Full Syndic