

Generación Frías S.A.

SPECIAL FINANCIAL STATEMENTS

At December 31, 2015

PRESENTED IN A COMPARATIVE FORMAT

Generación Frías S.A.

SPECIAL FINANCIAL STATEMENTS

AT DECEMBER 31, 2015

PRESENTED IN A COMPARATIVE FORMAT

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GLOSSARY OF TECHNICAL TERMS

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

Terms	Definitions
/day	Per day
AFSA	Albanesi Fuegoína S.A.
AISA	Albanesi Inversora S.A.
AJSA	Alba Jet S.A.
ASA	Albanesi S.A.
AVRC	Alto Valle Río Colorado S.A.
AVSA	Albanesi Venezuela S.A.
AFIP	Federal Administration of Public Revenue
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
the Group	Albanesi S.A. and its subsidiaries
ENARSA	Energía Argentina S.A.
Energía Plus	Plan created under ES Resolution 1281/06
ENRE	National Electricity Regulatory Authority
EPEC	Empresa Provincial de Energía de Córdoba
FACPE	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
GMSA	Generación Mediterránea S.A.
GFSA	Generación Frías S.A.
GISA	Generación Independencia S.A.
GLBSA	Generación La Banda S.A.
Large Users	WEM agents classified according to their consumption into: GUMAs, GUMEs, GUPAs and GUDIs
GRISA	Generación Riojana S.A.
GROSA	Generación Rosario S.A.
GUDIs	Large Demand from Distributors, with declared or demanded supplies of over 300kW.

Generación Frías S.A.**GLOSSARY OF TECHNICAL TERMS (Cont'd)**

Terms	Definitions
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
the Company	Generación Frías S.A.
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 Pronouncement
SADI	Argentine Interconnected System
ES	Energy Secretariat
TRASNOA S.A.	An electric power carriage company by means of a trunk line in the Argentine Northwestern region
CGU	Cash-Generating Unit

Generación Frías S.A.

Composition of the Board of Directors and Syndics' Committee
At December 31, 2015

President

Armando R. Losón

First Vicepresident

Guillermo G. Brun

Second Vicepresident

Julián P. Sarti

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 Syndic

Carlos I. Vela

Augusto N. Arena

Santiago R. Yofre

Generación Frías S.A.

Special financial statements

For the fiscal year No. 6 beginning January 1 and ending December 31, 2015
presented in a comparative format
Stated in pesos

Legal domicile: Av. L.N. Alem 855, 14th floor - City of Buenos Aires

Main business activity: Development of energy-related projects, generation and sale of electric power

Dates of registration with the Superintendency of Commercial Companies:

By-Laws: May 17, 2010
Last amendment: September 15, 2015 (in progress)

Registration number with the Superintendency of Commercial Companies: No. 8929 of Book 49, Volume of Companies by shares
Tax ID: 30-71147036-7
Expiration date of By-Laws: April 20, 2109
Parent company: Albanesi S.A.
Main line of business of parent company: Investing and financial activities
Percentage of participation in equity: 95%
Percentage of voting rights: 95%

CAPITAL STATUS (Note 12)				
Shares			Subscribed, registered and	paid-in
Number	Type	Number of votes per share		
112,408,964	Ordinary of face value \$	1	\$	
	1		112,408,964	102,118,964

See our report dated
March 8, 2016
PRICE WATERHOUSE & CO. S.R.L.
(Partner)
C.P.C.E.C.A.B.A. T° 1 F° 17

Armando R. Losón
President

Generación Frías S.A.

Special Statement of Financial Position At December 31, 2015, 2014 and 2013 Stated in pesos

	Note	12.31.15	12.31.14	12.31.13
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	7	567,721,270	202,325,560	14,323,921
Deferred tax assets, net	19	-	1,395,397	1,111,394
Other receivables	10	30,571,195	22,447,340	2,485,643
Total non-current assets		598,292,465	226,168,297	17,920,958
CURRENT ASSETS				
Other receivables	10	36,008,169	43,570,237	32,258
Trade receivables	9	10,055,241	-	-
Cash and cash equivalents	11	11,686,369	50,885	17,459
Total current assets		57,749,779	43,621,122	49,717
Total Assets		656,042,244	269,789,419	17,970,675
SHAREHOLDERS' EQUITY				
Share capital	12	112,408,964	112,408,964	18,408,964
Technical revaluation reserve		74,320,070	-	-
Retained earnings		(35,084,388)	(4,831,496)	(2,108,715)
TOTAL SHAREHOLDERS' EQUITY		151,644,646	107,577,468	16,300,249
LIABILITIES				
NON-CURRENT LIABILITIES				
Deferred tax liabilities	19	22,333,091	-	-
Loans	16	154,251,227	141,000,320	-
Trade payables	14	156,482,739	-	-
Total non-current liabilities		333,067,057	141,000,320	-
CURRENT LIABILITIES				
Other liabilities	15	2,525,105	6,297	-
Tax payables	18	36,273	684,628	51,072
Salaries and social security charges	17	375,965	53,890	-
Loans	16	163,182,254	5,650,116	-
Trade payables	14	5,210,944	14,816,700	1,619,354
Total current liabilities		171,330,541	21,211,631	1,670,426
Total Liabilities		504,397,598	162,211,951	1,670,426
Total Liabilities and Shareholders' Equity		656,042,244	269,789,419	17,970,675

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

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Carlos Horacio Rivarola
Public accountant (U.B.A.)
C.P.C.E.C.A.B.A. T° 124 F° 225

Armando R. Losón
President

Generación Frías S.A.

Special Statement of Comprehensive Income For the fiscal years ended December 31, 2015 2014 and 2013 Stated in pesos

	Note	12.31.15	12.31.14	12.31.13
Sales revenue	20	12,698,916	-	-
Cost of sales	21	(7,810,800)	-	-
Gross income		4,888,116	-	-
Administrative expenses	22	(1,575,554)	(2,041,398)	(668,222)
Operating income		3,312,562	(2,041,398)	(668,222)
Financial income	23	-	513,481	-
Financial expenses	23	(9,464,731)	(115,371)	(26,923)
Other financial results	23	(40,390,736)	(1,363,496)	(265,634)
Financial results, net		(49,855,467)	(965,386)	(292,557)
Income before tax		(46,542,905)	(3,006,784)	(960,779)
Income tax	19	16,290,013	284,003	320,703
Comprehensive (loss) for the year		(30,252,892)	(2,722,781)	(640,076)
Revaluation of property, plant and equipment	7	114,338,570	-	-
Impact on income tax	19	(40,018,500)	-	-
Other comprehensive income for the year		74,320,070	-	-
Total comprehensive income for the year		44,067,178	(2,722,781)	(640,076)
Earnings per share				
Basic and diluted (loss) per share	24	(0.2691)	(0.0317)	(0.0375)

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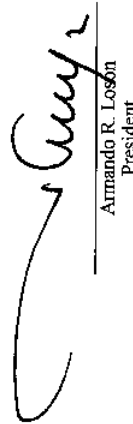
Generación Frías S.A.

Special Statement of Changes in Equity
For the fiscal years ended December 31, 2015 2014 and 2013
Stated in pesos

	Share Capital (Note 12)	Irrevocable contributions	Technical revaluation reserve	Accumulated Profits and losses	Total shareholders' equity
Balances at December 31, 2012	17,075,991	-	-	(1,468,639)	15,607,352
Irrevocable contributions approved by the Board of Directors on August 28, 2013	-	190,000	-	-	190,000
Irrevocable contributions approved by the Board of Directors on September 17, 2013	-	65,000	-	-	65,000
Irrevocable contributions approved by the Board of Directors on December 13, 2013	-	335,000	-	-	335,000
Capitalization of irrevocable contributions approved by Shareholders' Meeting on December 30, 2013	590,000	(590,000)	-	-	-
Capitalization of debt as per Minutes of Shareholders' Meeting dated December 30, 2013	742,973	-	-	-	742,973
Comprehensive loss for the year	-	-	-	(640,076)	(640,076)
Balances at December 31, 2013	18,408,964	-	-	(2,108,715)	16,300,249
Capital increase as per Minutes of Shareholders' Meeting dated March 17, 2014	80,000,000	-	-	-	80,000,000
Capital increase as per Minutes of Shareholders' Meeting dated October 10, 2014	14,000,000	-	-	-	14,000,000
Comprehensive loss for the year	-	-	-	(2,722,781)	(2,722,781)
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

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

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C.P.C.E.C. B.A. T 124 P 225


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President

Generación Frías S.A.

Special Statement of Cash Flows
For the fiscal years ended December 31, 2015 2014 and 2013
Stated in pesos

	Notes	12.31.15	12.31.14	12.31.13
Cash flow provided by operating activities:				
Comprehensive loss for the year		(30,252,892)	(2,722,781)	(640,076)
Adjustments to arrive at net cash flows provided by operating activities:				
Income tax		(16,290,013)	(284,003)	(320,703)
Interest accrued, net	23	9,446,102	(505,388)	7,819
Current value of VAT credit balance		-	-	254,896
Changes in the fair value of financial instruments	23	(315,280)	(1,049,975)	-
	7, 21 and			
Depreciation of property, plant and equipment	22	1,822,288	4,790	-
Exchange difference	23	40,224,000	43,014	-
Changes in operating assets and liabilities:				
(Increase) in other receivables		(91,587,251)	(15,819,620)	(132,164)
(Increase) in trade receivables		(10,055,241)	-	-
(Decrease) / Increase in trade payables		(9,605,961)	13,659,720	561,033
Increase in other liabilities		54,858,219	6,297	(129,975)
Increase in social security payables		322,075	53,890	-
(Decrease) / Increase in tax payables		(648,355)	633,557	(71,577)
Net cash flow (applied to) operating activities		(52,082,309)	(5,980,499)	(470,747)
Cash flow provided by investment activities:				
Acquisition of property, plant and equipment	7	(83,061,317)	(188,006,429)	(90,660)
Net cash flow (applied to) investment activities		(83,061,317)	(188,006,429)	(90,660)
Cash flow provided by financing activities:				
Loans taken	16	161,300,000	150,000,000	-
Payment of loans	16	(6,496,092)	-	-
Payment of interest	16	(39,310,078)	(9,769,621)	-
Received irrevocable contributions		-	-	590,000
Subscribed paid-in capital		30,970,000	52,740,000	-
Net cash flow generated by financing activities		146,463,830	192,970,379	590,000
NET INCREASE / (DECREASE) IN CASH		11,320,204	(1,016,549)	28,593
Cash and cash equivalents at the beginning of year	11	50,885	17,459	(11,134)
Financial results generated by cash and cash equivalents		(315,280)	(1,049,975)	-
Cash and cash equivalents at the end of year	11	11,686,369	50,885	17,459
		11,320,204	(1,016,549)	28,593
Material transactions not showing changes in cash				
Subscribed capital not yet paid in		10,290,000	41,260,000	742,973
Property, plant and equipment not yet paid	7	(116,258,739)	-	-
Interest capitalized in property, plant and equipment	7	(53,559,372)	-	-
Increase in technical revaluation	7	(114,338,570)	-	-

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Notes to the Special Financial Statements For the fiscal years ended December 31, 2015, presented in a comparative format Stated in pesos

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 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, Solaban Energia S.A. and GISA.

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 special financial statements, all prepayments agreed with the supplier for USD 14.87 million were paid and are disclosed under property, plant and equipment as works in progress.


In addition, the purchase agreement provides for USD12 million in funding by PWPS for a period of 4 years with the provisional acceptance of GFSA. This amount is disclosed in non-current trade payables. Financing accrues 7.67% annual interest and will be calculated on a monthly basis of 30 days / 360 days per year, with interest capitalized on a quarterly basis.

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

	Total	2016	2017	2018	2019	2020	2021	2022	2023
<i>Commitments ⁽¹⁾</i>	USD								
PWPS for the purchase of the turbine FT4000™ SwiftPac®	22,088,151	961,620	961,620	961,620	961,620	961,620	961,620	961,620	15,356,811

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

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President

Generación Frías S.A.

Notes to the special financial statements (Cont'd)

NOTE 1: GENERAL INFORMATION (Cont'd)

The second contractual agreement with PWPS allows for long-term maintenance service that will take effect with the start-up of the Plant. Service involves advice by technicians, as well as permanently providing spare parts (stored in their own workshops) for correct operation and maintenance of the Plant.

The Plant will feature a gas oil treatment plant to ensure the quality of the liquid fuel used for generating electricity.

At the date of the present special financial statements, the work and studies undertaken for the correct set-up of the Plant have been completed. Principal work has included:

a) Civil Works

Civil works were completed with the following work units:

- Expansion and modification of the existing TG base for their adoption to FT 4000 model.
- Demolition blasting of the concrete base of the old Plant.
- Expansion of pavement on the main street.
- Firewall for power transformer on the TRANSNOA site.
- Leveling and consolidation of the entrance at the Plant.

Further, the execution of the following units was concluded:

- Control Room and CCM
- Trenches for MT
- Maintenance Work Area
- Water treatment plant
- Construction of chambers and electrical poles (and lines)

b) Mechanical Works

Mounting the electrical generator was completed along with all needed for the assembly and placement of pipes, a demi-water pump, including other minor tasks necessary for the installation of the turbo generator.


The Power Turbine arrived on site on June 17, 2015 and proceeded to its mounting and alignment, with later tasks of commissioning all auxiliary systems to have it up and running. The Gas Generator arrived at the Plant on October 8, 2015 and was set up inside its chamber.

c) Electrical Works

The following work as detailed below has been completed:

- Assembly of cable trays within the Medium Tension Voltage trenches that run to the principal transformer located at the TRANSNOA site.
- External lighting for the Control House was put into position.
- Assembly of the neutral cubicle
- Positioned and aligned busducts

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Notes to the special financial statements (Cont'd)

NOTE 1: GENERAL INFORMATION (Cont'd)

d) External Gas Works

The laying of 2,860 meters of pipeline was completed along with the hydraulic tests, all with satisfactory results. In parallel, a new station for measurement and regulation of gas was built and completed with the assembly and painting of the measurement and regulation station.

e) Internal installation of gas

Jobs were created for the set-up and assembly of pipes for the installation, including building a flow measurement chamber located at the entrance of the gas pipeline at the plant.

GASNOR enabled the internal installation of gas on November 25, 2015.

f) Demi-Water Supply

Construction of the water treatment plant building was completed, where the necessary equipment was set up for the production of demineralized water. This included:


- Pneumatic system for continual electrodeionization
- Double pre-filtration membrane system (Reverse Osmosis)
- Multi-stage filters
- Instrumentation and Control Packages

g) Water Tanks

Two 1,000 m3 tanks were built for storing demi water and water for extinguishing fires. Construction of the 200m3 tank for raw water was also completed.

On December 4, 2015, CAMMESA issued a statement that put on record the ES authorization of the Plant to act as Generating Agent for the WEM, having met the requirements for entering the market. The commercial operation by the WEM was authorized for up to 60 MW nominal as of midnight December 5, 2015.

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President

Generación Frías S.A.

Notes to the special financial statements (Cont'd)

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 WEM and additional offers of available generation and associated energy submitted by generating, co-generating or self-generating agents which, at the date of publication of the said resolution are not WEM agents or do not have the generation facilities to be agreed under these commercially authorized offers, or are not interconnected with WEM at that date. In this regard, the execution of Supply Contracts was foreseen as another way to generate incentives for the development of additional energy projects.

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

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

On June 16, 2014 the Company entered into with CAMMESA a supply agreement to the Wholesale Electric Market of 55.5 MW. Sales under this modality are denominated in dollars and are paid by CAMMESA under a take or pay clause and the generated surplus is sold to the Spot Market, pursuant to regulations in effect in the WEM administered by CAMMESA.

This contract sets a remuneration comprised of 5 components: i) a fixed charge for the average monthly availability of contracted power, for a price of USD 12,540/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 10,28 USD/MWh – Fuel oil 14,18 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.

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Armando R. Losón
President

Generación Frías S.A.

Notes to the special financial statements (Cont'd)

NOTE 3: BASIS FOR PREPARATION AND PRESENTATION OF THE SPECIAL FINANCIAL STATEMENTS

These special financial statements were prepared for submission to the investors for the Company to obtain funding in the national and international capital market through the issuance of ON.

These special 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 1st and ends December 31 of each year. Economic and financial results are presented on the basis of the fiscal year.

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

The preparation of these financial statements in accordance with IFRS requires making estimates and 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 special financial statements were approved for issuance by the Company's Board of Directors on March 8, 2016.

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

Revaluation of property, plant and equipment

The Company has changed its accounting policy of the registration of property, plant and equipment relating to the measurement of land, buildings, facilities, machinery and turbine after their initial recognition. Formerly, the Company measured all items of property, plant and equipment based on the cost model established in IAS 16. Subsequent to initial recognition, assets were measured at acquisition cost less accumulated depreciation and accumulated impairment losses, if any.

Since the present fiscal year, the Company decided to modify the accounting method of land, buildings, facilities, machinery and turbine as the Company considers that the revaluation model shows the true value of assets in a more reliable way.

See our report dated
March 8, 2016
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(Partner)
C.P.C.E.C.A.B.A. T° 1 F° 17

Armando R. Losón
President

Generación Frías S.A.

Notes to the special financial statements (Cont'd)

NOTE 4: ACCOUNTING POLICIES (Cont'd)

4.1) Changes in accounting policies (Cont'd)

Revaluation of property, plant and equipment (Cont'd)

Subsequent to initial recognition, the Company now uses the revaluation model that measures land, buildings, facilities, machinery and turbines at their fair value at the date of revaluation less accumulated depreciation and accumulated impairment losses, if any. Land is not depreciated. The Company applied the exemption under IAS 8, which establishes that the retrospective application of this change and even the greater disclosure requirements in accounting policy is exempted.

Measurements at fair value

As mentioned before, the Company measures certain non-financial assets such as land, buildings, facilities, machinery and turbines, classified as property, plant and equipment, at their fair value at the date of closing of the reporting period.

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

As regards lands, their market value is used to determine their fair value. As regards buildings, facilities, plant, machinery and turbine, their depreciated replacement cost is used to determine their fair value.

At each reporting period closing date, the Board analyzes changes in the fair value of assets that must be measured or determined in a recurrent and non-recurrent basis, according to the Company's accounting policies. To that end, the Board verifies the main input data used in the latest valuation of contracts, tariff schedules and other relevant documents. And changes in the fair value of each asset are compared with external relevant sources to determine whether these changes are reasonable.

Valuation

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

Depreciation of property, plant and equipment begins when it is available for use. Repair and maintenance expenses of property, plant and equipment are recognized in the income statement during the financial year in which they are incurred.

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

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Notes to the special financial statements (Cont'd)

NOTE 4: ACCOUNTING POLICIES (Cont'd)

4.1) Revaluation of property, plant and equipment (Cont'd)

Valuation (Cont'd)

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

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 fiscal years.


At December 31, 2015, the Company considered that the carrying amount of lands, buildings, facilities, plant, machinery and turbines does not exceed their recoverable value.

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

However, some of the surplus may 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.

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Notes to the special financial statements (Cont'd)

NOTE 4: ACCOUNTING POLICIES (Cont'd)

4.1) Revaluation of property, plant and equipment (Cont'd)

Impairment of non-financial assets (Cont'd)

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

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

If land, buildings, facilities, plant, machinery and turbines had been measured at cost, the carrying amounts would have been the following:

	12.31.15	12.31.14	12.31.13
Cost	455,209,778	202,330,350	14,323,921
Accumulated depreciation	(1,827,078)	(4,790)	-
Residual value	453,382,700	202,325,560	14,323,921

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.

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. Those stages are the classification and measurement of instruments, impairment and hedge accounting. This version includes a new impairment model based on expected losses and certain minor amendments to the classification and measurement of financial assets. The new standard replaces all previous versions of IFRS 9 and is effective for periods beginning on or after January 1, 2018. The Company has adopted the first phase of IFRS 9 at the date of these special financial statements.

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

- IFRS 15 "Revenue from Contracts with Customers": it was issued in May 2014 and applies to an annual reporting period beginning on or after 1 January 2017. IFRS 15 specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide users of special financial statements with more informative disclosures.

The standard provides a single, principles based five-step model to be applied to all contracts with customers. The Company is analyzing the impact; however, it estimates that the application of this interpretation will not have a significant impact on the results of operations or the financial position of the Company.

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Notes to the special financial statements (Cont'd)

NOTE 4: ACCOUNTING POLICIES (Cont'd)

4.1) Revaluation of property, plant and equipment (Cont'd)

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

In September 2014, the IASB published amendments to IFRS which apply to annual periods beginning on or after 1 January 2016, with earlier application being permitted. The Company is analyzing the impact of the application of the modifications; however, it estimates that the application thereof will not have a significant impact on the results of operations or the financial position of the Company.

In December 2014, the IASB modified IAS 1 "Presentation of financial statements" to include guidelines for the presentation of financial statements. This standard is effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted. The Company is considering the potential impact of this amendment.

4.2) Revenue recognition – 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 consumed by customers or delivered to the SPOT market.

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.

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 assessed and concluded that at the date of the financial statements the conditions set in IAS 29 "Financial Reporting in Hyperinflationary Economies" to consider Argentina as a hyperinflationary economy are not met. These conditions include that the cumulative inflation rate over three years approaches, or exceeds, 100%. At the date of issue of these financial statements, this rate of inflation, measured as a variation in the Domestic Wholesale Price Index ("WPI") published by the National Statistics and Census Institute, had not been reached. In consequence, these financial statements were not restated.

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

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Notes to the special financial statements (Cont'd)

NOTE 4: ACCOUNTING POLICIES (Cont'd)

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

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) Financial assets

4.4.1 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.

4.4.2 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.

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Notes to the special financial statements (Cont'd)

NOTE 4: ACCOUNTING POLICIES (Cont'd)

4.4) Financial assets (Cont'd)

4.4.2 Recognition and measurement (Cont'd)

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.

4.4.3 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.

4.4.4 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.

4.5 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.

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.

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Notes to the special financial statements (Cont'd)

NOTE 4: ACCOUNTING POLICIES (Cont'd)

4.6 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.

4.7 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.

4.8 Loans

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

4.9 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.

4.10 Leases

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

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

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Notes to the special financial statements (Cont'd)

NOTE 4: ACCOUNTING POLICIES (Cont'd)

4.10 Leases (Cont'd)

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 finance lease is depreciated over the useful life of the asset and the lease period, whichever is shorter.

4.11 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 coincide 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.

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Notes to the special financial statements (Cont'd)

NOTE 4: ACCOUNTING POLICIES (Cont'd)

4.12 Balances with related parties

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

4.13 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

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.

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Notes to the special financial statements (Cont'd)

NOTE 5: FINANCIAL RISK MANAGEMENT (Cont'd)

5.1) Financial risk factors (Cont'd)

a) Market risk


Foreign exchange risk

Sales made 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 pesos. Trade payable with PWPS amounts to USD 12 million and is due in 2019. Therefore, we can conclude that the risk of loss arising from the devaluation of the peso has been mitigated, considering the low exposure to debts in foreign currency.

Captions	Type and amount of foreign currency	Exchange rate at closing (1)	Amount recorded at 12.31.15	Amount recorded at 12.31.14	Amount recorded at 12.31.13
ASSETS					
CURRENT ASSETS					
Trade receivables					
Trade receivables - Resolution 220/07	USD 777,066.5	12.94	10,055,241	-	-
Total Current Assets			10,055,241	-	-
Total Assets			10,055,241	-	-
LIABILITIES					
NON-CURRENT LIABILITIES					
Trade payables					
Suppliers	USD 12,000,000	13.04	156,482,739	-	-
Total Non-Current Liabilities			156,482,739	-	-
Total Liabilities			156,482,739	-	-

(1) The exchange rate applied corresponds to the US dollar exchange rate prevailing at December 31, 2015 as per Banco Nación.

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Notes to the special financial statements (Cont'd)

NOTE 5: FINANCIAL RISK MANAGEMENT (Cont'd)

5.1) Financial risk factors (Cont'd)

a) Market risk (Cont'd)

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

The Company issued Negotiable Obligations at variable rate in the capital market to obtain funding to pay for its initial expenses and investments, a syndicated loan and loans with Banco de la Ciudad de Buenos Aires, Banco de la Provincia de Buenos Aires, and Puente Hnos. S.A.


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

	12.31.15	12.31.14	12.31.13
Variable rate	317,433,481	146,650,436	-
	<u>317,433,481</u>	<u>146,650,436</u>	<u>-</u>

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:

	12.31.15	12.31.14	12.31.13
Variable rate	3,174,335	1,466,504	-
Increase in loss for the year	<u>3,174,335</u>	<u>1,466,504</u>	<u>-</u>

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NOTE 5: FINANCIAL RISK MANAGEMENT (Cont'd)

5.1) Financial risk factors (Cont'd)

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 sales to the spot market and 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 Company Management supervises the updated projections of the liquidity requirements to ensure the correct administration of the working capital and permit the normal development of the Company's operating activities. In this important stage of development, the majority shareholder has made capital contributions to assist the Company.

These projections take into consideration compliance with covenants and legal and external regulatory requirements.

The cash surpluses and the balances above the required balance for the administration of the working capital are accumulated in bank accounts or short-term placements until they are applied to the payment of the service of debt.

The Company now has short-term loans and credit facilities available to meet its commitments.

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

At December 31, 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

At December 31, 2014	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Total
Trade and other payables	14,822,997	-	-	14,822,997
Loans	9,645,250	32,407,508	178,489,288	220,542,046
Total	24,468,247	32,407,508	178,489,288	235,365,043

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Notes to the special financial statements (Cont'd)

NOTE 5: FINANCIAL RISK MANAGEMENT (Cont'd)

5.1) Financial risk factors (Cont'd)

Liquidity risk (Cont'd)

At December 31, 2013	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Total
Trade and other payables	84,400	104,549	1,430,405	1,619,354
Total	84,400	104,549	1,430,405	1,619,354

5.2) Management of capital risk

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

Consistently with the industry, the Company monitors its capital based on the Consolidated Debt to Adjusted EBITDA ratio. This ratio is calculated dividing the net loans by 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:

	12.31.15	12.31.14	12.31.13
Total loans	317,433,481	146,650,436	-
Less: Cash and cash equivalents	(11,686,369)	(11,686,369)	17,459
Net debt	305,747,112	146,599,551	(17,459)
EBITDA	24,544,850	(2,046,188)	(668,222)
Net debt/ EBITDA	12,457	(71.645)	0.026

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.

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Notes to the special financial statements (Cont'd)

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

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

a) Impairment of assets

Assets that have an indefinite useful life 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.

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

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

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Notes to the special financial statements (Cont'd)

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

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

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

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

c) 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, the likelihood of occurrence is considered, taking into account the opinion of the Company's legal advisors.

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

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Notes to the special financial statements (Cont'd)

NOTE 7: PROPERTY, PLANT AND EQUIPMENT


Original value						Depreciation			Net amount at closing For the year		
Type of asset	At beginning of year	Increases	Transfers	Technical revaluation (2)	At end of year	Accumulated at beginning of year	For the year (3)	Revaluation at end of year	At 12.31.15	At 12.31.14	At 12.31.13
Land	177,880	-	-	102,120	280,000	-	-	-	280,000	177,880	177,880
Works in progress (1)	159,183,214	251,907,204	(411,090,418)	-	-	-	-	-	-	159,183,214	14,146,041
Computer equipment	23,949	-	-	-	23,949	4,790	4,789	-	14,370	19,159	-
Advances to suppliers	42,945,307	972,224	(43,917,531)	-	-	-	-	-	-	42,945,307	-
Buildings	-	-	5,171,721	1,277,779	6,449,500	-	8,596	(8,596)	6,449,500	-	-
Facilities	-	-	30,609,421	7,562,679	38,172,100	-	127,191	(127,191)	38,172,100	-	-
Machinery	-	-	49,348,701	12,192,599	61,541,300	-	205,059	(205,059)	61,541,300	-	-
Turbine	-	-	369,878,106	91,385,894	461,264,000	-	1,476,653	(1,476,653)	461,264,000	-	-
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)	567,721,270	-	-
Total at 12.31.14	14,233,261	188,006,429	-	-	202,330,350	-	4,790	-	202,325,560	-	-
Total at 12.31.13	14,233,261	90,660	-	-	14,323,921	-	-	-	-	-	14,323,921

(1) It includes the acquisition of the assets required to put into operation and enlarge the electric power generation plant mentioned in Note 1.

(2) Corresponds to the revaluation of \$ 114,338,570 offset by the accumulated depreciation at the time of the revaluation of \$ 1,817,449.

(3) Depreciation charges for fiscal year 2015 and 2014 were allocated to cost of sales and administrative expenses, respectively.

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Notes to the special financial statements (Cont'd)

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

Property, plant and equipment include the following amounts of which the Company is a lessee under the terms of finance lease agreements:

	<u>12.31.15</u>	<u>12.31.14</u>	<u>12.31.13</u>
Cost - Capitalized finance lease	1,002,638	505,602	-
Accumulated depreciation	-	-	-
Net carrying amount	<u>1,002,638</u>	<u>505,602</u>	<u>-</u>

NOTE 8: FINANCIAL AND NON-FINANCIAL ASSETS AND LIABILITIES

<u>At December 31, 2015</u>	Financial assets/ liabilities at amortized cost	Financial assets at fair value through profit and loss	Non- financial assets/ liabilities	Total
Assets				
Other receivables	11,050,730	-	55,528,634	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	<u>21,785,751</u>	<u>11,006,589</u>	<u>623,249,904</u>	<u>656,042,244</u>
Liabilities				
Trade and other payables	164,218,788	-	-	164,218,788
Loans	317,433,481	-	-	317,433,481
Non-financial liabilities	-	-	22,745,329	22,745,329
Total	<u>481,652,269</u>	<u>-</u>	<u>22,745,329</u>	<u>504,397,598</u>

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Notes to the special financial statements (Cont'd)

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

At December 31, 2014	Financial assets/ liabilities at amortized cost	Financial assets at fair value through profit and loss	Non-financial assets/ liabilities	Total
Assets				
Other receivables	43,030,688	-	24,382,286	67,412,974
Cash and cash equivalents	50,885	-	-	50,885
Non-financial assets	-	-	202,325,560	202,325,560
Total	43,081,573	-	226,707,846	269,789,419
Liabilities				
Trade and other payables	14,822,997	-	-	14,822,997
Loans	146,650,436	-	-	146,650,436
Non-financial liabilities	-	-	738,518	738,518
Total	161,473,433	-	738,518	162,211,951

At December 31, 2013	Financial assets/ liabilities at amortized cost	Non-financial assets/ liabilities	Total
Assets			
Other receivables	26,986	2,490,915	2,517,901
Cash and cash equivalents	17,459	-	17,459
Non-financial assets	-	15,435,315	15,435,315
Total	44,445	17,926,230	17,970,675
Liabilities			
Trade and other payables	1,619,354	-	1,619,354
Non-financial liabilities	-	51,072	51,072
Total	1,619,354	51,072	1,670,426

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

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Notes to the special financial statements (Cont'd)

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

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

At December 31, 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)

At December 31, 2014	Financial assets at amortized cost	Financial assets at fair value through profit and loss	Financial liabilities at amortized cost	Total
Interest paid	513,481	-	(8,093)	505,388
Exchange difference	-	-	(43,014)	(43,014)
Other financial costs	-	-	(2,477,735)	(2,477,735)
Changes in the fair value of financial instruments	-	1,049,975	-	1,049,975
Total	513,481	1,049,975	(2,528,842)	(965,386)

At December 31, 2013	Financial assets at amortized cost	Financial liabilities at amortized cost	Total
Interest paid	-	(7,819)	(7,819)
Other financial costs	(284,738)	-	(284,738)
Total	(284,738)	(7,819)	(292,557)

Fair value estimates

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

- 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).

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

The following table shows the Company's financial assets measured at fair value at December 31, 2015 and 2014. The Company does not have financial liabilities measured at fair value at those dates.


	<u>Level 1</u>	<u>Total</u>
Balances at December 31, 2015		
Mutual funds	11,006,589	11,006,589
Total	11,006,589	11,006,589
	<u>Level 1</u>	<u>Total</u>
Balances at December 31, 2014		
Mutual funds	-	-
Total	-	-
	<u>Level 1</u>	<u>Total</u>
Balances at December 31, 2013		
Mutual funds	-	-
Total	-	-

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

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

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

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NOTE 9: TRADE RECEIVABLES

<u>Current</u>	<u>12.31.15</u>	<u>12.31.14</u>	<u>12.31.13</u>
Trade receivables	391,394	-	-
Energy sold to be billed	9,663,847	-	-
	<u>10,055,241</u>	<u>-</u>	<u>-</u>

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

<u>Non-Current</u>	<u>Note</u>	<u>12.31.15</u>	<u>12.31.14</u>	<u>12.31.13</u>
Value added tax		29,391,592	21,634,494	2,292,930
Minimum notional income tax credit		1,179,603	812,846	192,713
		<u>30,571,195</u>	<u>22,447,340</u>	<u>2,485,643</u>
 <u>Current</u>				
Albanesi S.A.	25	9,765,000	37,735,000	-
Minority interest	25	525,000	3,525,000	-
Turnover tax withholdings and credit balance		359,089	539,549	5,272
Value added tax		24,488,384	-	-
Advances to suppliers		365,102	133,711	-
Deferred charge ON II		293,086	21,000	-
Prepaid insurance		74,259	1,410,775	26,986
Minimum notional income tax, net of prepayments		23,679	-	-
Sundry		114,570	205,202	-
		<u>36,008,169</u>	<u>43,570,237</u>	<u>32,258</u>

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.

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Notes to the special financial statements (Cont'd)

NOTE 11: CASH AND CASH EQUIVALENTS

	<u>12.31.15</u>	<u>12.31.14</u>	<u>12.31.13</u>
Cash	48,000	12,205	3,000
Banks	631,780	38,680	14,459
Mutual funds	11,006,589	-	-
Cash and cash equivalents (bank overdrafts excluded)	<u>11,686,369</u>	<u>50,885</u>	<u>17,459</u>

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

	<u>12.31.15</u>	<u>12.31.14</u>	<u>12.31.13</u>
Cash and cash equivalents	11,686,369	50,885	17,459
Cash and cash equivalents (bank overdrafts included)	<u>11,686,369</u>	<u>50,885</u>	<u>17,459</u>

NOTE 12: CAPITAL STATUS

Share capital subscribed at December 31, 2015 is made up of 112,408,964 ordinary shares of face value \$1 each, carrying one vote per share. These shares account for \$ 112,408,964, and the capital not yet paid in at the date of closing of these financial statements amounts to \$ 10,290,000.

As established by General Companies Law No. 19550, 5% of the net profit arising from the statement of comprehensive income for the year, prior year adjustments, transfers of other comprehensive income to unappropriated retained earnings and the accumulated losses for previous years, is to be allocated to the legal reserve, until it reaches 20% of the corporate capital.

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.

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Notes to the special financial statements (Cont'd)

NOTE 14: TRADE PAYABLES

	<u>Note</u>	<u>12.31.15</u>	<u>12.31.14</u>	<u>12.31.13</u>
<u>Non-Current</u>				
Foreign suppliers		156,482,739	-	-
		<u>156,482,739</u>	<u>-</u>	<u>-</u>
<u>Current</u>				
Suppliers		1,838,750	7,728,505	84,400
Balances with related parties	25	2,002,124	2,512,006	1,430,405
Provision for invoices to be received		1,370,070	4,576,189	104,549
		<u>5,210,944</u>	<u>14,816,700</u>	<u>1,619,354</u>

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

NOTE 15: OTHER LIABILITIES


	<u>Note</u>	<u>12.31.15</u>	<u>12.31.14</u>	<u>12.31.13</u>
<u>Current</u>				
Balances with related parties	25	2,525,105	6,297	-
		<u>2,525,105</u>	<u>6,297</u>	<u>-</u>

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

NOTE 16: LOANS

<u>Non-Current</u>	<u>12.31.15</u>	<u>12.31.14</u>	<u>12.31.13</u>
Banco Ciudad loan	10,864,542	25,047,754	-
Syndicated Loan	84,372,153	-	-
Negotiable obligations	58,837,061	115,711,663	-
Finance lease debt	177,471	240,903	-
	<u>154,251,227</u>	<u>141,000,320</u>	<u>-</u>

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Notes to the special financial statements (Cont'd)

NOTE 16: LOANS (Cont'd)

<u>Current</u>	<u>12.31.15</u>	<u>12.31.14</u>	<u>12.31.13</u>
Banco Ciudad loan	14,861,833	5,487,306	-
Banco Provincia loan	9,872,293	-	-
Syndicated loan	22,749,994	-	-
Negotiable obligations	62,275,259	6,212	-
Puente Hnos. S.A. loan	53,158,369	-	-
Finance lease debt	264,506	156,598	-
	<u>163,182,254</u>	<u>5,650,116</u>	<u>-</u>

a) Loans

a.1) 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, 2015 amounted to \$ 25,726,375, including interest of \$ 689,134, net of transaction costs pending amortization.

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

a.2) Negotiable obligations

For the purpose of undertaking investment projects, on July 10, 2014 GFSA obtained the authorization to enter the public offering system and create a program of Negotiable Obligations (not convertible into shares) of up to USD 50,000,000 or its equivalent in other currencies.

On September 29, 2014, the Company issued Class I Negotiable Obligations in the amount and under the conditions described below:

Class I Negotiable Obligations:

Principal: Nominal value: \$ 120,000,000 (one hundred and twenty million pesos)

Interest: BADLAR rate plus 5.4 %

Repayment: Interest of Class I ON will be paid on a quarterly basis, on arrears, on the following dates: (i) December 29, 2014; (ii) March 29, 2015; (iii) June 29, 2015; (iv) September 29, 2015; (v) December 29, 2015; (vi) March 29, 2016; (vii) June 29, 2016; (viii) September 29, 2016.

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Notes to the special financial statements (Cont'd)

NOTE 16: LOANS (Cont'd)

a) Loans (Cont'd)

a.2) Negotiable obligations (Cont'd)

(ix) December 29, 2016; (x) March 29, 2017; (xi) June 29, 2017, and (xii) September 29, 2017; if these dates do not fall on a business day, or if such day does not exist, the interest payment date shall be the immediately following business day.

The principal of Class I Negotiable Obligations will be repaid in seven quarterly installments: the first two equivalent to 10% of the nominal value of Class I Negotiable Obligations, the following four installments to 15% of the nominal value, and the last one to 20% of the nominal value, on the following dates: (i) March 29, 2016; (ii) June 29, 2016; (iii) September 29, 2016; (iv) December 29, 2016; (v) March 29, 2017; (vi) June 29, 2017; (vii) September 29, 2017 or if that date was not a business day, on the first following business day.

Maturity date of Class I ON: September 29, 2017

The remaining balance net of transaction costs pending amortization at the date of issue of these special financial statements amounts to \$ 121,112,320 including interest of \$ 390,555.

a.3) Syndicated loan

On March 31, 2015 GFSA entered into with the Banco de Inversión y Comercio Exterior S.A. (BICE), Industrial and Commercial Bank of China Argentina S.A. (ICBC) and Banco Hipotecario S.A. a loan agreement in the amount of \$ 100 million. The first disbursement of \$ 90 million was made on April 1, 2015 and the second disbursement of \$ 10 million was made on April 21, 2015.

The loan was structured in two tranches: (i) Tranche A for \$ 60 million, repayment term of 48 months and interest equivalent to adjusted BADCOR rate + 625 basic points; (ii) Tranche B for \$ 40 million, repayment term of 72 months and interest equivalent to BADLAR plus 650 basic points.

Interest will be repaid on a quarterly basis from the first disbursement rate; the first date for payment of interest is July 1, 2015.

Principal will be repaid on a quarterly basis, with a grace period of 15 months counted as from the first disbursement date. For Tranche A, principal will be settled in 12 quarterly installments, the first one due on July 1, 2016 and the last one on April 1, 2019. For Tranche B, principal will be settled in 20 quarterly installments, the first one due on July 1, 2016 and the last one on April 1, 2021.

The loan agreement establishes compliance with covenants relating to financial ratios, limit to indebtedness, and the posting of bonds. At December 31, 2015 the debt/EBITDA ratios agreed in the loan covenants do not apply since they enter into force the first quarter the Company becomes operative and in the fiscal year under analysis the Plant only operated in December.

The remaining balance net of transaction costs at the date of issue of these special financial statements amounts to \$ 107,122,147 including interest of \$ 8,043,785.

See our report dated
March 8, 2016
PRICE WATERHOUSE & CO. S.R.L.
(Partner)
C.P.C.E.C.A.B.A. T° I F° 17

Armando R. Losón
President

Generación Frías S.A.

Notes to the special financial statements (Cont'd)

NOTE 16: LOANS (Cont'd)

a) Loans (Cont'd)

a.4) Puente Hermanos S.A. loan

On October 22, 2015 the Company borrowed \$ 50 million from Puente Hermanos S.A. that will be repaid by means of the next issuance of Class II Negotiable Obligations, expected in the first quarter of 2016. The loan accrues interest at LEBAC rate and will be repaid on a quarterly basis from the date of disbursement; the first installment is due on January 22, 2016.

The net remaining balance at the date of issue of these special financial statements amounts to \$ 53,158,369 including interest of \$ 3,158,369.

a.5) Banco Provincia loan

In fiscal year 2015 loan agreements were entered into with Banco de la Provincia de Buenos Aires S.A. for \$ 11,300,000; interest will be paid on a monthly basis, from the date of disbursement of each loan.

The net remaining balance at the date of issue of these special financial statements amounts to \$ 9,872,293 including interest of \$ 105,626.

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

	<u>12.31.15</u>	<u>12.31.14</u>	<u>12.31.13</u>
Variable rate			
Less than 1 year	163,182,254	5,650,116	-
Between 1 and 2 years	154,251,227	141,000,320	-
	<u>317,433,481</u>	<u>146,650,436</u>	<u>-</u>

Company loans are denominated in the following currencies:

	<u>12.31.15</u>	<u>12.31.14</u>	<u>12.31.13</u>
Argentine pesos			
	317,433,481	146,650,436	-
	<u>317,433,481</u>	<u>146,650,436</u>	<u>-</u>

See our report dated
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PRICE WATERHOUSE & CO. S.R.L.
(Partner)
C.P.C.E.C.A.B.A. Tº 1 Fº 17


Armando R. Losón
President

Generación Frías S.A.

Notes to the special financial statements (Cont'd)

NOTE 16: LOANS (Cont'd)

Changes in loans during the fiscal year were as follow:

	<u>12.31.15</u>	<u>12.31.14</u>	<u>12.31.13</u>
Loans at beginning of year	146,650,436	-	-
Loans received	161,300,000	150,000,000	-
Loans paid	(6,496,092)	-	-
Accrued interest	62,998,244	10,386,067	-
Interest paid	(39,310,078)	(9,769,621)	-
Capitalized expenses/present values	(7,709,029)	(3,966,010)	-
Loans at year end	317,433,481	146,650,436	-

NOTE 17: SALARIES AND SOCIAL SECURITY CHARGES

<u>Current</u>	<u>12.31.15</u>	<u>12.31.14</u>	<u>12.31.13</u>
Social security charges payable	217,096	39,889	-
Provision for vacation pay	158,869	13,113	-
Sundry	-	888	-
	<u>375,965</u>	<u>53,890</u>	-

NOTE 18: TAX PAYABLES

<u>Current</u>			
Minimum notional income tax provision, net of prepayments	-	530,470	41,394
Income tax withholdings to be deposited	36,273	84,100	9,678
Other tax liabilities, net	-	70,058	-
	<u>36,273</u>	<u>684,628</u>	<u>51,072</u>

NOTE 19: INCOME TAX/ DEFERRED TAX

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

	<u>12.31.15</u>	<u>12.31.14</u>	<u>12.31.13</u>
Deferred tax assets:			
Deferred tax assets to be recovered in more than 12 months	240,757	5,021,790	1,130,675
	<u>240,757</u>	<u>5,021,790</u>	<u>1,130,675</u>
Deferred tax liabilities:			
Deferred tax liabilities payable in more than 12 months	22,573,848	3,626,393	(19,281)
	<u>22,573,848</u>	<u>3,626,393</u>	<u>(19,281)</u>
Deferred tax (liabilities) assets (net)	(22,333,091)	1,395,397	1,111,394

See our report dated
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PRICE WATERHOUSE & CO. S.R.L.
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Armando R. Losón
President

Generación Frías S.A.

Notes to the special financial statements (Cont'd)

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

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

	12.31.15	12.31.14	12.31.13
Balances at beginning of year	1,395,396	1,111,394	790,691
Charge to income statement	16,290,013	284,003	320,703
Charge to technical revaluation reserve	(40,018,500)	-	-
Balance at year end	(22,333,091)	1,395,397	1,111,394

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 losses	Loans
Balances at December 31, 2013	240,757	(19,281)	889,918	-
Charge to income statement	-	(2,593,310)	2,961,289	(83,977)
Balances at December 31, 2014	240,757	(2,612,591)	3,851,207	(83,977)
Charge to income statement	-	(29,063,801)	44,625,613	728,201
Charge to technical revaluation reserve	-	(40,018,500)	-	-
Balances at December 31, 2015	240,757	(71,694,892)	48,476,820	644,224

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:

	12.31.15	12.31.14	12.31.13
Deferred tax	16,290,013	284,003	320,703
Balance at year end	16,290,013	284,003	320,703

See our report dated
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(Partner)
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Armando R. Losón
President

Generación Frías S.A.

Notes to the special financial statements (Cont'd)

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

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:

	12.31.15	12.31.14	12.31.13
Net income/(loss) before income tax	(46,542,905)	(3,006,784)	(960,779)
Current tax rate	35%	35%	35%
Net income at the tax rate	16,290,013	1,052,375	336,273
Other permanent differences	-	(768,372)	(15,570)
Total income tax charge	16,290,013	284,003	320,703

The accumulated tax losses recorded by the Company that are pending use at December 31, 2015 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 (2011)	1,162,369	2016
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)	127,501,754	2020
Total accumulated tax losses at December 31, 2015	138,505,202	

NOTE 20: SALES REVENUE

	12.31.15	12.31.14	12.31.13
Electric energy sales - Resolution No. 220	12,698,916	-	-
	12,698,916	-	-

See our report dated
March 8, 2016
PRICE WATERHOUSE & CO/S.R.L.
(Partner)
C.P.C.E.C.A.B.A. T° I F° 17


Armando R. Losón
President

Generación Frías S.A.

Notes to the special financial statements (Cont'd)


NOTE 21: COST OF SALES

	<u>12.31.15</u>	<u>12.31.14</u>	<u>12.31.13</u>
Cost of purchase of electric energy	(92,043)	-	-
Cost of gas and gasoil consumption	(2,690,300)	-	-
Salaries and wages	(864,990)	-	-
Personnel expenses	(50,168)	-	-
Travel and per diem	(355,251)	-	-
Insurance	(249,985)	-	-
Electricity expenses	(82,582)	-	-
Safety and security	(957,157)	-	-
Maintenance inputs	(255,935)	-	-
Third-party services	(29,559)	-	-
Leases	(13,965)	-	-
Cleaning services	(13,000)	-	-
Sundry expenses	(251,476)	-	-
Taxes and rates	(33,157)	-	-
Communication expenses	(48,944)	-	-
Depreciation of property, plant and equipment	(1,822,288)	-	-
	<u>(7,810,800)</u>	<u>-</u>	<u>-</u>

NOTE 22: ADMINISTRATIVE EXPENSES

	<u>12.31.15</u>	<u>12.31.14</u>	<u>12.31.13</u>
Professional fees	(882,719)	(360,695)	(142,923)
Connection	-	(70,190)	(77,333)
Taxes, rates and contributions	(57,018)	(158,178)	(38,420)
Safety and security	-	(411,720)	(386,869)
Leases	(12,000)	(19,500)	(5,000)
Salaries and social security contributions	(409,642)	(472,285)	-
Insurance	(8,919)	(1,127)	-
Travel and per diem	-	(195,122)	-
Third-party services	-	(187,172)	-
Cleaning services	-	(8,200)	-
Depreciation of property, plant and equipment	-	(4,790)	-
Attestations	(86,155)	(79,792)	(14,444)
Sundry expenses	(119,101)	(72,627)	(3,233)
	<u>(1,575,554)</u>	<u>(2,041,398)</u>	<u>(668,222)</u>

See our report dated
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PRICE WATERHOUSE & CO. S.R.L.
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Armando B. Losón
President

Generación Frías S.A.

Notes to the special financial statements (Cont'd)

NOTE 23: FINANCIAL RESULTS

	<u>12.31.15</u>	<u>12.31.14</u>	<u>12.31.13</u>
<u>Financial income</u>			
Loan interest	-	513,481	-
Total financial income	-	513,481	-
<u>Financial expenses</u>			
Net financial interest and others	(9,445,896)	(7,940)	-
Tax interest	(206)	(153)	-
Bank expenses and commissions	(18,629)	(107,278)	-
Total financial expenses	(9,464,731)	(115,371)	-
<u>Other financial results</u>			
Exchange differences, net	(40,224,000)	(43,014)	-
Changes in the fair value of financial instruments	315,280	1,049,975	-
Other financial results	(482,016)	(2,370,457)	(265,634)
Total other financial results	(40,390,736)	(1,363,496)	(265,634)
Total financial results, net	(49,855,467)	(965,386)	(292,557)

NOTE 24: EARNINGS PER SHARE

Basic

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

	<u>12.31.15</u>	<u>12.31.14</u>	<u>12.31.13</u>
Comprehensive loss for the year	(30,252,892)	(2,722,781)	(640,076)
Weighted average of outstanding ordinary shares	112,408,964	85,820,075	17,083,295
Basic and diluted loss per share	(0.2691)	(0.0317)	(0.0375)

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

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Armando R. Losón
President

Generación Frías S.A.

Notes to the special financial statements (Cont'd)

NOTE 25: TRANSACTIONS AND BALANCES BETWEEN RELATED PARTIES

a) Transactions

	Profit / (Loss)		
	12.31.15	12.31.14	12.31.13
<u>Interest earned</u>			
RGA	-	513,481	-
	-	513,481	-

b) Leases:

<u>Other related parties:</u>			
RGA	(12,000)	(19,485)	-
	(12,000)	(19,485)	-

c) Services received:

<u>Other related parties:</u>			
RGA	-	(1,104,403)	(79,900)
GMSA	(1,000,000)	(3,311)	-
	(1,000,000)	(1,107,714)	(79,900)

d) Flights:

<u>Other related parties:</u>			
AJSA	(897,288)	(166,400)	-
	(897,288)	(166,400)	-

e) Purchase of wine:

<u>Other related parties:</u>			
BDD	(8,777)	(1,652)	-
	(8,777)	(1,652)	-

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President

Generación Frías S.A.

Notes to the special financial statements (Cont'd)

NOTE 25: TRANSACTIONS AND BALANCES BETWEEN RELATED PARTIES (Cont'd)

f) Reimbursement of expenses:

	Profit / (Loss)		
	12.31.15	12.31.14	12.31.13
RGA	(3,591)	-	-
GMSA	(263,002)	-	-
GISA	(2,407,934)	-	-
GRISA	(1,723,569)	-	-
	<u>(4,398,096)</u>	<u>-</u>	<u>-</u>

g) Loans granted to related parties

	12.31.15	12.31.14	12.31.13
<i>Loans granted to related parties</i>			
Loans granted	-	19,650,000	-
Loans collected	-	(19,650,000)	-
Accrued interest	-	513,481	-
Interest earned	-	(513,481)	-
Balance at year end	<u>-</u>	<u>-</u>	<u>-</u>

h) Remuneration of key managerial staff.


There is no remuneration for key managerial staff.

	12.31.15	12.31.14	12.31.13
Salaries	<u>-</u>	<u>-</u>	<u>-</u>

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

	12.31.15	12.31.14	12.31.13
<u>Other current receivables</u>			
Parent Company - ASA - Contributions not yet paid in	9,765,000	37,735,000	-
Minority interests - Contributions not yet paid in	525,000	3,525,000	-
	<u>10,290,000</u>	<u>41,260,000</u>	<u>-</u>

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President

Generación Frías S.A.

Notes to the special financial statements (Cont'd)

NOTE 25: TRANSACTIONS AND BALANCES BETWEEN RELATED PARTIES (Cont'd)

	<u>12.31.15</u>	<u>12.31.14</u>	<u>12.31.13</u>
<u>Current trade payables with other related parties</u>			
Related company - RGA	-	1,000	5,000
Related company - GRISA	-	1,081,723	-
Related company - GMSA	1,000,000	1,429,283	1,425,405
Related company - BDD	10,620	-	-
Related company - AJSA	991,504	-	-
	<u>2,002,124</u>	<u>2,512,006</u>	<u>1,430,405</u>
	<u>12.31.15</u>	<u>12.31.14</u>	<u>12.31.14</u>
<u>Other current debts with other related parties</u>			
Related company - RGA	-	6,297	-
Related company - GISA	2,525,105	-	-
	<u>2,525,105</u>	<u>6,297</u>	<u>-</u>

NOTE 26: WORKING CAPITAL

At December 31, 2015, the Company has a working capital deficit of \$ 113,580,762 (calculated as current assets less current liabilities).

There is a shareholders' commitment to make such contributions as may be necessary to ensure compliance with the obligations in due course.

NOTE 27: 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.

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.

See our report dated
March 8, 2016
PRICE WATERHOUSE & CO. S.R.L.
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Armando R. Losón
President

Generación Frías S.A.

Notes to the special financial statements (Cont'd)

NOTE 28: STORAGE OF DOCUMENTATION

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 29: CREDIT WITH PWPS

At December 31, 2015 the Company has a credit with PWPS of USD 1.5 million, equivalent to \$ 19.4 million, calculated based on the bid exchange rate at the closing of this fiscal year. This credit is a compensation for the delay in the delivery of the turbine by PWPS.

Compensation is due under the agreement the Company signed with PWPS on April 4, 2014, which sets forth that the seller should pay a compensation for any delay in the delivery of the main components of the unit, which in turn delayed the construction of the facilities. In this case, the seller must pay to the buyer liquidated damages for the delay in the delivery of these components, based on the terms and amounts agreed upon in the contract.

At the date of issue of these special financial statements, the Company decided to recognize this credit in the first quarter of 2016.

NOTE 30: SUBSEQUENT EVENTS

Program of issuance of Negotiable Obligations

With the aim of obtaining financing of working capital necessary for the commercial operation and refinancing of existing liabilities, the Company was authorized on February 26, 2016 for the public offering of Class II Negotiable Obligations for a nominal value of \$ 70,000,000 to be extended to \$ 130,000,000 for a term of 24 months at a floating rate falling due after 24 months have elapsed from issuance and settlement.

The advertising period started on February 29, 2016 and ended March 3, 2016, with the bidding process taking place on March 4, 2016.

See our report dated
March 8, 2016
PRICE WATERHOUSE & CO. S.B.L.
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Armando R. Losón
President



INDEPENDENT AUDITORS' REPORT

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

Report on the financial statements

We have audited the accompanying special financial statements of Generación Frías S.A. ("the Company"), including the special statement of financial position at December 31, 2015, 2014 and 2013, the special statements of comprehensive income, of changes in equity and cash flows for each of the three years then ended, as well as a summary of the most significant accounting policies and other explanatory information.

Board of Directors' responsibility

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

Auditors' responsibility

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

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An audit involves performing procedures to obtain audit evidence about the amounts and other information disclosed in the financial statements. The selected procedures depend on the auditor's judgment, which includes assessing the risk of the financial statements containing material errors due to fraud or involuntary errors. When performing this risk assessment, the auditor must consider the internal control system relevant to the fair preparation and presentation of the financial statements of the Company in order to design the audit procedures that are appropriate in the circumstances, but not with the purpose of expressing an opinion on the effectiveness of the Company's internal controls. 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 special financial statements mentioned in the first paragraph present fairly, in all material respects, the financial position of Generación Frías S.A. at December 31, 2015, 2014 y 2013, its comprehensive income and cash flows for each of the years then ended, in conformity with International Financial Reporting Standards.

Report on compliance with current regulations

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

- a) the financial statements of Generación Frías S.A. are transcribed into the "Inventory and Balance Sheet" book and as regards those matters that are within our 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 kept in all formal respects in conformity with legal regulations, which maintain the security and integrity conditions on the basis of which they were authorized by the National Securities Commission;
- c) we have read the summary of activity, on which, as regards those matters that are within our competence, we have no observations to make;

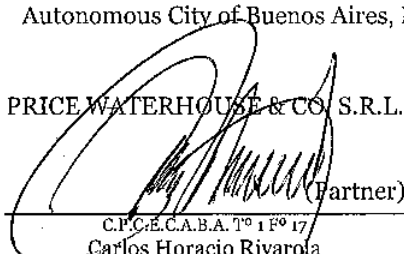
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- d) we have read the additional information of the notes to the financial statements required by section 12, Chapter III, Title IV of the rules of the National Securities Commission and insofar as concerns our field of competence, we have no observations to make;
- e) at December 31, 2015 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 \$ 172,095, none of which was claimable at that date.
- f) as required by section 21, subsection e), Chapter III, Part IV, Title II of the rules issued by the National Securities Commission, we report that total fees for auditing and related services billed to the Company during the fiscal year ended December 31, 2015 account for:
 - e.1) 74 % of the total fees for services billed to the Company for all items during that fiscal year;
 - e.2) 6 % 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) 4 % of the total fees for services billed to the Company, its parent companies, subsidiaries and related companies for all items during that year;
- g) we have applied the anti-money laundering and financing of terrorism procedures for Generación Frías S.A., prescribed by professional standards issued by the Professional Council of Economic Sciences for the Autonomous City of Buenos Aires.

Autonomous City of Buenos Aires, March 8, 2016

PRICE WATERHOUSE & CO. S.R.L.


(Partner)
C.P.C.E.C.A.B.A. T° 1 F° 17
Carlos Horacio Rivarola
Public Accountant (UBA)
C.P.C.E.C.A.B.A. T° 124 F° 225