

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

## **Generación Frías S.A.**

### **Interim condensed financial statements**

At September 30, 2016 and for the nine and three-month periods  
ended September 30, 2016 and 2015,  
presented in a comparative format

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

## **Generación Frías S.A.**

### **Interim condensed financial statements**

At September 30, 2016 and for the nine and three-month periods  
ended September 30, 2016 and 2015,  
presented in a comparative format

### **Contents**

Glossary of technical terms

Interim Condensed Financial Statements

Statement of Financial Position

Statement of Comprehensive Income

Statement of Changes in Equity

Statement of Cash Flows

Notes to the Interim Condensed Financial Statements

Summary of activity

Additional information required by Section 12, Chapter III, Title IV, of the National Securities Commission  
regulations

Review Report on the Interim Condensed Financial Statements

Report of the Syndics' Committee

## Generación Frías S.A.

### GLOSSARY OF TECHNICAL TERMS

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

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

## Generación Frías S.A.

### GLOSSARY OF TECHNICAL TERMS (Cont'd)

Terms	Definitions
GM	Modesto Maranzana's power plant located in Río IV, province of Córdoba
GMSA	Generación Mediterránea S.A.
Large Users	WEM agents classified according to their consumption into: GUMAs, GUMEs, GUPAs and GUDIs
GR	Power Plant Riojana located in La Rioja, La Rioja (merged with GMSA)
GRISA	Generación Riojana S.A.
GROSA	Generación Rosario S.A.
GUDIs	Large Demand from Distributors, with declared or demanded supplies of over 300kW.
GUMAs	Major Large Users
GUMEs	Minor Large Users
GUPAs	Particular Large Users
GW	Gigawatt Unit of power equivalent to 1,000,000,000 watts
GWh	Gigawatt hour Unit of energy equivalent to 1,000,000,000 watts hour
IASB	International Accounting Standards Board
IGJ	Superintendency of Commercial Companies
kV	Kilovolt Unit of electromotive force which is equal to 1,000 volts
kW	Kilowatt Unit of power equivalent to 1,000 watts
kWh	Kilowatt hour Unit of energy equivalent to 1,000 watts hour
LGS	General Companies Law
LVFVD	Sales liquidations with maturity date to be defined
MAT	Futures market
MAPRO	Major Scheduled Maintenance
WEM	Wholesale Electric Market
MMm3	Million cubic meters
MW	Megawatt Unit of power equivalent to 1,000,000 watts
MWh	Megawatt hour Unit of energy equivalent to 1,000,000 watts hour
MVA	Mega-volt ampere, unit of energy equivalent to 1 volt x 1 ampere x 106
AR GAAP	Argentine Generally Accepted Accounting Principles
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
ON	Negotiable obligations
PWPS	Pratt & Whitney Power System Inc
Resolution 220/07	Regulatory framework for the sale of energy to CAMMESA through the "WEM Supply Contract" under Energy Secretariat Resolution No. 220/07
GR	General Resolution
RGA	Rafael G. Albanesi S.A.
RT	Technical pronouncements
TRASNOA S.A.	An electric power carriage company by means of a trunk line in the Argentine Northwestern region
SADI	Argentine Interconnection System
ES	Energy Secretariat
CGU	Cash-Generating Unit

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

## **Generación Frías S.A.**

Composition of the Board of Directors and Syndics' Committee  
as of September 30, 2016

**President**

Armando R. Losón

**Vice-president 1º**

Guillermo G. Brun

**Vice-president 2º**

Julián P. Sarti

**Full Directors**

Carlos A. Bauzas

Oscar C. De Luise

Sebastián A. Sánchez Ramos

Jorge H. Schneider

Juan Carlos Collin

**Alternate Directors**

Armando R. Losón (h)

José L. Sarti

Juan G. Daly

Ricardo M. López

María de los Milagros D. Grande

Romina S. Kelleyian

**Full Syndics**

Enrique O. Rucq

Marcelo P. Lerner

Francisco A. Landó

**Alternate Syndics**

Carlos I. Vela

Augusto N. Arena

Juan C. Nicciolino

## Legal Information

Corporate Name: **Generación Frías S.A.**  
 Legal domicile: Av. L.N. Alem 855, floor 14, City of Buenos Aires  
 Main business activity: Development of electric power projects, generation and sale of electricity

Registration with the Superintendency of Commercial Companies:

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

Registration with the Superintendency of Commercial Companies: No. 8929 of Book 49, Volume of Companies by shares  
 Tax ID: No. 30-71147036-7  
 Expiration date of Company By-laws: May 17, 2109  
 Parent company: **Albanesi S.A.**  
 Legal domicile of Parent Company: Av. L.N. Alem 855, Floor 14, City of Buenos Aires.  
 Main line of business of Parent Company: Investment and financial activities  
 Percentage of equity interest held by Parent Company: 95%  
 Percentage of voting rights of Parent Company: 95%

CAPITAL STATUS (Note 13)				
Shares			Subscribed and registered	Paid-in
Number	Type	Number of votes per share		
112,408,964	Ordinary FV \$ 1	1	\$ 112,408,964	102,118,964

# **Generación Frías S.A.**

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

## **Interim Condensed Statement of Financial Position**

As of September 30, 2016 and December 31, 2015

Stated in pesos

	<u>Note</u>	<u>09.30.16</u>	<u>12.31.15</u>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	571,114,158	567,721,270
Other receivables		6,160,781	30,571,195
<b>Total non-current assets</b>		<b>577,274,939</b>	<b>598,292,465</b>
<b>CURRENT ASSETS</b>			
Inventories		1,143,750	-
Other receivables		76,854,340	36,008,169
Trade receivables		60,078,189	10,055,241
Financial assets at fair value through profit or loss		3,393,492	-
Cash and cash equivalents	12	40,655,442	11,686,369
<b>Total current assets</b>		<b>182,125,213</b>	<b>57,749,779</b>
<b>Total Assets</b>		<b>759,400,152</b>	<b>656,042,244</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share Capital	13	112,408,964	112,408,964
Technical revaluation reserve		71,554,370	74,320,070
Retained earnings and accumulated losses		(58,400,951)	(35,084,388)
<b>TOTAL EQUITY</b>		<b>125,562,383</b>	<b>151,644,646</b>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Loans	15	353,512,577	154,251,227
Deferred tax liabilities		8,288,794	22,333,091
Trade payables		185,812,829	156,482,739
<b>Total non-current liabilities</b>		<b>547,614,200</b>	<b>333,067,057</b>
<b>CURRENT LIABILITIES</b>			
Other liabilities		7,087,621	2,525,105
Tax payables		1,409,194	36,273
Salaries and social security charges		574,406	375,965
Loans	15	68,517,527	163,182,254
Trade payables		8,634,821	5,210,944
<b>Total current liabilities</b>		<b>86,223,569</b>	<b>171,330,541</b>
<b>Total Liabilities</b>		<b>633,837,769</b>	<b>504,397,598</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>759,400,152</b>	<b>656,042,244</b>

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

## Generación Frías S.A.

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

### Interim Condensed Statement of Comprehensive Income

For the nine and three-month periods ended September 30, 2016 and 2015

Stated in pesos

	<u>Note</u>	<u>Nine-month period at</u>		<u>Three-month period at</u>	
		<u>09.30.16</u>	<u>09.30.15</u>	<u>09.30.16</u>	<u>09.30.15</u>
Sales revenue	7	203,617,565	-	73,654,738	-
Cost of sales	8	(113,881,659)	-	(34,928,152)	-
<b>Gross income</b>		<b>89,735,906</b>	<b>-</b>	<b>38,726,586</b>	<b>-</b>
Other income	21	10,576,050	-	-	-
Administrative expenses	9	(1,652,028)	(2,668,022)	(433,870)	(202,061)
<b>Operating income / (loss)</b>		<b>98,659,928</b>	<b>(2,668,022)</b>	<b>38,292,716</b>	<b>(202,061)</b>
Financial expenses	10	(108,142,772)	(15,352)	(36,761,272)	415,484
Other financial results	10	(30,643,717)	44,771	(7,728,908)	(80,447)
<b>Financial results, net</b>		<b>(138,786,489)</b>	<b>29,419</b>	<b>(44,490,180)</b>	<b>335,037</b>
<b>Income / (Loss) before tax</b>		<b>(40,126,561)</b>	<b>(2,638,603)</b>	<b>(6,197,464)</b>	<b>132,976</b>
Income tax		14,044,298	981,409	2,169,112	11,357
<b>Comprehensive income / (loss) for the period</b>		<b>(26,082,263)</b>	<b>(1,657,194)</b>	<b>(4,028,352)</b>	<b>144,333</b>
<b>Earnings per share</b>					
Basic and diluted loss per share	14	(0,2320)	(0,0147)		

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



# **Generación Frías S.A.**

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

## **Interim Condensed Statements of Changes in Equity** For the nine-month periods ended September 30, 2016 and 2015 Stated in pesos

	Share Capital (Note 13)	Technical Revaluation reserve	Retained earnings and Accumulated losses	Total equity
<b>Balances at December 31, 2014</b>	112,408,964	-	(4,831,496)	107,577,468
Comprehensive loss for the nine-month period	-	-	(1,657,194)	(1,657,194)
<b>Balances at September 30, 2015</b>	112,408,964	-	(6,488,690)	105,920,274
Other comprehensive income for the supplementary three-month period	-	74,320,070	-	74,320,070
Comprehensive loss of the three-month supplementary period	-	-	(28,595,698)	(28,595,698)
<b>Balances at December 31, 2015</b>	112,408,964	74,320,070	(35,084,388)	151,644,646
Reversal of technical revaluation reserve	-	(2,765,700)	2,765,700	-
Comprehensive loss for the nine-month period	-	-	(26,082,263)	(26,082,263)
<b>Balances at September 30, 2016</b>	112,408,964	71,554,370	(58,400,951)	125,562,383

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

# Generación Frías S.A.

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

## Interim Condensed Statement of Cash Flows For the nine-month periods ended September 30, 2016 and 2015 Stated in pesos

	Notes	09.30.16	09.30.15
<b>Cash flows provided by operating activities:</b>			
Comprehensive loss for the period		(26,082,263)	(1,657,194)
<b>Adjustments to arrive at net cash flows provided by operating activities:</b>			
Income tax		(14,044,298)	(981,409)
Accrued interest	10	104,263,950	206
Changes in the fair value of financial instruments	10	(4,140,708)	(151,697)
Depreciation of Property, plant and equipment	8, 9 and 11	21,201,342	3,591
Exchange difference	10	30,582,080	5,239
<b>Changes in operating assets and liabilities:</b>			
(Increase) in Trade receivables		(50,022,948)	-
(Increase) in other receivables		(26,670,544)	(4,771,693)
(Increase) in Inventories		(1,143,750)	-
(Decrease) in trade payables		(5,672,244)	(11,782,219)
Increase in social security liabilities		198,441	234,320
Increase/ (Decrease) in tax payables		1,253,055	(616,877)
Increase in other debts		4,541,068	11,143,703
<b>Net cash flows provided by (used in) operating activities</b>		<b>34,263,181</b>	<b>(8,574,030)</b>
<b>Cash flows of investment activities:</b>			
Acquisition of property, plant and equipment	11	(26,115,265)	(95,839,731)
Disposals of property, plant and equipment	11	4,063,150	-
Subscription / redemption of mutual funds		(3,393,492)	-
<b>Net cash flows (used in) investing activities</b>		<b>(25,445,607)</b>	<b>(95,839,731)</b>
<b>Cash flows provided by financing activities:</b>			
Proceeds from loans	15	451,442,100	104,300,000
Repayment of loans	15	(349,801,736)	(2,897,100)
Repayment of interest	15	(85,629,573)	(28,912,320)
Subscribed capital paid in		-	27,970,000
<b>Cash flows provided by financing activities:</b>		<b>16,010,791</b>	<b>100,460,580</b>
<b>NET INCREASE (DECREASE) IN CASH</b>		<b>24,828,365</b>	<b>(3,953,181)</b>
Cash and cash equivalents at the beginning of the period		11,686,369	50,885
Financial results generated by cash and cash equivalents		(4,140,708)	(151,697)
Cash, cash equivalents at the end of the period	12	40,655,442	(3,750,599)
		<b>24,828,365</b>	<b>(3,953,181)</b>
<b>Material transactions not entailing changes in cash</b>			
Share capital not yet paid in		-	13,290,000
Acquisition of property, plant and equipment not paid to suppliers	11	-	(114,439,919)
Interest capitalized in property, plant and equipment	11	(2,542,115)	(12,301,008)

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

## Generación Frías S.A.

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

### Notes to the Interim Condensed Financial Statements

For the nine-month periods ended September 30, 2016

presented in a comparative format

Stated in pesos

#### **NOTE 1: GENERAL INFORMATION**

GFSA was set up on April 20, 2010 and its main business is the generation and sale of electricity.

The premises of the Power Plant are located next to the transformer substation belonging to TRANSNOA S.A., allowing for a strategic connection to the network with the possibility of injecting energy generated in the Argentine interconnection system. In addition, it has a gas pipeline that ensures the supply of natural gas for the generation of electricity.

The Plant has a 60MW nominal thermal power generation capacity through a turbine with PWPS technology similar to that used in the related companies GMSA and Solalban Energía S.A.

On April 4, 2014, two purchase agreements were signed with PWPS.

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

The purchase agreement of the Turbine amounted to USD 26.87 million. At the date of issue of these interim condensed financial statements, all advances agreed upon with the supplier have been paid for USD 14.87 million which are disclosed within property, plant and equipment as turbine.

In addition, the purchase agreement provides for financing for a term of 4 years for USD 12 million by PWPS as from the preliminary acceptance by GFSA. This amount is disclosed in non-current trade payables for the equivalent to \$ 183,720,000 million. Financing will accrue annual interest at a rate of 7.67% and will be calculated on a monthly basis of 30 days/360 days annual, with interest capitalized on a quarterly basis, that the date of these interim condensed financial statements amounted to \$ 2,092,829 and the accrued interest disclosed as current trade payables amounted to \$ 956,875.

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 <sup>(1)</sup></i>	USD								
PWPS for the purchase of the turbine FT4000™ SwiftPac®	17,975,401	750,000	750,000	750,000	750,000	3,743,495	3,743,495	3,743,495	3,744,916

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

## **Generación Frías S.A.**

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

### **Notes to the Interim Condensed Financial Statements (Cont'd)**

#### **NOTE 1: GENERAL INFORMATION (Cont'd)**

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

The total investment made by the Company is equivalent to USD 55 million. By highlighting the installation of a turbine FT4000 capable of providing 60 MW, installation of main transformer of 75 MVA and two transformers for plant auxiliary services of 2 and 3 KVA, building of two storage tanks of diesel-oil, building of a water treatment plant, civil and electric works carried out for the correct start-up of the power plant.

At the date of these interim condensed financial statements, the stage II of the electromechanical and civil works are being executed, which comprises the construction of an unloading yard for trucks, scales area, office building and base for the gas oil treatment system, among others, which will be finalized during the last quarter of the year.

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

The electricity generated by the Company is sold to CAMMESA under Resolution No. 220/07.

##### **Supply Contracts with WEM (Resolution 220/07):**

In January 2007, the Energy Secretariat adopted Resolution No. 220/07 authorizing the execution of Supply Contracts between WEM and additional offers of available generation and associated energy submitted by generating, co-generating or self-generating agents which, at the date of publication of the said resolution are not WEM agents or do not have the generation facilities to be agreed under these commercially authorized offers, or are not interconnected with WEM at that date. In this regard, the execution of Supply Contracts was foreseen as another way to generate incentives for the development of additional energy projects. These Supply Contracts are entered into between generating agents and CAMMESA, with a duration of 10 years or a shorter term that may exceptionally be established. The valuable consideration for availability of energy and generation shall be established in each contract based on the costs accepted by the Energy Secretariat. The contracts will also establish that the machines and power plants used to cover the Supply Contracts will generate energy as they are dispatched by CAMMESA.

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

## **Generación Frías S.A.**

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

### **Notes to the Interim Condensed Financial Statements (Cont'd)**

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

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

This contract sets a 5-component remuneration: i) a fixed charge for the average monthly availability of contracted power, for a price of USD 19.272/MW per month; ii) a fixed charge that recognizes the costs of transportation plus other costs of the generating agents; iii) a variable charge associated with the energy actually provided under the contract, the objective of which is to remunerate operation and maintenance of the power plant (Gas 10.83 USD/MWh – Fuel oil 11.63 USD/MWh); iv) a variable charge for repayment of fuel costs, all of them at reference price; and v) a discount for penalties. These penalties are applied to the hours in which 92% of the agreed upon power has not been reached and are valued on a daily basis and according to the operating condition of the machine and the market situation.

#### **NOTE 3: BASIS FOR PRESENTATION**

These interim condensed financial statements were prepared in accordance with IFRS issued by the IASB.

These interim condensed financial statements of the Company for the nine and three-month period ended September 30, 2016 were prepared in accordance with IAS 34 "Interim Financial Reporting".

These interim condensed financial statements must be read jointly with the Company's financial statements at December 31, 2015.

The presentation in the interim condensed statement of financial position segregates current and non-current assets and liabilities. Current assets and liabilities are those which are expected to be recovered or settled within the twelve months after the end of the reporting period. In addition, the Company reports on the cash flow from operating activities using the indirect method. The fiscal year commences on January 1 and ends December 31 of each year. Economic and financial results are presented on the basis of the fiscal year, in proportion to the period elapsed.

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

The preparation of these interim condensed financial statements in accordance with IFRS requires making estimates and assessments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of issue of these interim condensed financial statements, as well as the income and expenses recorded in the period.

# **Generación Frías S.A.**

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

## **Notes to the Interim Condensed Financial Statements (Cont'd)**

### **NOTE 3: BASIS FOR PRESENTATION (Cont'd)**

These interim condensed financial statements were approved for issuance by the Company's Board of Directors on November 11, 2016.

#### **Comparative information**

Balances at December 31, 2015 and for the nine and three-month period at September 30, 2015, disclosed in these interim condensed financial statements for comparative purposes, arise from financial statements at that dates. Certain reclassifications have been included in the financial statement figures presented for comparative purposes to conform them to the current period presentation.

#### **Financial reporting in hyperinflationary economies**

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

Company Management has evaluated whether the Argentine peso meets the characteristics to qualify as a currency of a hyperinflationary economy, following the guidelines set by IAS 29. For the evaluation of this quantitative factor, the variations in the domestic wholesale price index (WPI) published by INDEC were considered, as this is the index that better reflects the conditions required by IAS 29.

At the date these condensed interim financial statements were approved, the last WPI published by INDEC corresponds to September 2016, and the cumulative inflation rate for the period of three years ended in that month, measured on the basis of that index and without computing the missing inflation data as a result of the reorganization of that agency, for the months of November and December 2015, is approximately 94%. The expectations in the different government sectors, now without the effects of the public utility rate increases that took place during the first months of 2016, after the freeze imposed over the last few years, and which have been one of the main reasons for the increase in the cumulative inflation rate over three years, follow a downward trend in the level of inflation.

Although the objective conditions necessary to qualify the Argentine economy as a hyperinflationary economy for the purposes of the preparation of the financial statements at September 30, 2016 do not exist, certain macroeconomic variables affecting Company business, such as salary costs and prices of supplies, have varied significantly year on year, and this circumstance should be considered in the evaluation and interpretation of the Company's financial position and results disclosed in these condensed interim financial statements.

### **NOTE 4: ACCOUNTING POLICIES**

The accounting policies adopted for these interim condensed financial statements are consistent with those used in the audited financial information corresponding to the last fiscal year, which ended on December 31, 2015.

## **Generación Frías S.A.**

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

### **NOTE 4: ACCOUNTING POLICIES (Cont'd)**

#### ***4.1 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 financial statements.

#### ***4.2 New standards, modifications and interpretations effective and not early adopted by the Company:***

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

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

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

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

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

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

## **Generación Frías S.A.**

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

### **Notes to the Interim Condensed Financial Statements (Cont'd)**

#### **NOTE 5: CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

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

These estimates and judgments are continually evaluated and are based on historical experience and other factors that are believed to be reasonable under the circumstances. Actual future results may differ from those estimates and assessments made at the date these interim condensed financial statements were prepared.

In preparing these interim condensed financial statements, the critical judgments delivered by the Management to apply the Company's accounting policies and the sources of information used for the related estimates are the same as those delivered in the financial statements for the fiscal year ended December 31, 2015, except for changes in estimates required when determining the income tax provision.

#### **NOTE 6: FINANCIAL RISK MANAGEMENT**

The Company's activities are disclosed under sundry financial risks: market risk (including the foreign exchange risk, fair value interest rate risk and price risk), credit risk and liquidity risk.

These interim condensed financial statements do not include the information required for the annual financial statements regarding risk management. They must be read jointly with the financial statements for the year ended December 31, 2015. No changes have been made to risk management policies since the annual closing.



# **Generación Frías S.A.**

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

## **Notes to the Interim Condensed Financial Statements (Cont'd)**

### **NOTE 7: SALES REVENUE**

	<b>09.30.16</b>	<b>09.30.15</b>
	<b>\$</b>	<b>\$</b>
Electricity sales - Resolution No. 220	203,617,565	-
	<b>203,617,565</b>	<b>-</b>

### **NOTE 8: COST OF SALES**

	<b>09.30.16</b>	<b>09.30.15</b>
	<b>\$</b>	<b>\$</b>
Cost of purchase of electric energy	(625,487)	-
Cost of gas and gasoil consumption	(79,537,289)	-
Salaries and wages and social security charges	(4,179,254)	-
Staff expenses	(24,766)	-
Traveling and per diem	(13,255)	-
Insurance	(2,206,372)	-
Electricity Utilities	(97,040)	-
Security and surveillance	(373,217)	-
Maintenance services	(2,597,340)	-
Inputs for maintenance	(428,812)	-
Third-party services	(1,546,969)	-
Cleaning	(371,821)	-
Miscellaneous expenses	(281,081)	-
Taxes and rates	(137,689)	-
Communication expenses	(259,925)	-
Depreciation of Property, plant and equipment	(21,201,342)	-
	<b>(113,881,659)</b>	<b>-</b>

### **NOTE 9: ADMINISTRATIVE EXPENSES**

	<b>09.30.16</b>	<b>09.30.15</b>
	<b>\$</b>	<b>\$</b>
Professional fees	(909,090)	(530,022)
Connection	-	(22,447)
Taxes and rates	(589,674)	(187,962)
Security and surveillance	-	(640,752)
Leases	(5,000)	(9,000)
Salaries and wages and social security charges	-	(551,931)
Third-party services	-	(60,241)
Depreciation of Property, plant and equipment	-	(3,591)
Traveling and per diem	-	(237,838)
Insurance	-	(4,773)
Certifications	(126,174)	(63,870)
Miscellaneous expenses	(22,090)	(355,595)
	<b>(1,652,028)</b>	<b>(2,668,022)</b>

## Generación Frías S.A.

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

### Notes to the Interim Condensed Financial Statements (Cont'd)

#### **NOTE 10: FINANCIAL RESULTS**

	<b>09.30.16</b>	<b>09.30.15</b>
	<b>\$</b>	<b>\$</b>
<b><u>Financial expenses</u></b>		
Interest on loan and others	(93,550,604)	-
Fiscal interest	(119,866)	(206)
Commercial interest	(10,593,480)	-
Bank expenses and commissions	(3,878,822)	(15,146)
<b>Total financial expenses</b>	<b>(108,142,772)</b>	<b>(15,352)</b>
<b><u>Other financial results</u></b>		
Exchange difference, net	(30,582,080)	(5,239)
Changes in the fair value of financial instruments	4,140,708	151,697
Other financial results	(4,202,345)	(101,687)
<b>Total other financial results</b>	<b>(30,643,717)</b>	<b>44,771</b>
<b>Total financial results, net</b>	<b>(138,786,489)</b>	<b>29,419</b>

# **Generación Frías S.A.**

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

## **Notes to the Interim Condensed Financial Statements (Cont'd)**

### **NOTE 11: PROPERTY, PLANT AND EQUIPMENT**

Type of asset	Original values				Depreciation			Net book value at end of year/period	
	At beginning of year/period	Increases	Withdrawals / Transfers	Technical Revaluation	At the end of year/period	Accumulated at beginning of year/period	For the year/period (2)	Technical Revaluation reserve	Accumulated at the end of year/period
Land	280,000	-	-	-	280,000	-	-	-	280,000
Works in progress (1)	-	24,454,060	-	-	24,454,060	-	-	-	-
Computer equipment	23,949	-	-	-	23,949	9,579	3,592	-	13,171
Buildings	6,449,500	-	-	-	6,449,500	-	96,743	-	96,743
Facilities	38,172,100	-	(4,063,150)	-	34,108,950	-	1,432,073	-	1,432,073
Machinery	61,541,300	-	-	-	61,541,300	-	2,307,799	-	2,307,799
Turbines	461,264,000	4,203,320	-	-	465,467,320	-	17,361,135	-	17,361,135
<b>Total at 09.30.16</b>	<b>567,730,849</b>	<b>28,657,380</b>	<b>(4,063,150)</b>	<b>-</b>	<b>592,325,079</b>	<b>9,579</b>	<b>21,201,342</b>	<b>-</b>	<b>21,210,921</b>
<b>Total at 12.31.15</b>	<b>202,330,350</b>	<b>252,879,428</b>	<b>-</b>	<b>112,521,071</b>	<b>567,730,849</b>	<b>4,790</b>	<b>1,822,288</b>	<b>(1,817,499)</b>	<b>9,579</b>
<b>Total at 09.30.15</b>	<b>202,330,350</b>	<b>222,580,658</b>	<b>-</b>	<b>-</b>	<b>424,911,008</b>	<b>4,790</b>	<b>3,591</b>	<b>-</b>	<b>8,381</b>

(1) Include the execution of the electromechanical and civil work stage II, among others, mentioned in Note 1.

(2) Depreciation charges for the nine-month period ended September 30, 2016 were allocated to cost of sales, including \$ 4,254,923 for higher value from the technical revaluation.

## Generación Frías S.A.

Free translation from the original prepared in Spanish for publication in Argentina  
Notes to the Interim Condensed Financial Statements (Cont'd)

### **NOTE 12: CASH AND CASH EQUIVALENTS**

	<b><u>09.30.16</u></b>	<b><u>12.31.15</u></b>
Cash	35,354	48,000
Banks	15,415,768	631,780
Mutual funds	25,204,320	11,006,589
<b>Cash and cash equivalents</b>	<b><u>40,655,442</u></b>	<b><u>11,686,369</u></b>

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

	<b><u>09.30.16</u></b>	<b><u>09.30.15</u></b>
Cash and cash equivalents	40,655,442	147,627
Bank overdrafts	-	(3,898,226)
<b>Cash and cash equivalents (bank overdrafts included)</b>	<b><u>40,655,442</u></b>	<b><u>(3,750,599)</u></b>

### **NOTE 13: CAPITAL STATUS**

The share capital subscribed at September 30, 2016 is made up of 112,408,964 ordinary shares of face value \$1 each and entitled to one vote per share. These shares represent \$ 112,408,964, of which on October 7, 2016 \$ 10,290,000 were paid in by the shareholders that had remained outstanding at the closing date of these interim condensed financial statements, as detailed in Note 24.a.

### **NOTE 14: EARNINGS PER SHARE**

#### ***Basic***

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

	<b><u>09.30.16</u></b>	<b><u>09.30.15</u></b>
(Loss) for the period	(26,082,263)	(1,657,194)
Weighted average of ordinary shares		
Outstanding	112,408,964	112,408,964
<b>Basic and diluted (loss) per share</b>	<b>(0.2320)</b>	<b>(0.0147)</b>

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

## Generación Frías S.A.

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

### Notes to the Interim Condensed Financial Statements (Cont'd)

#### NOTE 15: LOANS

	09.30.16	12.31.15
Non-Current		
Loan from Banco Ciudad	-	10,864,542
Syndicated Loan	-	84,372,153
Negotiable obligations	248,395,748	58,837,061
International Bond	105,050,585	-
Finance leases	66,244	177,471
	<u>353,512,577</u>	<u>154,251,227</u>
Current		
Loan from Banco Ciudad	15,543,122	14,861,833
Loan from Banco Provincia	-	9,872,293
Syndicated Loan	-	22,749,994
Negotiable obligations	51,499,415	62,275,259
International Bond	1,166,278	-
Loan from Puente Hnos. S.A.	-	53,158,369
Finance leases	308,712	264,506
	<u>68,517,527</u>	<u>163,182,254</u>

At September 30, 2016, total debt is \$ 422 million. The following table shows our total debt at that date.

	Capital	Balance as of September 30, 2016 (Pesos)	Interest rate (%)	Currency	Date of issuance	Maturity date
<b>Debt securities</b>						
International bond	USD 7,000,000	106,216,863	9.625%	USD	07/27/2016	07/27/2023
NO Class II	\$130,000,000	130,577,915	BADLAR + 6,5%	ARS	03/08/2016	03/08/2018
NO Class III	\$160,000,000	169,317,248	BADLAR + 5,6%	ARS	07/06/2016	07/06/2018
<b>Subtotal</b>		<u>406,112,026</u>				
<b>Other liabilities</b>						
Other bank debts		15,543,122				
Finance leases		374,956				
<b>Subtotal</b>		<u>15,918,078</u>				
<b>Total</b>		<u><u>422,030,104</u></u>				

#### Loans

##### a) Loan from Banco de la Ciudad de Buenos Aires:

On July 8, 2014, a Loan Offer was signed with Banco de la Ciudad de Buenos Aires S.A. for \$ 30,000,000. The 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 banks rate + 100 basic points.

## **Generación Frías S.A.**

Free translation from the original prepared in Spanish for publication in Argentina  
**Notes to the Interim Condensed Financial Statements (Cont'd)**

### **NOTE 15: LOANS (Cont'd)**

#### **Loans (Cont'd)**

##### **a) Loan from Banco de la Ciudad de Buenos Aires (Cont'd)**

The outstanding balance at September 30, 2016 amounts to \$ 15,543,122, including interest of \$ 324,771, net of transaction costs pending amortization.

The objective was to finance the works required for the installation of 60 MW of generation capacity (see Note 1).

##### **b) Negotiable obligations:**

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

At September 30, 2016 there are Class II and Class III negotiable obligations outstanding, issued by the Company for the amounts and under the following conditions:

##### **Class II Negotiable Obligations:**

**Capital:** nominal value: \$ 130,000,000 (Pesos one hundred and thirty million)

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

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

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

Maturity date of Class I NO: March 08, 2018

The remaining balance net of transaction costs pending amortization of that Class at September 30, 2016 amounted to \$130,577,915 including interest of \$2,458,753.

## **Generación Frías S.A.**

Free translation from the original prepared in Spanish for publication in Argentina  
**Notes to the Interim Condensed Financial Statements (Cont'd)**

### **NOTE 15: LOANS (Cont'd)**

#### **Loans (Cont'd)**

#### **b) Negotiable obligations (Cont'd)**

##### **Class III Negotiable Obligations:**

**Capital:** nominal value: \$ 160,000,000 (Pesos one hundred and sixty million)

**Intereses:** tasa BADLAR Bancos privados más un margen del 5.6 %

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

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

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

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

The remaining balance net of transaction costs pending amortization of that Class at September 30, 2016 amounted to \$ 169,317,248 including interest of \$ 11,730,354.

#### **c) International issuance of negotiable obligations**

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

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

## **Generación Frías S.A.**

Free translation from the original prepared in Spanish for publication in Argentina  
**Notes to the Interim Condensed Financial Statements (Cont'd)**

### **NOTE 15: LOANS (Cont'd)**

#### **Loans (Cont'd)**

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

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

#### **ON International:**

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

**Interest:** Accrues interest at a fixed rate of 9.625%

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

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

The remaining balance net of transaction costs pending amortization of that negotiable obligation at September 30, 2016 amounted to \$ 106,216,863 including interest of \$ 1,773,647.

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

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

(\*) At the date of these interim condensed financial statements, the syndicated loan has been fully repaid with the proceeds from the issuance of the International Bond disbursed on July 27, 2016. With the extinction of the above-mentioned obligations, the conditions have been met for the release of the guarantees provided thereunder and, at the date of issue of these interim condensed financial statements, the Company is in the process of documenting the necessary formalities for such purpose.



## Generación Frías S.A.

Free translation from the original prepared in Spanish for publication in Argentina  
Notes to the Interim Condensed Financial Statements (Cont'd)

### **NOTE 15: LOANS (Cont'd)**

#### **Loans (Cont'd)**

#### **d) Additional information**

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

	<b>09.30.16</b>	<b>12.31.15</b>
<b>Fixed rate</b>		
Less than 1 year	1,166,278	-
More than 3 years	105,050,585	-
	<b>106,216,863</b>	-
	<b>09.30.16</b>	<b>12.31.15</b>
<b>Floating rate</b>		
Less than 1 year	67,351,249	163,182,254
Between 1 and 2 years	248,461,992	154,251,227
	<b>315,813,241</b>	<b>317,433,481</b>

Company loans are denominated in the following currencies:

	<b>09.30.16</b>	<b>12.31.15</b>
Argentine Pesos	315,813,241	317,433,481
US Dollars	106,216,863	-
	<b>422,030,104</b>	<b>317,433,481</b>

Changes in Company loans for the nine-month period ended September 30, 2016 and 2015 were as follows:

	<b>09.30.16</b>	<b>09.30.15</b>
Loans at beginning	317,433,481	146,650,436
Loans received	451,442,100	104,300,000
Repayment of principal	(349,801,736)	(2,897,100)
Accrued interest	91,862,570	41,213,328
Exchange difference	2,727,900	-
Interest paid	(85,629,573)	(28,912,320)
bank overdrafts	-	3,898,226
Capitalized expenses/present values	(6,004,638)	(4,797,838)
<b>Loans at closing</b>	<b>422,030,104</b>	<b>259,454,732</b>

## Generación Frías S.A.

Free translation from the original prepared in Spanish for publication in Argentina  
Notes to the Interim Condensed Financial Statements (Cont'd)

### **NOTE 16: TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

#### *a) Balances at the date of the interim condensed statements of financial position*

	<u>09.30.16</u>	<u>12.31.15</u>
<b>Other receivables</b>		
Related party – ASA - Capital pending integration	9,765,000	9,765,000
Minority shareholders - Capital pending integration	525,000	525,000
Related party - GMSA (Note 21)	12,791,616	-
	<u>23,081,616</u>	<u>10,290,000</u>
<b>Trade payables</b>		
Related party – BDD	-	10,620
Related party – GMSA	1,210,000	1,000,000
Related party – AJSA	-	991,504
	<u>1,210,000</u>	<u>2,002,124</u>
<b>Other current debts</b>		
Related party – GMSA	7,087,621	2,525,105
	<u>7,087,621</u>	<u>2,525,105</u>

#### *b) Transactions at the date of the interim condensed statements of financial position*

	<u>09.30.16</u>	<u>09.30.15</u>
	<u>Income / (Loss)</u>	
<b>Leases</b>		
RGA	(5,000)	(9,000)
	<u>(5,000)</u>	<u>(9,000)</u>
<b>Reimbursement of expenses</b>		
RGA	-	(3,591)
GMSA	(5,507,676)	(263,002)
GISA (1)	-	(944,294)
	<u>(5,507,676)</u>	<u>(1,210,887)</u>
<b>Sale of spare parts</b>		
GMSA	10,572,050	-
	<u>10,572,050</u>	<u>-</u>

(1) Companies merged with GMSA as from January 1, 2016.

## **Generación Frías S.A.**

Free translation from the original prepared in Spanish for publication in Argentina  
**Notes to the Interim Condensed Financial Statements (Cont'd)**

### **NOTE 17: WORKING CAPITAL**

The Company reports at September 30, 2016 a positive in working capital of \$ 95,901,644 (calculated as current assets less current liabilities), which means an improvement of \$ 209,482,406, compared to the working capital at the annual closing 2015 (deficit \$ 113,580,762 at 12/31/2015).

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

On July 6, 2016, the Company issued Class III Negotiable Obligations for \$ 160 million, payable in 3 quarterly installments as from January 6, 2018, disclosed as non-current liabilities (see Note 15.b).

An International Bond for USD 250 million was issued on July 27, 2016, with GMSA, GFSA and CTR having co-issued 69%, 3% and 28%, respectively. See Note 15.c.

After the commercial authorization of December 5, 2015, the EBITDA at September 30, 2016 amounted to \$ 119,861,270, which shows compliance with objectives and efficiency of the Company's operations.

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

### **NOTE 18: LONG TERM MAINTENANCE SERVICE AGREEMENT**

GFSA and PWPS entered into a global service agreement (Long Term Service Agreement), for the power plant. As set forth in the agreement, PWPS must provide on-site technical assistance on a permanent basis, a remote monitoring system to follow up on the efficient performance of the turbines, 24-hour assistance from the engineering department in the USA, original spare parts in a timely manner and repairs for planned and unplanned maintenance. In addition, GMSA entered into an equipment lease agreement whereby PWPS must make available to GMSA under EXW conditions replacement equipment (Gas Generator/Power Turbine) for 72 hours, in case of unplanned placing of equipment out of service. PWPS thus guarantees availability of not less than ninety five percent (95%) to the Power Plants for a contractual year. Also, the Power Plant has its own repair shop with tools and stocks of spare parts to perform on-site repairs without having to send the equipment to the shop in the USA. The gas turbine equipment can be sent by plane, thus reducing the transportation time.

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

## **Generación Frías S.A.**

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

### **Notes to the Interim Condensed Financial Statements (Cont'd)**

#### **NOTE 19: 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 Company's Board of Directors considers the business -the generation activity and sales of electricity- as a single segment.

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

#### **NOTE 20: STORAGE OF DOCUMENTATION**

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

It is informed that the Company has sent for storage its working papers and non-sensitive information for the not yet statute-barred fiscal years to the following supplier:

Entity responsible for warehousing of information - Domicile

Iron Mountain Argentina S.A. – Av. Amancio Alcorta 2482, C.A.B.A.

Iron Mountain Argentina S.A. – San Miguel de Tucumán 601, Spegazzini, Ezeiza.

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

#### **NOTE 21: PURCHASE OFFER - SALE OF SPARE PARTS WITH GENERACIÓN MEDITERRANEA S.A.**

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

## **Generación Frías S.A.**

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

### **Notes to the Interim Condensed Financial Statements (Cont'd)**

#### **NOTE 22: GASNOR S.A. FRAMEWORK OFFER**

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

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

#### **NOTE 23: GMSA-GFSA MERGER THROUGH ABSORPTION**

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

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

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

## **Generación Frías S.A.**

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

### **Notes to the Interim Condensed Financial Statements (Cont'd)**

#### **NOTE 24: SUBSEQUENT EVENTS**

##### **a) Payment of Capital**

By Board Meeting Minutes dated October 7, 2016, a payment for \$10,290,000 that had remained outstanding was made, therefore the corporate capital has been fully paid up.

##### **b) GMSA – GFSA merger through absorption**

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

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

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

On October 21, 2016, the three-day publication requirement imposed by section 83 of the General Company Law was fulfilled. The term for opposition of creditors has begun thereafter.

#### **NOTE 25: FINANCIAL STATEMENTS TRANSLATION INTO ENGLISH LANGUAGE**

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

**Summary of Activity at September 30, 2016 and 2015**

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

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

Nine-month period ended September 30,

	2016	2015	Var.	Var. %
	MWh			
<b>Sales per type of market</b>				
Sales CAMMESA 220	132,632	-	132,632	100%
	<b>132,632</b>	<b>-</b>	<b>132,632</b>	<b>100%</b>

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

Nine-month period ended September 30,

	2016	2015	Var.	Var. %
	(in thousands of pesos)			
<b>Sales per type of market</b>				
Sales CAMMESA 220	203,617.6	-	203,617.6	100%
	<b>203,617.6</b>	<b>-</b>	<b>203,617.6</b>	<b>100%</b>

**Summary of Activity at September 30, 2016 and 2015**

Results for the period ended September 30 2016 and 2015 (in thousands of pesos)

Nine-month period at

	Nine-month period ended on September 30,		Var.	Var. %
	2016	2015		
Sale of energy	203,617.6		203,617.6	100%
<b>Net sales</b>	<b>203,617.6</b>	<b>-</b>	<b>203,617.6</b>	<b>100%</b>
Cost of purchase of electric energy	(625.5)	-	(625.5)	100%
Cost of gas and gasoil consumption	(79,537.3)	-	(79,537.3)	100%
Salaries and social security contributions	(4,179.3)	-	(4,179.3)	100%
Staff expenses	(24.8)	-	(24.8)	100%
Travel and per diem	(13.3)	-	(13.3)	100%
Insurance	(2,206.4)	-	(2,206.4)	100%
Electricity Service	(97.0)	-	(97.0)	100%
Security and vigilance	(373.2)	-	(373.2)	100%
Maintenance services	(2,597.3)	-	(2,597.3)	100%
Maintenance supplies	(428.8)	-	(428.8)	100%
Third party services	(1,547.0)	-	(1,547.0)	100%
Cleaning	(371.8)	-	(371.8)	100%
Miscellaneous expenses	(281.1)	-	(281.1)	100%
Taxes and rates	(137.7)	-	(137.7)	100%
Communication expenses	(259.9)	-	(259.9)	100%
Depreciation of property, plant and equipment	(21,201.3)	-	(21,201.3)	100%
<b>Cost of sales</b>	<b>(113,881.7)</b>	<b>-</b>	<b>(113,881.7)</b>	<b>100%</b>
<b>Gross income</b>	<b>89,735.9</b>	<b>-</b>	<b>89,735.9</b>	<b>100%</b>
Other income	10,576.1		10,576.1	100%
<b>Other income</b>	<b>10,576.1</b>	<b>-</b>	<b>10,576.1</b>	<b>100%</b>
Professional fees	(909.1)	(530.0)	(379.1)	72%
Connection	-	(22.4)	22.4	(100%)
Taxes and rates	(589.7)	(188.0)	(401.7)	214%
Security and vigilance	-	(640.8)	640.8	(100%)
Leases	(5.0)	(9.0)	4.0	(44%)
Salaries and social security contributions	-	(551.9)	551.9	(100%)
Third party services	-	(60.2)	60.2	(100%)
Depreciation of property, plant and equipment	-	(3.6)	3.6	(100%)
Travel and per diem	-	(237.8)	237.8	(100%)
Insurance	-	(4.8)	4.8	(100%)
Certifications	(126.2)	(63.9)	(62.3)	97%
Miscellaneous expenses	(22.1)	(355.6)	333.5	(94%)
<b>Administrative expenses</b>	<b>(1,652.1)</b>	<b>(2,668.0)</b>	<b>1,015.9</b>	<b>(38%)</b>
<b>Operating income/(loss)</b>	<b>98,659.9</b>	<b>(2,668.0)</b>	<b>101,327.9</b>	<b>(3,798%)</b>



**Summary of Activity at September 30, 2016 and 2015**

Results for the period ended September 30 2016 and 2015 (in thousands of pesos) (Cont'd)

	<b>2016</b>	<b>2015</b>	<b>Var.</b>	<b>Var. %</b>
<b>Operating income/(loss)</b>	<b>98,659.9</b>	<b>(2,668.0)</b>	<b>101,327.9</b>	<b>(3,798%)</b>
Financial costs	(108,142.8)	(15.4)	(108,127.4)	702,126%
Other financial results	(30,643.7)	44.8	(30,688.5)	(68,501%)
<b>Financial result, net:</b>	<b>(138,786.5)</b>	<b>29.4</b>	<b>(138,815.9)</b>	<b>(472,163%)</b>
<b>Income/(Loss) before tax</b>	<b>(40,126.6)</b>	<b>(2,638.6)</b>	<b>62,823.9</b>	<b>(2,381%)</b>
Income tax	14,044.3	981.4	13,062.9	1,331%
<b>(Loss) for the year</b>	<b>(26,082.3)</b>	<b>(1,657.2)</b>	<b>(24,425.1)</b>	<b>1,474%</b>

**Sales:**

Net sales for the fiscal year ended September 30, 2016 reached \$ 203,617.6 thousand, a 100% increase compared with 2015.

On December 5, 2015, the Company obtained authorization to sell on the WEM. The Company entered into an agreement with CAMMESA to supply the WEM with 55.5 MW power. Sales under this modality are denominated in dollars and are paid by CAMMESA under a take or pay clause and the generated surplus is sold to the Spot Market, pursuant to regulations in effect in the WEM administered by CAMMESA.

**Cost of sales**

The total cost of sales for the fiscal year ended September 30, 2016 reached \$ 113,881.7 thousand, reflecting a 100% increase of the negative result due to the start-up of the Power plant.

**Gross profit:**

The gross profit for the fiscal year ended September 30, 2016 reached \$89,735.9 thousand, reflecting a 100% increase due to the start-up of the Power plant.

**Other income**

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

**Administrative expenses**

Total administrative expenses for the period ended September 30, 2016 amounted to \$ 1,652.1 thousand, down 38% from the \$ 2,668 thousand for previous period 2015.

**Summary of Activity at September 30, 2016 and 2015**

The main components of the Company's administrative expenses are as follows:

- (i) \$909.1 thousand in service fees and retributions, representing a \$379.1 thousand increase compared with \$530 thousand in the previous period 2015. This increase is attributed to the new services hired under the project.
- (ii) \$ 589.7 thousand of taxes and rates, which represented a \$ 401.7 increase in comparison with the previous period 2015. This increase is attributed to the payment of rates related to the operations of the business.
- (iii) Expenses relating to connection, security and vigilance, salaries and social security contributions, mobility and travel, third party services, insurance, and depreciation of property, plant and equipment for period 2015 were disclosed as administrative expenses because the Power Plant was not operative. The results for the period September 30, 2016, under these captions were allocated to the corresponding cost of sales.

Financial results

The total financial result for the period ended September 30, 2016 reflected a loss of \$ 138,786.5 thousand, which represents an increase of \$138,815.9 compared to the \$29.4 thousand in the previous period 2015.

The most salient aspects of this variation are described below:

- (i) A loss of \$108,142.8 thousand due to financial expenses, which reflects an increase of \$ 108,127.4 thousand compared with the loss of \$15.4 thousand in fiscal year, as a result of the new bank loans taken out.
- (ii) A loss of \$ 30,643.7 thousand under other financial results, up \$ 30,688.5 thousand compared to the loss of \$ 44.8 thousand in the previous period. This variation is mainly attributed to the devaluation of the peso in December 2015, and its impact on the foreign currency debt.

Net income:

The Company's net result for the period ended September 30, 2016, was a loss before tax of \$ 40,126.6 thousand, which compares with a loss of \$ 2,638.6 thousand in the previous period 2015.

The income tax result was a gain of \$ 14,044.3 thousand for the period year ended September 30, 2016, which compares with a gain of \$ 981.4 thousand in the previous period.

The net result for the period ended September 30, 2016, was a loss of \$ 26,082.3 thousand, which compared with \$ 1,657.2 thousand for the previous period in 2015.

**Summary of Activity at September 30, 2016 and 2015**

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

	09.30.2016	09.30.2015	09.30.2014
Non-current assets	577,274.9	466,804.9	106,400.7
Current Assets	182,125.2	27,555.9	144,644.4
<b>Total Assets</b>	<b>759,400.1</b>	<b>494,360.8</b>	<b>251,045.1</b>
Shareholders' Equity	125,562.4	105,920.3	95,179.1
<b>Total shareholders' equity</b>	<b>125,562.4</b>	<b>105,920.3</b>	<b>95,179.1</b>
Non-Current Liabilities	547,614.2	308,179.0	105,960.9
Current Liabilities	86,223.5	80,261.5	49,905.1
<b>Total Liabilities</b>	<b>633,837.7</b>	<b>388,440.5</b>	<b>155,866.1</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>759,400.1</b>	<b>494,360.8</b>	<b>251,045.1</b>

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

	09.30.2016	09.30.2015	09.30.2014
Operating income/(loss)	98,659.9	(2,668.0)	(1,072.3)
Financial results	(138,786.5)	29.4	(569.2)
<b>Net ordinary Result</b>	<b>(40,126.6)</b>	<b>(2,638.6)</b>	<b>(1,641.5)</b>
Income tax	14,044.3	981.4	520.3
<b>Net (loss):</b>	<b>(26,082.3)</b>	<b>(1,657.2)</b>	<b>(1,121.2)</b>

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

	09.30.2016	09.30.2015	09.30.2014
Funds (used to) / provided by operating activities	34,263.2	(8,574.0)	(2,046.9)
Funds (used to) investment activities	(25,445.6)	(95,839.7)	(82,717.7)
Funds provided by financing activities	16,010.8	100,460.6	191,777.5
<b>NET INCREASE/(DECREASE) IN CASH</b>	<b>24,828.4</b>	<b>(3,953.1)</b>	<b>107,012.9</b>

**Summary of Activity at September 30, 2016 and 2015**

5. Ratios presented comparatively with the previous period:

	09.30.2016	09.30.2015	09.30.2014
Liquidity (1)	2.11	0.34	2.90
Credit standing (2)	0.20	0.27	0.61
Locked-up capital (3)	0.76	0.94	0.42

(1) Current assets / Current liabilities

(2) Equity / Total liabilities

(3) Non-current assets / Total Assets

6. Brief comment regarding the Outlook for Fiscal year 2016:

Operating Sector:

The Company started commercial operations on December 5, 2015. We expect the power generation unit to continue operating under normal conditions according to the dispatch defined by CAMMESA. The main objective is to maintain the high level of plant availability, a fact that ensures the level of profitability of the company. For this purpose, it carried out a plan of comprehensive preventive maintenance of the generating unit which ensures high availability of turbogroup Central.

At the date of these interim condensed financial statements, the stage II of the electromechanical and civil works are being executed, which comprises the construction of an unloading yard for trucks, scales area, office building and base for the gas oil treatment system, among others, which will be finalized during the last quarter of the year.

Financial Sector:

After the commencement of its commercial operations on December 5, 2015, the Company aims at guaranteeing compliance with operating and financial commitments.

It should be noted the placement of Class II Negotiable Obligations for 130 million pesos performed at the beginning of March 2016, within 24 months.

At the date of signing of these interim condensed financial statements, the balance of Class I Negotiable Obligations has been fully paid, through the partial prepayment on July 6, 2016, with the issue of new Class III Negotiable Obligations and subsequent repurchase of the remaining balance. The new issue will be for \$ 160 million for a term of 24 months. With the extinction of the above-mentioned obligations, the conditions have been met for the release of the guarantees provided thereunder and, at the date of issue of these interim condensed financial statements, the Company is in the process of documenting the necessary formalities for such purpose.

**Summary of Activity at September 30, 2016 and 2015**

On July 27, 2016, GMSA, CTR and the Company co-issued an international bond for USD 250 million, maturing in 7 years. The international bond is guaranteed by ASA. From the amount issued, USD 7 million correspond to GFSA, which prepaid the Syndicated Loan and the loan granted by Banco de la Provincia de Buenos Aires. With the extinction of the above-mentioned obligations, the conditions have been met for the release of the guarantees provided thereunder and, at the date of issue of these interim condensed financial statements, the Company is in the process of documenting the necessary formalities for such purpose.

Debt securities issued in this period allowed for a significant improvement in the Company's working capital, reducing the financial cost and extending the average maturity of the financial debt.

**ADDITIONAL INFORMATION REQUIRED BY SECTION 12, CHAPTER III, TITLE IV, OF THE  
NATIONAL SECURITIES COMMISSION REGULATIONS, FOR THE NINE-MONTH PERIOD  
ENDED SEPTEMBER 30, 2016**

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

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

There are none.

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

There are none.

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

	Trade receivables	Other receivables	Trade payables	Loans	Salaries and social security charges	Tax payables and deferred tax liability	Other liabilities
	\$						
To be due							
First quarter	60,078,189	40,438,410	6,700,925	59,101,442	574,406	66,440	7,087,621
Second quarter	-	12,101,803	644,632	3,138,695	-	-	-
Third quarter	-	12,212,326	644,632	3,138,695	-	1,342,754	-
Fourth quarter	-	12,101,801	644,632	3,138,695	-	-	-
More than one year	-	6,160,781	185,812,829	353,512,577	-	8,288,794	-
Subtotal	<b>60,078,189</b>	<b>83,015,121</b>	<b>194,447,650</b>	<b>422,030,104</b>	<b>574,406</b>	<b>9,697,988</b>	<b>7,087,621</b>
Past due	-	-	-	-	-	-	-
Without stated term	-	-	-	-	-	-	-
<b>Total at 09.30.16</b>	<b>60,078,189</b>	<b>83,015,121</b>	<b>194,447,650</b>	<b>422,030,104</b>	<b>574,406</b>	<b>9,697,988</b>	<b>7,087,621</b>
Non-interest bearing	60,078,189	83,015,121	7,677,946		574,406	9,697,988	7,087,621
At fixed rate	-	-	186,769,704	106,216,863	-	-	-
At floating rate	-	-	-	(1) 315,813,241	-	-	-
<b>Total at 09.30.16</b>	<b>60,078,189</b>	<b>83,015,121</b>	<b>194,447,650</b>	<b>422,030,104</b>	<b>574,406</b>	<b>9,697,988</b>	<b>7,087,621</b>

(1) See Note 15 of the interim condensed financial statements at, September 30, 2016.

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

Captions	Type and amount of foreign currency	Exchange rate at closing (1)	Amount recorded at 09.30.16	Amount recorded at 12.31.15
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Trade receivables				
Trade receivables - Resolution 220/07	USD 3,949,914	15.21	60,078,189	10,055,241
<b>Total Current Assets</b>			<b>60,078,189</b>	<b>10,055,241</b>
<b>Total Assets</b>			<b>60,078,189</b>	<b>10,055,241</b>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Trade Paybles				
Trade payables	USD 230,921	15.31	3,535,400	
<b>Loans</b>				
International Bond	USD 76,178	15.31	1,166,278	
<b>Total Current liabilities</b>			<b>4,701,678</b>	
<b>NON-CURRENT LIABILITIES</b>				
Trade Paybles				
Trade payables	USD 12,136,697	15.31	185,812,829	156,482,739
<b>Loans</b>				
International Bond	USD 6,861,566	15.31	105,050,585	-
<b>Total non-current liabilities</b>			<b>290,863,414</b>	<b>156,482,739</b>
<b>Total Liabilities</b>			<b>295,565,092</b>	<b>156,482,739</b>

(1) The exchange rate used is that prevailing at 09.30.16 of Banco Nación for US dollars (USD)

5. General Companies Law

Percentage of participation in intercompany:

There are no participations in intercompany.

Accounts payable and receivable with intercompany

See Note 16 to the interim condensed financial statements at, September 30, 2016.

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

There are none.

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

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

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

Current values

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

See Note 4 to the financial statements at December 31, 2015.

Property, plant and equipment

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

There are none.

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

There are none.

Equity interest in other companies

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

There are none.

Recoverable values

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

See Note 4 to the financial statements at December 31, 2015.



## Insurance

### 13. Insured items:

Kind of risk	Insured amount 2016	Insured amount 2015
Operational all risks - Material damage	USD 39,607,776	USD 39,607,776
Operational all risks - Loss of profit	USD 18,746,292	USD 18,746,292
Civil Liability (primary)	USD 1,000,000	USD 1,000,000
Civil Liability (excess coverage)	USD 9,000,000	USD 10,000,000
Civil liability of Directors and Executives (D&O)	USD 15,000,000	USD 15,000,000
Transport insurance, Argentine and international market	USD 10,000,000	USD 10,000,000
Directors' bond	\$ 450,000	\$ 450,000
Customs bond	-	\$ 73,570,298
Technical equipment insurance	USD 64,804	-
Life insurance - mandatory life insurance	\$ 33,330	\$ 20,000
Life - group life insurance (LCT, employment contract law)	Disability 1 salary per year Death 1/2 salary per year	Disability 1 salary per year Death 1/2 salary per year
Life - Additional group life insurance	24 salaries	24 salaries

### Operational all risk:

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

### Civil liability:

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

They are structured as follows:

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

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

**Directors and Officers (D&O) Liability Insurance**

This insurance policy covers all actions or decisions made by directors and/or officers while serving on the board of directors and/or as an officer of a company, for example, dismissals of employees, contracts, financial, advertising and marketing decisions, mergers or acquisitions, shareholders' declarations, accounting entries, whether by negligence, fault, error, ignorance or imprudence, causing economic damages to an employee, shareholder or a third party. It does not cover fraudulent activities.

The policy also provides coverage to the company against claims related to stocks or securities or claims filed by the holders of its shares or bonds.

It covers Directors' and/or Officers' present, past or future personal assets, and the company against the capital market.

**Transport insurance:**

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

**Customs Guarantees:**

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

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

**Directors' bond:**

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

**Mandatory life insurance:**

Mandatory life insurance is a coverage that the employer has mandatorily to take out on behalf of its employees. It covers the risk of death of worker on an employment relationship, for any cause, without limitations of any kind, 24 hours a day, in or outside the country.

The insured amount is \$ 33,330, as established by the National Insurance Superintendency.

**Life insurance (LCT, employment contract Law):**

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

**Group Life insurance:**

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

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

**Positive and negative contingencies**

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

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

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

The following have been set up:

- a) Allowances deducted from assets:

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

- b) Provisions carried under liabilities:

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

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

There are none.

**Irrevocable contributions on account of the future subscription of shares**

16. Status of the procedure for its capitalization.

There are none.

17. Unpaid cumulative dividends on preferred shares.

There are none.

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

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

See Note 13 to the financial statements at December 31, 2015.



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

## **REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS**

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

### **Introduction**

We have reviewed the accompanying interim condensed financial statements of Generación Frías S.A. (hereinafter, "the Company") which comprise the statement of financial position at September 30, 2016, the statement of comprehensive income for the nine and three-month period ended September 30, 2016, the statements of changes in equity and of cash flows for the nine-month period then ended, and the selected explanatory notes.

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

### **Board's responsibility**

The Board of Directors of the Company is responsible for the preparation and presentation of the financial statements in accordance with International Financial Reporting Standards, adopted by the Argentine Federation of Professional Councils in Economic Sciences (FACPCE) as professional accounting standards and included by the National Securities Commission (CNV) in its regulations, as approved by the International Accounting Standards Board (IASB), and is therefore responsible for the preparation and presentation of the interim condensed financial statements mentioned in the first paragraph, in accordance with International Accounting Standard 34 "Interim Financial Information" (IAS 34).

### **Scope of our review**

Our review was limited to the application of the procedures established by International Standards on Review Engagements (ISRE) 2410 "Review of the interim financial information performed by the independent auditor of the entity", adopted as a review standard in Argentina through Technical Pronouncement No. 33 of the FACPCE, as approved by the International Auditing and Assurance Standards Board (IAASB). A review of interim financial information consists of making inquiries of the Company's personnel responsible for preparing the information included in the interim condensed financial statements and performing analytical and other review procedures. This review is substantially less in scope than an audit examination conducted in accordance with international standards on auditing and consequently it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the financial position, the comprehensive income and the cash flows of the Company.

---

*Price Waterhouse & Co. S.R.L., Bouchard 557, piso 8°, C1106ABG - Ciudad de Buenos Aires*  
T: +(54.11) 4850.0000, F: +(54.11) 4850.1800, [www.pwc.com/ar](http://www.pwc.com/ar)



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

### **Conclusion**

On the basis of our review, nothing has come to our attention that causes us to believe that the interim condensed financial statements mentioned in the first paragraph of this report have not been prepared, in all material respects, in accordance with International Accounting Standard 34.

### **Report on compliance with regulations in force**

In accordance with current regulations, we report that:

- a) the interim condensed financial statements of the Company are transcribed into the "Inventory and Balance Sheet" book and as regards those matters that are within our competence, they comply with the provisions of the General Companies Law and pertinent resolutions of the National Securities Commission;
- b) the interim condensed financial statements of the Company stem from accounting records kept in all formal respects in conformity with legal regulations;
- c) we have read the summary of activity and the additional information to the notes to the interim condensed financial statements required by Section 12, Chapter III, Title IV, of the National Securities Commission regulations, on which we have no observations to make insofar as concerns matters within our field of competence;
- d) at 30 September, 2016 the debt accrued by Generación Frías S.A. in favor of the Argentine Integrated Social Security System according to the Company's accounting records amounted to \$ 134,885, none of which was claimable at that date

Autonomous City of Buenos Aires, November 11, 2016

PRICE WATERHOUSE & CO. S.R.L.

  
Carlos Horacio Rivarola  
(Partner)

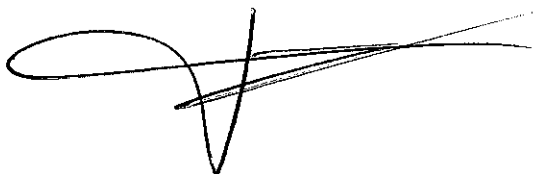
## **Report of the Syndics' Committee**

To the Shareholders of  
Generación Frías S.A.

1. Pursuant to the provisions of section 294 of the Law 19550 and National Securities Commission regulations, we have reviewed the accompanying interim condensed financial statements of Generación Frías S.A. (hereinafter, "the Company") which comprise the statement of financial position at September 30, 2016, the statement of comprehensive income for the nine-month period ended September 30, 2016, the statements of changes in equity and of cash flows for the nine-month period then ended, and the selected explanatory notes. The balances and other information corresponding to the fiscal year 2015 are an integral part of the financial statements mentioned above; therefore, they must be considered in connection with these financial statements.

2. The Board of Directors of the Company is responsible for the preparation and presentation of the financial statements in accordance with International Financial Reporting Standards, adopted by the Argentine Federation of Professional Councils in Economic Sciences (FACPCE) as professional accounting standards and included by the National Securities Commission (CNV) in its regulations, as approved by the International Accounting Standards Board (IASB), and is therefore responsible for the preparation and presentation of the interim condensed financial statements mentioned in paragraph 1, in accordance with International Accounting Standard 34 "Interim Financial Information" (IAS 34). Our responsibility is to express a conclusion based on the review performed with the scope detailed in paragraph 3.

3. Our review was carried out in accordance with standards applicable to syndics. Those standards require that the procedures established in Technical Pronouncement No. 33 of the Argentina Federation of Professional Councils in Economic Sciences for limited reviews of interim financial statements be performed, and include verifying the consistency of the documents reviewed with the information on corporate decisions disclosed in minutes and the conformity of those decisions to the law and by-laws insofar as concerns formal and documentary aspects. To fulfill our professional duties, we have reviewed the work done by the external auditors, Price Waterhouse & Co. S.R.L., who issued their unqualified review report on the interim condensed financial statements on November 11, 2016. A review of interim financial information consists of making inquiries of the Company's personnel responsible for preparing the information included in the interim condensed financial statements and performing analytical and other review procedures. This review is substantially less in scope than an audit examination conducted in accordance with international standards on auditing and consequently it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the financial position, the comprehensive income and the cash flows of the Company. We have not assessed the administrative, financing, marketing or operating business criteria as these matters fall within the exclusive competence of the Board of Directors and Shareholders' meeting.

A handwritten signature in black ink, consisting of a large, stylized loop followed by a series of horizontal strokes and a vertical line crossing them.

4. As indicated in Note 3, the interim condensed financial statements mentioned in paragraph 1 have been prepared in accordance with International Accounting Standard 34.

5. Based on our review, we are not aware of any significant modification to be introduced to the interim condensed financial statements mentioned in paragraph 1, for their presentation in accordance with the pertinent regulations of Law No. 19550, the National Securities Commission and standards mentioned in paragraph 2.

6. The provisions of Section 294 of the Law No. 19550 have been duly fulfilled.

Autonomous City of Buenos Aires, November 11, 2016

A large, stylized handwritten signature in black ink, consisting of several sweeping loops and a long horizontal stroke extending to the right.

Marcelo P. Lerner  
Full Syndic  
For the Syndics' Committee