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**Albanesi S.A. and Central Térmica Roca S.A.**

**Combined Financial Statements**

At December 31, 2017 and 2016

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# **Albanesi S.A. and Central Térmica Roca S.A.**

## **COMBINED FINANCIAL STATEMENTS**

**AT DECEMBER 31, 2017 and 2016**

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## GLOSSARY OF TECHNICAL TERMS

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

<b>Terms</b>	<b>Definitions</b>
/day	Per day
AESA	Albanesi Energía S.A.
AFIP	Federal Administration of Public Revenue
AFSA	Albanesi Fuegoína S.A.
AISA	Albanesi Inversora S.A.
AJSA	Alba Jet S.A.
ASA	Albanesi S.A.
AVRC	Alto Valle Río Colorado S.A.
AVSA	Albanesi Venezuela S.A.
BADCOR	Adjusted BADLAR rate
BADLAR	Interest rates paid by financial institutions on their time deposits for over one million pesos.
BCRA	Argentine Central Bank
BDD	Bodega del Desierto S.A.
CAMMESA	Compañía Administradora del Mercado Mayorista Eléctrico S.A.
CC	Combined cycle
IFRIC	International Financial Reporting Interpretations Committee
CNV	National Securities Commission
CTE	Central Térmica Ezeiza (Ezeiza Thermal Power Plant) located in Ezeiza, Buenos Aires.
CTI	Central Térmica Independencia (Independencia Thermal Power Plant) located in San Miguel de Tucumán, Tucumán (merged with GMSA)
CTLB	Central Térmica La Banda (La Banda Thermal Power Plant) located in La Banda, Santiago del Estero (merged with GMSA)
CTMM	Central Térmica Modesto Maranzana (MM Power Plant) located in Río Cuarto, Córdoba
CTR	Central Térmica Roca S.A.
CTRi	Central Térmica Riojana (Riojana Thermal Power Plant) located in La Rioja, La Rioja (merged with GMSA)
CVP	Variable Production Cost
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 No. 1281/06
ENRE	National Electricity Regulatory Authority
EPEC	Empresa Provincial de Energía de Córdoba
FACPCE	Argentine Federation of Professional Councils in Economic Sciences
FONINVEMEM	Fund for investments required to increase the electric power supply in the WEM
GE	General Electric

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

<b>Terms</b>	<b>Definitions</b>
GFSa	Generación Frías S.A.
GISA	Generación Independencia S.A.
GLBSA	Generación La Banda S.A.
GLSA	Generación Litoral S.A.
GMSA	Generación Mediterránea S.A.
Large Users	WEM agents classified according to their consumption into: GUMAs, GUMEs, GUPAs and GUDIs
GRISA	Generación Riojana S.A.
GROSA	Generación Rosario S.A.
GUDIs	Large Demand from Distributors, with declared or demanded supplies of over 300kW
GUMAs	Major Large Users
GUMEs	Minor Large Users
GUPAs	Large Users - Individuals
GW	Gigawatt. Unit of power equivalent to 1,000,000,000 watts
GWh	Gigawatt-hour Unit of energy equivalent to 1,000,000,000 watts hour
IASB	International Accounting Standards Board
IGJ	Superintendency of Commercial Companies
INDEC	National Institute of Statistics and Census
kV	Kilovolt Unit of electromotive force which is equal to 1,000 (one thousand) volts
kW	Kilowatt Unit of power equivalent to 1,000 watts
kWh	Kilowatt-hour Unit of energy equivalent to 1,000 watts hour
LGS	General Companies Law
LVFVD	Sales liquidations with maturity date to be defined
MAT	Futures market
MAPRO	Major Scheduled Maintenance
MEM	Wholesale Electric Market
MMm3	Million cubic meters
MW	Megawatt Unit of power equivalent to 1,000,000 watts
MWh	Megawatt hour Unit of energy equivalent to 1,000,000 watts hour
MVA	Mega-volt ampere, unit of energy equivalent to 1 volt x 1 ampere x 10 <sup>6</sup>
ARG GAAP	Argentine Generally Accepted Accounting Principles
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
ON	Negotiable Obligations
PWPS	Pratt & Whitney Power System Inc
Resolution No. 220/07	Regulatory framework for the sale of energy to CAMMESA through the "WEM Supply Contracts" under Energy Secretariat Resolution No. 220/07
RG	General Resolution
RGA	Rafael G. Albanesi S.A.
RT	Technical Pronouncements
TRASNOA S.A.	Empresa de Transporte de Energía Eléctrica por Distribución Troncal del Noroeste Argentino S.A.
SADI	Argentine Interconnection System
SE	Energy Secretariat
CGU	Cash Generating Unit

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**Albanesi S.A. and Central Térmica Roca S.A.**

**Combined Statement of Financial Position**

At December 31, 2017 and 2016

Stated in pesos

	Note	12.31.2017	12.31.2016
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	13,636,763,620	6,695,498,090
Investments in associates	9	373,737,083	293,807,569
Other investments		129,861	129,861
Deferred tax assets	23	11,565,410	1,497,552
Other receivables	11	97,690,839	85,573,497
Trade receivables, net	12	1,698,757	130,234,824
<b>Total non-current assets</b>		<b>14,121,585,570</b>	<b>7,206,741,393</b>
<b>CURRENT ASSETS</b>			
Inventories	10	76,790,651	31,358,120
Other receivables	11	1,292,625,137	1,618,092,243
Trade receivables, net	12	1,494,216,231	744,047,408
Other financial assets at fair value through profit and loss	13	39,308,364	231,727,629
Cash and cash equivalents	14	195,523,140	948,307,610
<b>Total Current Assets</b>		<b>3,098,463,523</b>	<b>3,573,533,010</b>
<b>Total Assets</b>		<b>17,220,049,093</b>	<b>10,780,274,403</b>

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

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## Albanesi S.A. and Central Térmica Roca S.A.

### Combined Statement of Financial Position (Cont'd)

At December 31, 2017 and 2016

Stated in pesos

	Note	12.31.2017	12.31.2016
<b>EQUITY</b>			
Share Capital	15	135,525,630	135,525,630
Legal reserve		5,146,847	2,005,413
Optional reserve		114,892,363	526,539
Technical revaluation reserve		2,551,835,229	2,103,787,253
Other comprehensive income		(4,636,682)	(3,397,653)
Unappropriated retained earnings		437,122,996	112,718,645
<b>Equity attributable to the owners</b>		<b>3,239,886,383</b>	<b>2,351,165,827</b>
Non-controlling interest		134,570,782	100,629,273
<b>Total equity</b>		<b>3,374,457,165</b>	<b>2,451,795,100</b>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Provisions	20	7,405,069	9,135,552
Deferred tax liabilities	23	991,048,858	1,121,008,016
Other liabilities	18	2,516,454	-
Defined benefit plan	24	11,467,462	5,173,822
Loans	19	9,109,193,697	5,640,657,081
Trade payables	17	783,012,955	444,542,066
<b>Total non-current liabilities</b>		<b>10,904,644,495</b>	<b>7,220,516,537</b>
<b>CURRENT LIABILITIES</b>			
Other liabilities	18	283,239,639	89,630,540
Salaries and social security liabilities	21	17,422,741	9,238,975
Defined benefit plan	24	97,837	3,250,194
Loans	19	926,981,290	544,450,456
Derivative financial instruments		-	2,175,000
Current income tax, net		9,426,369	2,649,551
Tax payables	22	33,243,598	33,012,416
Trade payables	17	1,670,535,959	423,555,634
<b>Total current liabilities</b>		<b>2,940,947,433</b>	<b>1,107,962,766</b>
<b>Total Liabilities</b>		<b>13,845,591,928</b>	<b>8,328,479,303</b>
<b>Total Liabilities and Equity</b>		<b>17,220,049,093</b>	<b>10,780,274,403</b>

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

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## Albanesi S.A. and Central Térmica Roca S.A.

### Combined Statement of Comprehensive Income

For the years ended December 31, 2017 and 2016

Stated in pesos

	Note	Fiscal year ended	
		12.31.2017	12.31.2016
Sale revenues	26	3,143,786,678	2,969,350,728
Cost of sales	27	(1,763,131,457)	(2,065,393,716)
<b>Gross income</b>		<b>1,380,655,221</b>	<b>903,957,012</b>
Selling expenses	28	9,974,131	(23,349,075)
Administrative expenses	29	(119,413,910)	(59,324,045)
Loss from interests in associates	9	(6,983,485)	(2,475,883)
Other operating income	30	16,157,343	10,500,560
<b>Operating income</b>		<b>1,280,389,300</b>	<b>829,308,569</b>
Financial income	31	93,968,165	71,769,507
Financial expenses	31	(540,134,401)	(481,499,792)
Other financial results	31	(409,338,067)	(169,944,015)
<b>Financial results, net</b>		<b>(855,504,303)</b>	<b>(579,674,300)</b>
<b>Income before taxes</b>		<b>424,884,997</b>	<b>249,634,269</b>
Income tax	23	(109,451,121)	(126,636,775)
<b>Income for the fiscal year</b>		<b>315,433,876</b>	<b>122,997,494</b>
<b>Other Comprehensive Income</b>			
<i>Items to be reclassified into income/loss</i>			
Translation difference		-	(33,801)
<i>Items not reclassified into income/loss</i>			
Income related to defined benefit plans		(1,005,351)	(2,919,332)
Impact on income tax		(70,640,587)	(351,083,863)
<b>Other comprehensive income for the fiscal year</b>		<b>607,203,189</b>	<b>708,026,382</b>
<b>Comprehensive income for fiscal the year</b>		<b>922,637,065</b>	<b>831,023,876</b>
<b>Income for the fiscal year attributable to:</b>			
Owners of the Group		299,004,565	118,547,211
Non-controlling interest		16,429,311	4,450,283

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

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**Albanesi S.A. and Central Térmica Roca S.A.**  
**Combined Statement of Comprehensive Income (Cont'd)**

		<b>Fiscal year ended</b>	
	<b>Note</b>	<b>12.31.2017</b>	<b>12.31.2016</b>
<b>Comprehensive income for the fiscal year attributable to:</b>			
Owners of the Group		888,720,556	798,510,436
Non-controlling interest		33,916,509	2,513,440
<b>Earnings per share attributable to the owners of the Group</b>			
Basic and diluted earnings per share	<b>32</b>	2.21	0.97

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



## Albanesi S.A. and Central Térmica Roca S.A.

### Combined Statement of Changes in Equity For the fiscal years ended December 31, 2017 and 2016 Stated in pesos

Share Capital	Attributable to Shareholders										Non-controlling interest	Total equity
	Retained earnings		Technical revaluation reserve	Translation reserve	Other comprehensive income	Unappropriated retained earnings	Sub-total	Total		Non-controlling interest		
	Legal reserve	Optional reserve						Legal reserve	Optional reserve			
77,525,630	62,505	526,539	589,044	1,492,035,429	(2,857,973)	(1,594,964)	(29,846,948)	1,535,850,218	69,175,833	1,605,026,051	58,000,000	1,663,026,051
58,000,000	-	-	-	-	-	-	-	58,000,000	-	-	-	58,000,000
-	1,942,908	-	1,942,908	-	-	-	(1,942,908)	-	-	-	-	-
-	-	-	-	-	-	-	(41,194,827)	(41,194,827)	-	-	-	(41,194,827)
-	-	-	-	-	-	-	-	-	-	(1,085,000)	25,000	(1,085,000)
-	-	-	-	(67,156,117)	-	-	67,156,117	-	-	-	-	-
-	-	-	-	678,907,941	2,857,973	(1,802,689)	118,547,211	679,963,225	28,063,157	708,026,382	4,450,283	712,476,665
-	-	-	-	2,103,787,253	-	(3,397,653)	112,718,645	2,351,165,827	100,629,273	2,451,795,100	-	2,451,795,100
135,525,630	2,005,413	526,539	2,531,952	2,103,787,253	-	(3,397,653)	112,718,645	2,351,165,827	100,629,273	2,451,795,100	-	2,451,795,100
-	2,438,532	-	2,438,532	-	-	-	(2,438,532)	-	-	-	-	-
-	-	101,010,691	101,010,691	-	-	-	(101,010,691)	-	-	-	-	-
-	702,902	-	702,902	-	-	-	(702,902)	-	-	-	-	-
-	-	13,355,133	13,355,133	-	-	-	(13,355,133)	-	-	-	25,000	25,000
-	-	-	-	(142,907,044)	-	-	142,907,044	-	-	-	-	-
-	-	-	-	590,935,020	-	(1,239,029)	299,004,565	589,715,991	17,487,198	607,203,189	16,429,311	623,632,500
-	-	-	-	2,551,835,229	-	(4,636,682)	437,122,996	3,239,886,383	134,570,782	3,374,457,165	-	3,374,457,165
135,525,630	5,146,847	114,892,363	120,039,210	2,551,835,229	-	(4,636,682)	437,122,996	3,239,886,383	134,570,782	3,374,457,165	-	3,374,457,165

Balances at December 31, 2015  
Capital increase as per Minutes of Shareholders' Meeting dated March 22, 2016

As resolved by Ordinary Shareholders' Meeting held on April 20, 2016:

- Legal reserve
- Distribution of dividends
- Dividends attributable to the non-controlling interest
- Contributions from non-controlling interest
- Reversal of technical revaluation reserve
- Other comprehensive income for the year
- Net income for the year

Balances at December 31, 2016

As resolved by Ordinary Shareholders' Meeting held April 18, 2017:

- Legal reserve
- Optional reserve

As resolved by Ordinary Shareholders' Meeting held on April 30, 2017:

- Legal reserve
- Optional reserve
- Contributions from non-controlling interest
- Reversal of technical revaluation reserve
- Other comprehensive income for the year
- Net income for the year

Balances at December 31, 2017

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

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## Albanesi S.A. and Central Térmica Roca S.A.

### Combined Statement of Cash Flows

For the fiscal years ended December 31, 2017 and 2016

Stated in pesos

	Notes	12.31.2017	12.31.2016
<b>Cash flow from operating activities:</b>			
Net income for the year		315,433,876	122,997,494
<b>Adjustments to arrive at net cash flows provided by operating activities:</b>			
Income tax		109,451,121	126,636,775
Loss from investments in associates	9	6,983,485	2,475,883
Depreciation of property, plant and equipment	7 and 27	340,106,776	206,969,647
Provision for Directors' fees		35,651,766	-
Fair value of receivables and debts		6,366,250	(7,153,738)
Decrease in provisions	20	(1,730,483)	(813,944)
Bad debts		(76,869)	3,846,924
Accrual of benefit plans	24	365,922	494,142
Interest, exchange differences and other financial results		933,376,983	354,192,029
Income/(Loss) from the sale of property, plant and equipment		(12,909,670)	4,063,150
Income from changes in the fair value of financial instruments	31	(102,015,811)	(143,948,786)
<b>Changes in operating assets and liabilities:</b>			
(Increase) in trade receivables		(272,138,865)	(399,212,151)
(Increase) in other receivables (1)		(769,525,943)	(1,315,192,017)
(Increase) in inventories		(30,410,096)	(15,460,898)
(Decrease) / Increase in trade payables		(511,381,928)	279,424,696
Increase / (Decrease) in other liabilities		186,257,067	(102,661,073)
(Decrease) / Increase in social security charges and taxes		(18,262,116)	10,439,551
<b>Cash flows provided by / (used in) operating activities</b>		<b>212,147,686</b>	<b>(874,604,525)</b>
<b>Cash flow from investment activities:</b>			
Dividends received		5,880,000	-
Payments for the acquisition of property, plant and equipment	7	(2,828,755,248)	(1,479,096,946)
Collection of financial instruments		30,561,074	7,403,600
Payment of derivative financial instruments		(2,175,000)	-
Acquisition of government securities		(15,579,000)	(25,148,121)
Redemption and subscription of mutual funds		205,596,041	49,677,283
Loans granted		(30,918,956)	(77,343,215)
Collection from the sale of property, plant and equipment		17,304,288	-
<b>Cash flows (used in) investment activities</b>		<b>(2,618,086,801)</b>	<b>(1,524,507,399)</b>
<b>Cash flow from financing activities:</b>			
Contribution from minority shareholders		25,000	25,000
Dividends paid by subsidiaries to minority shareholders		-	(1,085,000)
Payment of loans	19	(3,905,602,705)	(2,525,311,368)
Payment of interest	19	(910,270,272)	(409,571,035)
Borrowings	19	6,394,408,478	6,294,246,216
<b>Cash flow generated by financing activities</b>		<b>1,578,560,501</b>	<b>3,358,303,813</b>
<b>(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(827,378,614)</b>	<b>959,191,889</b>
Cash and cash equivalents at the beginning of the fiscal year		933,649,746	(17,796,332)
Financial results of cash and cash equivalents at the end of the fiscal year		89,252,008	(7,745,811)
Cash, cash equivalents at the fiscal year end	14	195,523,140	933,649,746
		<b>(827,378,614)</b>	<b>959,191,889</b>

- (1) It includes advances to suppliers for the purchase of property, plant and equipment for \$ 240,021,478 at December 31, 2017 and \$ 1,060,168,645 at December 31, 2016.

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**Albanesi S.A. and Central Térmica Roca S.A.**  
**Combined Statement of Cash Flows (Cont'd)**

	<u>Notes</u>	<u>12.31.2017</u>	<u>12.31.2016</u>
<b>Significant transactions not entailing changes in cash:</b>			
Acquisition of property, plant and equipment financed by entities	7	-	(31,231,087)
Acquisition of property, plant and equipment not yet paid to suppliers	7	(1,405,973,831)	(8,567,913)
Advance to suppliers applied to the purchase of property, plant and equipment	7	(1,069,559,536)	-
Financial costs capitalized in property, plant and equipment	7	(1,727,134,353)	(591,551,809)
Other comprehensive income for the year		293,483,943	708,026,382
Transfers of property, plant and equipment to inventories		15,022,435	-
Offset capital increase		-	(58,000,000)
Dividends offset against receivables		-	41,669,827
Issuance of Negotiable Obligations paid up in kind	19	(904,363,960)	-
Assignment of credits with directors to RGA		-	-
Assignment of credits with directors to RGA	33	(20,785,080)	-

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

## **Albanesi S.A. and Central Térmica Roca S.A.**

### **Notes to the Combined Financial Statements**

For the fiscal years ended December 31, 2017 and 2016

Stated in pesos

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

These combined financial statements comprise the combination of the combined financial statements of Albanesi S.A. and its subsidiaries and Central Térmica Roca S.A. (jointly, the “Group”). The scope of the combination is described in Note 3. These combined financial statements have been prepared under the responsibility of the Group Management considering the context of a debt issue transaction.

The Group is one of the main operators within the electric power generation segment in Argentina in terms of MW of installed capacity. It operates nine power plants located in various provinces of Argentina, being the owner of eight of them (including the generation plant of Solalban, where it owns 42%) whereas one of the plants is operated through a long-term lease agreement. Albanesi Group had at the date these combined financial statements were signed a total installed capacity of 1,410 MW, representing 6.2% of the total installed thermoelectric capacity in Argentina, it being expanded with additional 435 MW with all the new projects awarded and currently under way. All power plants of the Group are dual fuel plants and can be fed with natural gas as well as gas oil (or fuel oil in one of them).

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

As a result of the merger, the power plants CTI, CTRi and CTLB owned by the merged companies have been transferred to GMSA (see Note 40.1).

Furthermore, in 2016 GMSA (the merging and continuing company) absorbed GFSA as part of a merger process. On November 15, 2016, a final merger agreement was signed which established as effective date of the merger January 1, 2017. The merger was approved by the CNV on March 2, 2017 and registered with the Superintendency of Commercial Companies on March 17, 2017 (See Note 40.2).

In 2017 ASA (merging and continuing company) has been part of a merger process in which AISA was merged. The final merger agreement was signed on November 21, 2017, which established as effective date of the merger January 1, 2018. The merger was approved by the CNV on January 11, 2018 and is pending registration with the Superintendency of Commercial Companies. At the date of issue of these combined financial statements neither ASA nor AISA received a notification that confirms their registration with such Agency. (See Note 40.3).

In 2015, ASA entered the capital markets. On November 20, 2015, it obtained authorization to enter the public offering system and create a program of Simple Negotiable Obligations (not convertible into shares) of up to USD 100,000,000 or its equivalent in other currencies, in one or more classes or series. Thus, the Company issued Class I Negotiable Obligations for \$ 70 million on December 29, 2015; Class II Negotiable Obligations for \$ 220 million on October 25, 2016; and Class III Negotiable Obligations for \$ 256 million on June 15, 2017.

On July 7, 2016, under CNV Resolution No. 18110, GMSA, GFSA and CTR obtained authorization for the co-issuance in the domestic and international markets of simple guaranteed unsubordinated negotiable obligations, not convertible for shares. On July 27, 2016, Negotiable Obligations were issued for USD 250 million and on December 5, 2017 additional Negotiable Obligations for USD 86 million were issued, both falling due on July 27, 2013. Both issuances are unconditionally and fully guaranteed by ASA.

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

## **Albanesi S.A. and Central Térmica Roca S.A.**

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

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

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

#### **Central Térmica Modesto Maranzana**

GMSA is the owner of Central Térmica Modesto Maranzana ("CTMM"), located in Río Cuarto, Province of Córdoba. The Power Plant originally had a combined cycle in operation with a capacity of 70 MW, in two blocks of 35 MW each, and each block with a Frame Gas Turbine 5, a Generator and a Steam Turbine in a single axis system.

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

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

On March 28, 2016, GMSA signed an agreement with Siemens Industrial Turbomachinery AB for CTMM for the provision and assembly of two Siemens SGT-800 turbines of 50MW nominal each. This enlargement agreement falls within the scope of ES Resolution No. 220/07, 220/07. On July 6, 2017, the two Siemens SGT-800 turbines were put into commercial operation in the WEM. Thus, the Power Plant's installed capacity has increased from 250 MW to 350 MW.

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

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

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

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

**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

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

**Central Térmica Independencia**

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

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

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

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

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

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

**Central Térmica Riojana**

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

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

**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

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

**Central Térmica La Banda**

Central Térmica La Banda (CTLB) is located in the Province of Santiago del Estero, and currently has two Turbine generator sets: one 16 MW Fiat TG21, and one 16 MW Fiat TG22.

**Central Térmica Frías**

Central Térmica Frías (CTF) is located in the province of Santiago del Estero and has currently 60 MW of nominal thermal power generation capacity through one turbine with PWPS technology which consist of two gas turbines which transmit their mechanical power to only one generator of 60 MW. The functioning of this machine consists in transforming the chemical energy of the fuel (either liquid or gas, injected into the combustion chambers) into mechanical energy; this is transmitted to the generator, which in turn performs a conversion into electricity.

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

**Central Térmica Ezeiza**

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

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

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

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

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

**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

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

**Central Térmica Ezeiza (Cont'd)**

GMSA participated in the invitation and was awarded with two projects for the closure of the combined cycle through SEE Resolution No. 926 – E/2017.

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

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

This project was awarded by SEE Resolution No. 926 - E/2017 on October 17, 2017 and is expected to become operative in mid-2020. GMSA and CAMMESA signed the Wholesale Demand contract on December 14, 2017.

**Co-generation Project Arroyo Seco**

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

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

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

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



**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

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

**Central Térmica Sorrento**

Central Térmica Sorrento is a thermal power plant located in Rosario, province of Santa Fe, and delivers a capacity of 135 MW to the system. This capacity comprises an Ansaldo steam turbine capable of operating simultaneously with gas and fuel oil, and can be supplied by ship at the plant's port and docking facility.

**Central Térmica Roca**

In 2011 Grupo Albanesi, through CTR acquired a power plant (the "Plant") located in the outskirts of the city of General Roca, province of Río Negro, on Provincial Road No. 6, km 11.1, which was unavailable since 2009.

The Plant, built in 1995, is equipped with an open cycle generation unit with EGT technology (European Gas Turbines) and has a nominal power of 130 MW. In fiscal year 2012 the first stage of repair and reconditioning was completed, and the Plant was authorized for commercial operation by the end of June 2012. In late June 2013 the second stage was completed, which consisted in the conditioning and modification of facilities and infrastructure for the purposes of the conversion to dual fuel, permitting feed of the turbo generator with alternative fuel (diesel).

CTR is developing a project to close the Power Plant cycle, which means expanding the current capacity by 60 MW with the installation of a steam turbine, a boiler and other equipment. Not only will this project increase power but will also be significant in environmental and energy efficiency terms, as the extra power to be generated will not require additional fuel.

CTR entered into a new WEM Supply Contract with CAMMESA for 55 MW in October 2015, under Energy Secretariat Resolution 220/07.

This project will require an investment of approximately 102 million dollars (with VAT). At the date these combined financial statements were signed, the total hired was 98.2%, USD 75 million of which have already been invested.

Its placing into operation is scheduled for the first half of 2018.

**NOTE 2: REGULATORY ASPECTS RELATED TO ELECTRICITY GENERATION**

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

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

It provides that the existing energy sold on the Spot Market follows these priorities:

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

**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

**NOTE 2: REGULATORY FRAMEWORKS APPLICABLE TO ELECTRICITY GENERATION (Cont'd)**

a) Regulations on Energía Plus, Resolution No. 1281/06 (Cont'd)

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

Regulations establish that:

- Large Users with demand over 300 KW ("GU300") will be authorized to enter into contract for their demand of electricity in the forward market with the generating agents existing in the WEM at the moment, only for the electricity consumption in 2005 ("Basic Demand").
- The electricity consumed by GU300 above their Basic Demand must be supplied by new generation (Energía Plus) and contracted at a price agreed upon by the parties. This may not exceed 50% of the actual demand.
- New Agents entering the system must contract 50% of their total demand under the Energía Plus service, under the conditions described above.

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

b) WEM Supply Contracts (Resolution No. 220/07)

In January 2007, the Energy Secretariat adopted Resolution No. 220/07 authorizing the execution of Supply Contracts between the WEM and additional offers of available generation and associated energy submitted by generating, co-generating or self-generating agents which, at the date of publication of the said resolution are not WEM agents or do not have the generation facilities to be agreed under these commercially authorized offers, or are not interconnected with WEM at that date. In this regard, the execution of Supply Contracts was foreseen as another way to generate incentives for the development of additional energy projects.

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

Sales under this modality are denominated in dollars and are paid by CAMMESA under a take or pay clause and the generated surplus is sold to the Spot Market, pursuant to regulations in effect in the WEM administered by CAMMESA.

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

## Albanesi S.A. and Central Térmica Roca S.A.

### Notes to the Combined Financial Statements (Cont'd)

#### **NOTE 2: REGULATORY FRAMEWORKS APPLICABLE TO ELECTRICITY GENERATION (Cont'd)**

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

CTR and CAMMESA entered into a WEM supply contract for 116.7 MW, for a term of 10 years counted as from June 2012. Further, on October 14, 2015, the Company and CAMMESA entered into a new WEM supply contract for 55 MW, for a term of 10 years counted as from the date of commercial operation of the turbine at issue. This contract establishes a fixed rate remuneration of 31,916 USD/MW-month and a variable rate associated with the energy actually provided of 5.38 USD/MWh. The contract will be supported by the conversion of the current gas turbine generator into a combined cycle. To this end, the equipment must be installed, so that the exhaust fume recovery of the present gas turbine generates an amount of steam such that when expanded through a steam turbine, additional power of up to 60-MW may be generated.

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

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

Thermal power plants	Fixed charge for power hired	Hired power
	USD/MW-month	MW
CTMM TG 5	USD 16,133	45
CTI TG 1 and 2	USD 17,155	100
CTF	USD 19,272	55.5
CTMM TG 6 and 7	USD 15,930	89.9
CTRi TG 24	USD 16,790	42
CTR	USD 12,540	116.7
CTR	USD 31,916	55

- ii) The fixed charge recognizes transportation costs plus other generating agents' own costs  
 iii) The variable charge associated with the energy actually supplied under the contract and the purpose of which is to remunerate the operation and maintenance of the Power Plant

Thermal power plants	Variable charge in USD/MWh	
	Gas	Diesel
CTMM TG 5	USD 7.83	USD 8.32
CTI TG 1 and 2	USD 7.52	USD 7.97
CTF	USD 10.83	USD 11.63
CTMM TG 6 and 7	USD 8.00	USD 10.50
CTRi TG 24	USD 11.44	USD 15.34
CTR	USD 10.28	USD 14.18

- 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.

## Albanesi S.A. and Central Térmica Roca S.A.

### Notes to the Combined Financial Statements (Cont'd)

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

c) Sales under SE Resolution No. 21/2016

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

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

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

These Supply Contracts are entered into between generating agents and CAMMESA, with a duration of 10 years or a shorter term that may exceptionally be established. The valuable consideration arises from availability of power and energy generated as established in each contract based on the costs accepted by the ES. Sales under this modality are denominated in US dollars and paid by CAMMESA.

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

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

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

- ii) The fixed charge recognizes transportation costs plus other generating agents' own costs  
 iii) The variable charge associated with the energy actually supplied under the contract and the purpose of which is to remunerate the operation and maintenance of the Power Plant

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

- iv) a variable charge for repayment of fuel costs, all of them at reference price; and  
 v) a discount for penalties. These penalties are applied to the hours in which 92% of the agreed upon power has not been reached and are valued on a daily basis and according to the operating condition of the machine and the market situation.

## **Albanesi S.A. and Central Térmica Roca S.A.**

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

#### **NOTE 2: REGULATORY FRAMEWORKS APPLICABLE TO ELECTRICITY GENERATION (Cont'd)**

d) Sales under SEE Resolution No. 19/2017

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

SE Resolution No. 529/14 was published on May 20, 2014, amending and extending application of ES Resolution No. 95/13. The main change was the increase in the remuneration payable to the generators, implemented through a price increase, as well as the creation of a new item, called Remuneration for Non-recurring Maintenance.

SE Resolution No. 529/14 established that from February 2014, commercial management and fuel dispatch would be centralized in the Dispatch Management Agency (CMMESA). Costs related to operation would cease to be recognized as the contractual relationships between WEM agents and their suppliers of fuel and inputs were terminated. ES Resolution No. 1281/06 (Energía Plus) was excluded from these regulations.

SE Resolution No. 482/15 was published on July 10, 2015, amending and extending application of SE Resolution No. 529/14. The main change was the increase in the remuneration payable to the generators, implemented through a price increase, as well as the creation of two new items, called "Resource for FONINVEMEM investments 2015-2018" and "Incentives for energy production and operational efficiency".

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

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

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

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

MinEyM ES Resolution 19-E/17 was published on January 27, 2017, replacing ES Resolution 22/16. This resolution adapts certain remuneration criteria to economic conditions which are reasonable, foreseeable and efficient, through medium-term commitments.

The Generating Agents are excluded from this system in the framework of contracts regulated by Resolution No. 1281/2006, 220/2007, 21/2016 as well as any other type of WEM contract having a differential remuneration established or authorized by WEM competent authority.

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

**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

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

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

The new resolution becomes effective on February 1, 2017.

The remuneration system basically comprises the following items:

1. Remuneration per power: this is proportional to the available monthly power and a price in USD/MW-month that varies according to different conditions.
  - MINIMUM price of power per technology and scale.
  - BASE price according to the Offered Guaranteed Power. Valued as from May 2017 until October 2017 at 6,000 USD/MW-month and as from November 2017 onwards, 7,000 USD/MW-month.
  - ADDITIONAL price with maximum in accordance with additional availability Offered and allocated. Valued as from May 2017 until October 2017 at 1,000 USD/MW-month and as from November 2017 onwards, 2,000 USD/MW-month.
2. Remuneration per Energy: It is comprised by:
  - 2.1 Energy generated: It is the remuneration received for the energy effectively generated, valued according to the type of fuel at 5USD/MWh for Natural Gas and 8 USD/MWh for Gas Oil or Fuel Oil.
  - 2.2 Energy operated: The generators received an additional remuneration of 2 USD/Mwh, irrespective of the type of fuel, for the Energy Operated, represented by the integration of hourly powers in the period.
  - 2.3 Additional remuneration incentive for efficiency:
    - 2.3.1 Additional remuneration variable costs efficient thermal power generation: The generating agent may receive an additional remuneration if the fuel consumption objectives are accomplished.
    - 2.3.2 Additional remuneration for thermal power generators of little use: An additional remuneration is established according to the frequency of starts based on the energy generated.
      - 2.3.2.1 This price will be valued at 2.6 USD/MWh. It will be multiplied by the energy generated during the pertinent month, by the Use Factor (which is defined as the use factor of the nominal power recorded over the last twelve-month period. It will have a value of 0.5 for thermal units with Use factor < 30% and 1.0 for those with Use factor < 15%. For the rest of the cases it will be 0.
      - 2.3.2.2 This price will be valued at 2.6 USD/MWh. It will be multiplied by the energy generated during the pertinent month, by the Start Factor (which is determined based on the starts recorded over the last twelve-month period. It will have a value of 0 for <= 74, 0.1 between 75 and 149 and 0.2 for more than 150 starts).

e) Supply of gas by RGA

The natural gas used by CTMM, CTI y CTR for the turbo generators assigned to Energía Plus and Resolution No. 220, in accordance with the supply requirements for those units in the Energía Plus market created by ES Resolution 1281/2006, is provided by RGA through an offer for gas supply.

**Albanesi S.A. and Central Térmica Roca S.A.**  
Notes to the Combined Financial Statements (Cont'd)

**NOTE 3: BASES OF PRESENTATION**

**Purpose and basis for presentation**

The combined financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC), issued by the International Accounting Standards Board (IASB).

a. Combination criteria

The combined financial statements have been prepared as the sum of the combined financial statements of ASA and CTR. Balances of transactions between combined companies have been eliminated.

b. List of Companies included in the combined financial statements:

The combined financial statements include the following companies.

Company	Relationship	Country of incorporation	Main business activity	% participation in decision-making	
				12/31/2017	12/31/2016
CTR	-	Argentina	Electric power generation	100.00%	100.00%
ASA	-	Argentina	Investing and financial activities	100.00%	100.00%
GMSA	ASA subsidiary	Argentina	Electric power generation	95.00%	95.00%
GFSA <sup>(1)</sup>	ASA subsidiary	Argentina	Electric power generation	95.00%	95.00%
GROSA	ASA subsidiary	Argentina	Electric power generation	95.00%	95.00%
GLSA	ASA subsidiary	Argentina	Electric power generation	95.00%	95.00%
GECE <sup>(2)</sup>	ASA subsidiary	Argentina	Electric power generation	95.00%	-

(1) Company being merged into GMSA within the framework of the merger through absorption process, as described in Note 40.b.

(2) Company created in the current year together with Armando R. Loson, Holen S.A. and Carlos A. Bauzas (Note 8).

The presentation in the combined 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 Group reports on the cash flows from operating activities using the indirect method. The fiscal year commences on January 1 and ends December 31 of each year. Economic and financial results are presented on the basis of the fiscal year.

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

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

These combined financial statements for the year ended December 31, 2017 were approved for issuance by the Board of Directors of the combined companies on April 13, 2018.

**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

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

**Comparative information**

Balances at December 31, 2016 disclosed in the combined financial statements for comparative purposes arise from the combined financial statements at that date. Certain reclassifications have been included in the financial statement figures presented for comparative purposes to conform them to the current year presentation.

**Financial reporting in hyperinflationary economies**

IAS 29 "Financial Reporting in hyperinflationary economies" requires that the financial statements of an entity that reports in the currency of a hyperinflationary economy should be stated in terms of the measuring unit current at the closing of the reporting period, irrespective of whether they are based on the historical cost or current cost methods. To this end, in general terms, non-monetary items include inflation from the acquisition date of the item or the restatement date, as applicable. To determine whether there is a hyperinflationary economy, the standard provides a series of factors to be taken into account, among others, a cumulative inflation rate over three years that is approaching, or exceeds, 100%. Considering the inconsistencies in the inflation data published, the inflation downward trend, and the fact that the rest of the indicators do not give rise to a definite conclusion, Management understands that there is no sufficient evidence to conclude that Argentina is a hyperinflationary economy at December 31, 2017. Therefore, no restatement criteria have been applied to the financial information established in IAS 29 in the current year.

However, over the last years, some macroeconomic variables affecting the Group's business, like salaries and input prices, have recorded significant annual changes. This situation must be considered when assessing and interpreting the Group's financial situation and results disclosed in these combined financial statements.

**NOTE 4: ACCOUNTING POLICIES**

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

**4.1) Changes in accounting policies**

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

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

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



**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

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

**4.1) Changes in accounting policies (Cont'd)**

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

IAS 7 - Statement of Cash Flows: was amended in January 2016. Entities are required to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. This includes changes from cash flows, such as uses of cash and loan amortization; and changes not entailing cash flows, such as purchases, sales and unrealized exchange differences. The amendments are effective for annual periods beginning on or after January 1, 2017. Application of the amendments did not have an impact on the Group's financial position or the results of its operations; it will only imply new disclosures.

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

**4.1.2) New accounting standards, amendments and interpretations not yet effective and not early adopted by the Group**

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

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

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

**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

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

**4.1) Changes in accounting policies (Cont'd)**

**4.1.2) New accounting standards, amendments and interpretations not yet effective and not early adopted by the Group**

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

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

**4.2) Revenue recognition**

**Sale of electricity**

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

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

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

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

**4.3) Effects of the foreign exchange rate fluctuations**

*a) Functional and presentation currency*

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

The Group has assessed and concluded that, at the date of the financial statements, there is not enough evidence to conclude that Argentina is a hyperinflationary economy (See Note 3).

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

**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

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

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

*b) Transactions and balances*

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

The exchange rates used are: buying exchange rate for monetary assets, selling exchange rate for monetary liabilities, average exchange rate for balances with related parts, each prevailing at year end, as published by Banco Nación, and one-off exchange rate for transactions in foreign currency.

*c) Subsidiaries in a hyperinflationary economy*

The financial statements of an entity whose functional currency is that of a hyperinflationary economy are restated for purposes of their presentation in constant currency at the year-end date, in accordance with the method established by IAS 29 "Financial Reporting in Hyperinflationary Economies".

In Venezuela, the cumulative inflation rate over the last three years approached or exceeded 100%. This situation, combined with other features of the economic environment, led the Group to classify the economy of this country as hyperinflationary. As a consequence, the financial statements of the subsidiary Albanesi de Venezuela S.A. (AVSA) were restated until liquidation in constant currency at year-end, using coefficients calculated based on the National Consumer Price Index (INPC) published by the Central Bank of Venezuela.

On August 15, 2016, the Extraordinary Shareholders' Meeting of AVSA decided the early dissolution and liquidation of the company. On November 24, 2016 the procedures were concluded for dissolution and subsequent de-registration of AVSA from the Venezuela Registry of Commerce.

**4.4) Property, plant and equipment**

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

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

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

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

## **Albanesi S.A. and Central Térmica Roca S.A.**

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

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

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

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

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

According to IAS 23 "Borrowing costs", financial costs must be capitalized in the cost of an asset when it is in the process of production, construction, assembly or finishing, and those processes are not interrupted due to their long-term nature; the term for production, construction, assembly or finishing does not exceed the period technically required; the activities needed for the asset to be ready for its intended use or sale are not substantially complete; and the asset is not in condition to be used in the production of other assets or placed into service, according to the purpose of its production, construction, assembly or finishing. The financial costs capitalized in the carrying value of Properties, Plant and Equipment for the year ended December 31, 2017 and 2016 amounted to \$ 1,727,134,353 and \$ 591,551,809, respectively. The average capitalization rate used for each year was 25% for 2017 and 22% for 2016.

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

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

	<b>12/31/2017</b>	<b>12/31/2016</b>
Cost	10,985,284,383	4,105,700,975
Accumulated depreciation	(640,129,918)	(463,808,724)
<b>Residual value</b>	<b>10,310,968,137</b>	<b>3,641,892,251</b>

##### **4.5) Investments in subsidiaries, associates and other companies**

###### *Investments in associates*

Associates are all those entities over which ASA has a significant influence but not control, generally representing a holding of between 20% and less than 50% of the voting rights of that entity. Investments in associates are accounted for using the equity method. Under this method, the investment is initially recognized at cost, and the carrying value is increased or reduced to recognize the investor interest in the gains and losses of the associate subsequent to the acquisition date.

**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

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

**4.5) Investments in subsidiaries, associates and other companies (Cont'd)**

*Investments in other companies*

All the investments in equity instruments are measured at fair value through profit or loss. The fair value of the unlisted ordinary shares of TJSM and TMB was estimated using a model of discounted cash flows.

**4.6) Impairment of non-financial assets**

For assets subject to depreciation, an impairment test is performed whenever facts or circumstances suggest that the carrying amount may not be recoverable. An impairment loss is recognized for the amount in which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is the higher of the fair value less costs to sell or value in use. To assess impairment losses, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

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

The Group has not recorded impairment losses in any of the reporting fiscal years.

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

**4.7) Financial assets**

**4.7.1) Classification**

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

*a) Financial assets at amortized cost*

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

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

*b) Financial assets at fair value*

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

**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

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

**4.7) Financial assets (Cont'd)**

**4.7.2) Recognition and measurement**

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

Financial assets are initially recognized at fair value plus, in the case of financial assets that are not measured at fair value through profit or loss, transaction costs directly attributable to the purchase of those financial assets.

**4.7.3) Impairment losses on financial assets**

*Financial assets at amortized cost*

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

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

- significant financial difficulties of the debtor;
- breach of contractual clauses, such as late payment of interest or principal;
- and likelihood that the debtor might file for insolvency proceedings or other type of reorganization proceeding.

The amount of the impairment is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted using the original effective interest rate. The carrying amount of the asset is reduced and the amount of the impairment loss is recognized in the statement of comprehensive income. If the financial asset bears a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate under the contract. As a useful measure, the Group may calculate the value of impairment based on the fair value of the financial asset using an observable market price.

If, in subsequent years, the amount of the impairment loss decreases and this decrease can objectively be related to an event occurred after the recognition of the impairment (such as an improvement in the debtor's credit rating), the reversal of the impairment loss previously recorded is recognized in the statement of comprehensive income.

**4.7.4) Offsetting of financial instruments**

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

## **Albanesi S.A. and Central Térmica Roca S.A.**

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

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

##### **4.8) Trade and other receivables**

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

Trade receivables and other receivables are recognized at fair value and subsequently measured at amortized cost, using the effective interest method and, when significant, adjusted at time value of money and also considering the receivables with the WEM documented by CAMMESA in the form of Sale Settlements with Maturity Dates to be Determined (Liquidaciones de Venta con Fecha de Vencimiento a Definir - LVFVD), which have been recorded based on the best estimate of the receivables to be recovered.

The Group sets up bad debt allowances when there is objective evidence that it will not be able to collect all amounts due according to the original terms of the receivables, based on an individual analysis of historical performance of accounts receivable to assess the recoverability of the credit portfolio.

##### **4.9) Inventories**

Inventories are valued at the lower of acquisition cost or net realizable value.

Since the inventories of the Group are not for sale, their value is calculated based on the purchase price, import duties (if any) and other taxes (non-refundable taxes by the tax authorities), transportation, storage and other costs directly attributable to the purchase of those assets. Cost is determined applying the weighted average price method.

The Group classified inventories into current and non-current depending on their final allocation and the term during which they are expected to be used, whether for maintenance or improvement of present assets. The non-current portion of materials and spare parts is disclosed under Property, plant and equipment. The value of inventories as a whole does not exceed their recoverable value at the end of each fiscal year.

##### **4.10) Advances to suppliers**

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

##### **4.11) Cash and cash equivalents**

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

##### **4.12) Trade and other payables**

Trade payables are obligations to pay for goods or services acquired from suppliers in the ordinary course of business. Trade payables are classified as current liabilities if payments fall due within one year or less. Otherwise, they are classified as non-current liabilities. Trade and other payables are initially recognized at fair value and subsequently valued at amortized cost applying the effective interest rate method.

## **Albanesi S.A. and Central Térmica Roca S.A.**

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

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

##### **4.13) Loans**

Loans are initially recognized at fair value, less direct transaction costs incurred. They are subsequently measured at amortized cost, and any difference between the funds received (net of direct transaction costs) and the amount payable at due date is recognized in the statement of income over the term of the loan, applying the effective interest rate method. The Company analyzes loan renegotiation terms to determine if as a result of the quantitative and qualitative changes to their conditions, they should be considered as amended or settled.

##### **4.14) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. those that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets until the moment they are ready for their use or sale.

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

##### **4.15) Derivative financial instruments**

Derivative financial instruments are initially recognized at fair value on the date when the contract is executed. Subsequent to initial recognition, they are again measured at fair value.

The method for recognizing the resulting loss or profit depends on whether the derivative has been designated as a hedging instrument and, if so, on the nature of the item it is covering. The Group has executed financial derivatives contracts in foreign currency, for the purpose of hedging the next payments falling due in connection with the principal installments and interest of its loans in US dollars and reducing the foreign exchange variation risk. However, the Group has not applied hedge accounting; therefore, the changes in its value are recognized under profit or loss in the caption "Changes of fair value of financial instruments", under the line Other financial results.

Fair values of derivative financial instruments that are traded in active markets are recorded according to quoted market prices. Fair values of derivative financial instruments that are not traded in active markets are determined by using valuation techniques. The Group applies critical judgment to select the most appropriate methods and to determine assumptions that are based mainly on the market conditions existing at the end of each year.

##### **4.16) Provisions**

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

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



**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

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

**4.17) Income tax and minimum notional income tax**

**a) Current and deferred income taxes**

The income tax charge for the year comprises current tax and deferred tax. Income tax is recognized in income/loss.

Deferred tax is recognized, according to the liability method, on the basis of the temporary differences arising between the tax bases of assets and liabilities and their respective carrying amounts shown in the statement of financial position. However, no deferred tax liability is recognized if the differences arise from the initial recognition of goodwill, or from the initial recognition of assets and liabilities in a transaction (different from a business combination) that did neither affect accounting income nor tax income at the moment of being performed.

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

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

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

**b) Minimum notional income tax**

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

The Group has recognized the tax on minimum notional income accrued in the year and paid in prior years as a credit, considering that it will be offset against future years' taxable profits.

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

**4.18) Balances with related parties**

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

**4.19) Leases**

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

**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

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

**4.19) Leases (Cont'd)**

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

Obligations for leases, net of financial costs, are included in current or non-current loans, according to their due date. The interest element of the finance cost is charged to income over the lease period so as to produce a constant periodic rate of interest on the outstanding debt in each period. The asset acquired through a finance lease is depreciated over the useful life of the asset and the lease period, whichever is shorter.

**4.20) Defined benefit plan**

Generación Rosario S.A offers defined benefit plans. Usually, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, generally dependent on one or more factors such as age, years of service and compensation.

The liability recorded in the statement of financial position in relation to defined benefit plans is the present value of the obligation from defined benefit plans at the closing date. The obligation from defined benefit plans is calculated annually by independent actuaries in accordance with the projected unit credit method. The current value of the defined benefit obligation is determined by discounting the future cash outflows estimated using actuarial assumptions based on the demographic and financial variables that have an influence in determining the amount of those benefits.

Actuarial gains and losses arising from adjustments due to the experience and changes of actuarial assumptions are recognized in Other comprehensive income in the year when they occur. The costs for past services are immediately recognized in the income statement.

**4.21) Equity accounts**

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

*a) Share Capital*

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

*b) Legal reserve*

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

**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

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

**4.21) Equity accounts (Cont'd)**

*c) Optional reserve*

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

*d) Technical revaluation reserve*

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

*e) Other comprehensive income*

Corresponds to actuarial gains and losses from the calculation of liabilities for defined benefit plans and their tax effects.

*f) Translation reserve*

Accumulated translation differences are shown in a separate component of equity until the disposal of the business abroad (Albanesi de Venezuela S.A.).

*g) Unappropriated earnings*

Unappropriated earnings comprise accumulated profits or losses without a specific appropriation; earnings can be distributable by the decision of the Shareholders' Meeting, as long as they are not subject to legal restrictions. These earnings comprise prior year earnings that were not distributed and prior year adjustments derived from application of the accounting standards.

In case of existence of unappropriated losses to be absorbed at the end of the year under consideration by the shareholders' meeting, the following order for appropriation of balances must be followed:

- (i) Retained earnings
  - Optional reserves
  - Reserves provided by Company by-laws
  - Legal reserve
- (ii) Capital contributions
- (iii) Issuance premium
- (iv) Other equity instruments (if feasible from the legal and corporate point of view)
- (v) Capital Adjustment

*h) Distribution of dividends*

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

## **Albanesi S.A. and Central Térmica Roca S.A.**

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

#### **NOTE 5: FINANCIAL RISK MANAGEMENT**

##### **5.1) Financial risk factors**

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

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

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

##### ***a) Market risk***

###### **Foreign exchange risk**

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

Based on the above, in late September 2017, the Group arranged a foreign exchange hedge for USD 10,900,000, which gave it certainty as to the dollar exchange rate applicable to the interest payment on the international bond made on January 25, 2018.

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

**Albanesi S.A. and Central Térmica Roca S.A.**  
Notes to the Combined Financial Statements (Cont'd)

**NOTE 5: FINANCIAL RISK MANAGEMENT (Cont'd)****a) Market risks (Cont'd)****Foreign exchange risk (Cont'd)**

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

Captions	12.31.2017			12.31.2016	
	Foreign currency			Amount recorded in pesos	Amount recorded in pesos
	Class	Amount	Exchange rate used (1)		
				\$	
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	USD	306,395	18.549	5,683,316	3,084,281
Trade receivables	USD	70,107,812	18.549	1,300,429,817	309,021,355
<b>Total Current Assets</b>				<b>1,306,113,133</b>	<b>312,105,636</b>
<b>Total Assets</b>				<b>1,306,113,133</b>	<b>312,105,636</b>
<b>LIABILITIES</b>					
<b>Non-Current Liabilities</b>					
Trade payables	USD	12,000,000	18.649	223,788,000	444,542,066
Trade payables	SEK	245,292,500	2.280	559,224,955	-
Loans	USD	408,275,655	18.639	7,610,847,866	4,474,485,067
<b>Total Non-Current Liabilities</b>				<b>8,393,860,821</b>	<b>4,919,027,133</b>
<b>Current Liabilities</b>					
Trade payables	USD	4,637,779	18.649	86,489,940	97,746,720
Trade payables	SEK	289,707,041	2.280	660,482,514	-
Trade payables – Related parties	USD	13,784,462	18.599	256,377,214	142,948,783
Trade payables	EUR	10,226	22.450	229,561	-
Loans	USD	22,323,403	18.608	415,636,085	231,087,117
<b>Total Current Liabilities</b>				<b>1,419,215,314</b>	<b>471,782,620</b>
<b>Total Liabilities</b>				<b>9,813,076,135</b>	<b>5,390,809,753</b>
<b>Assets and liabilities, net</b>				<b>(8,506,963,002)</b>	<b>(5,078,704,116)</b>

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

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

Increase in loss for the year	Argentine peso	
	12.31.2017	12.31.2016
US dollars	(72,870,260)	(50,787,041)
Euros	(2,296)	-
Swedish crowns	(12,197,075)	-
	<b>(85,069,631)</b>	<b>(50,787,041)</b>

**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

**NOTE 5: FINANCIAL RISK MANAGEMENT (Cont'd)**

**5.1) Financial risk factors (Cont'd)**

***a) Market risk (Cont'd)***

**Price risk**

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

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

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

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

**Interest rate risk**

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

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

**Albanesi S.A. and Central Térmica Roca S.A.**  
Notes to the Combined Financial Statements (Cont'd)

**NOTE 5: FINANCIAL RISK MANAGEMENT (Cont'd)**

**5.1) Financial risk factors (Cont'd)**

*a) Market risk (Cont'd)*

Interest rate risk (Cont'd)

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

	<u>12.31.2017</u>	<u>12.31.2016</u>
Fixed rate:	<u>7,979,262,225</u>	<u>4,617,458,695</u>
	<u>7,979,262,225</u>	<u>4,617,458,695</u>
Floating rate:	<u>2,056,912,762</u>	<u>1,567,648,842</u>
	<u>2,056,912,762</u>	<u>1,567,648,842</u>
	<u>10,036,174,987</u>	<u>6,185,107,537</u>

Based on simulations run with all the other variables kept constant, an increase/ (decrease) of 1 % in floating interest rates would (decrease)/ increase the results for the period as follows:

	<u>12.31.2017</u>	<u>12.31.2016</u>
Floating rate:	<u>20,569,128</u>	<u>15,676,488</u>
<b>Increase in loss for the year</b>	<u>20,569,128</u>	<u>15,676,488</u>

*b) Credit risk*

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

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

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

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

**Albanesi S.A. and Central Térmica Roca S.A.**  
Notes to the Combined Financial Statements (Cont'd)

**NOTE 5: FINANCIAL RISK MANAGEMENT (Cont'd)**

**5.1) Financial risk factors (Cont'd)**

*c) Liquidity risk*

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

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

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

<b>At December 31, 2017</b>	<b>Less than 3 months</b>	<b>Between 3 months and 1 year</b>	<b>Between 1 and 2 years</b>	<b>More than 2 years</b>	<b>Total</b>
Trade and other payables	1,273,693,530	446,755,215	596,849,663	228,872,746	2,546,171,154
Loans	570,743,288	1,055,839,698	1,139,331,421	9,607,066,439	12,372,980,845
<b>Total</b>	<b>1,844,436,819</b>	<b>1,502,594,913</b>	<b>1,736,181,084</b>	<b>9,835,939,184</b>	<b>14,919,151,999</b>

<b>At December 31, 2016</b>	<b>Less than 3 months</b>	<b>Between 3 months and 1 year</b>	<b>Between 1 and 2 years</b>	<b>More than 2 years</b>	<b>Total</b>
Trade and other payables	364,495,211	162,943,175	172,625,416	300,829,362	1,000,893,164
Loans	416,784,330	847,027,734	1,475,563,962	6,519,336,712	9,258,712,738
<b>Total</b>	<b>781,279,541</b>	<b>1,009,970,909</b>	<b>1,648,189,378</b>	<b>6,820,166,074</b>	<b>10,259,605,902</b>



**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

**NOTE 5: FINANCIAL RISK MANAGEMENT (Cont'd)**

**5.2) Management of capital risk**

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

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

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

	<b>12.31.2017</b>	<b>12.31.2016</b>
	<b>(in thousands of pesos)</b>	
Operating income	1,280,389	829,309
Depreciation and amortization	340,107	206,970
Income/(Loss) from interest in associates	6,983	2,476
Dividends received	5,880	-
<b>Adjusted EBITDA in thousands of pesos</b>	<b>1,633,359</b>	<b>1,038,755</b>
<b>Adjusted EBITDA in thousands of US dollars</b>	<b>97,311</b>	<b>70,268</b>
<b>Combined debt / EBITDA</b>	<b>5.43</b>	<b>5.37</b>

**NOTE 6: CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

These estimates and judgments are continually evaluated and are based on historical experience and other factors that are believed to be reasonable under the circumstances.

The preparation of the financial statements require that the Group makes estimates and carries out evaluations relating to the future. Actual future results may differ from those estimates and assessments made at the date these combined financial statements were prepared. The estimates that have a significant risk of causing an adjustment to the carrying amounts of assets and liabilities within the next fiscal year are detailed below:

**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

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

***a) Fair value of property, plant and equipment***

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

***b) Impairment of assets***

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

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

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

In evaluating whether there is any indication that the cash generating unit could be affected, internal and external sources of information are analyzed. Specific events and circumstances are considered, which in general include the discount rate used in the projections of cash flows of each of the CGU and the business condition in terms of market and economic factors, such as the cost of raw materials, the regulatory framework of the energy industry, projected capital expenditure and the evolution of energy demand. An impairment loss is recognized when the asset's carrying value exceeds its recoverable value. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Any impairment loss will be distributed (to reduce the carrying amount of the assets of the CGU) as follows:

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

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

***c) Current and deferred income tax / Minimum notional income tax***

The Group recognizes income taxes applying the deferred tax method. Consequently, the deferred tax assets and liabilities are recognized according to the future tax consequences attributable to the differences between the carrying amount of existing assets and liabilities and the respective tax bases. Deferred tax assets and liabilities are valued at the approved tax rates that should theoretically be applied on the taxable income in the years in which the temporary differences are expected to be settled.

## **Albanesi S.A. and Central Térmica Roca S.A.**

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

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

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

A high degree of judgment is required to determine the provision for income tax since Management regularly assesses the positions on the tax returns regarding situations where the applicable tax regulation is subject to interpretation and, if necessary, sets out provisions based on the amounts payable to the tax authorities. When the final outcome of these matters is different from the initially recognized amounts, such differences will have an impact on income tax and deferred taxes in the fiscal year in which they are determined.

Deferred tax assets are revised on each reporting date and reduced based on the likelihood that a sufficient taxable base is available to allow for these assets to be totally or partially recovered. Deferred assets and liabilities are not discounted. When assessing the realizability of deferred tax assets, Management considers it probable that some, or all, deferred tax assets are not realizable.

Whether deferred tax assets are realizable depends on the generation of future taxable income for the periods in which these temporary differences are deductible. In making this assessment, Management takes into account the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies.

##### ***d) Provisions***

Provisions cover contingencies arising in the ordinary course of business and other sundry risks that could create obligations for the Company. In estimating the amounts, the likelihood of occurrence is considered, taking into account the opinion of the Group's legal advisors.

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

##### ***e) Allowance for bad debts***

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

The allowance for bad debts amounted to \$ 4,609,307 and \$ 4,686,176 at December 31, 2017 and 2016, respectively.

##### ***f) Defined benefit plan***

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

**Albanesi S.A. and Central Térmica Roca S.A.**  
Notes to the Combined Financial Statements (Cont'd)

**NOTE 7: PROPERTY, PLANT AND EQUIPMENT**

Captions	Original values				Depreciation				Net value		
	Value at beginning of year	Increases/Reclassifications (1)	Reclassifications and/or deletions	Revaluation of original values	Value at year end	Accumulated at beginning of year	For the year (2) and (3)	Decreases / Transfers		Revaluation of accumulated depreciation	Accumulated at year end
Land	192,286,955	7,915,899	(7,549,077)	33,998,622	226,652,399	-	-	-	-	-	226,652,399
Real property	128,818,599	413,255	791,025,983	(387,797,036)	532,460,801	-	8,384,578	-	(8,384,578)	-	532,460,801
Facilities	300,806,899	263,349	769,476,812	177,215,342	1,247,762,402	-	35,454,324	-	(35,454,324)	-	1,247,762,402
Machinery and turbines	4,286,560,200	107,458,931	4,695,000,058	153,028,611	9,242,047,800	-	261,082,346	-	(261,082,346)	-	9,242,047,800
Computer and office equipment	8,682,983	4,189,056	-	-	12,872,039	4,126,846	2,496,110	-	-	6,622,956	6,249,083
Vehicles	8,327,550	2,076,550	(69,000)	-	10,335,100	1,922,478	1,828,673	(60,950)	-	3,690,201	6,644,899
Tools	3,225,387	558,224	-	-	3,783,611	1,036,082	649,274	-	-	1,685,356	2,098,255
Furniture and fixtures	507,536	21,224	-	-	528,760	261,569	67,077	-	-	328,646	200,114
Works in progress	1,554,311,623	6,858,935,524	(6,255,413,346)	-	2,157,833,801	-	-	-	-	-	2,157,833,801
Civil constructions on third party property	15,086,573	315,669	-	-	15,402,242	8,039,312	1,793,827	-	-	9,833,139	5,569,103
Installations on third party property	138,972,270	5,457	-	-	138,977,727	62,089,391	19,061,274	-	-	81,150,665	57,827,062
Machinery and turbines on third party property	63,119,883	-	-	-	63,119,883	25,897,568	9,289,293	-	-	35,186,861	27,933,022
Leasehold improvements in progress	52,862,725	38,697,781	-	-	91,560,506	-	-	-	-	-	91,560,506
Inputs and spare parts	45,302,153	10,572,049	(23,949,829)	-	31,924,373	-	-	-	-	-	31,924,373
<b>Total at 12/31/2017</b>	<b>6,798,871,336</b>	<b>7,031,422,968</b>	<b>(31,478,399)</b>	<b>(23,554,461)</b>	<b>13,775,261,444</b>	<b>103,373,246</b>	<b>340,106,776</b>	<b>(60,950)</b>	<b>(304,921,248)</b>	<b>138,497,824</b>	<b>13,636,763,620</b>
<b>Total at 12.31.2016</b>	<b>3,860,836,592</b>	<b>2,110,447,755</b>	<b>(4,064,950)</b>	<b>831,651,939</b>	<b>6,798,871,336</b>	<b>70,769,543</b>	<b>206,969,647</b>	<b>(1,800)</b>	<b>(174,364,144)</b>	<b>103,373,246</b>	<b>6,695,498,090</b>

- (1) Includes the acquisition of assets of the projects for the start-up and enlargement of the electricity generation plants carried out by the Group in the fiscal years 2017 and 2016.  
 (2) The depreciation charge for the period 2017 and 2016 were allocated to the cost of sales, including \$ 180,736,463 and \$ 94,789,878 due to a higher value for technical revaluation.  
 (3) The financial costs capitalized in the carrying value of Properties, Plant and Equipment for the year ended December 31, 2017 and 2016 amounted to \$ 1,727,134,353 and \$ 591,551,809, respectively.  
 The average capitalization rate used for each year was 25% for 2017 and 22% for 2016.

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

**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

**NOTE 8: INFORMATION ON COMBINED COMPANIES**

**a) Information on combined companies**

The Group conducts its business through various operating subsidiaries. Composition of the economic group, percentages of interest, criteria for being considered significant and other relevant information on the Group subsidiaries is shown in Note 3.1.

**GROSA**

On April 27, 2011 the Ordinary Shareholders' Meeting of Central Térmica Sorrento S.A. unanimously approved a lease contract with GROSA; the purpose of the agreement is to rent both the building and the assets added to the Power Plant, including the generator, equipment and other available fixed assets and spare parts. The contract was effectively valid as from November 15, 2010 (with a 9-month grace period) and has a set term of 10 years, with a renewal option for 7 additional years. The first fee installment was invoiced on August 1, 2011.

On December 23, 2015 the reorganization proceeding of Central Térmica Sorrento S.A. was initiated. This situation does not affect the lease agreement mentioned above or the electric power generation business.

On November 10, 2016, a mediation hearing was closed without reaching an agreement in connection with the eviction of the property under a lease agreement mentioned in the preceding paragraph. GROSA estimates that it is highly unlikely that the eviction will take place as Central Térmica Sorrento S.A. has no right to be granted this order.

**GECE**

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

**AVSA**

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

**b) Summary financial information of subsidiaries with significant non-controlling interest**

Non-controlling interest in subsidiaries are not significant to the Group.

**NOTE 9: EQUITY INTEREST IN ASSOCIATE**

At December 31, 2017 and 2016, the Group's associate is Solalban Energía S.A.

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

**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

**NOTE 9: EQUITY INTEREST IN ASSOCIATE (Cont'd)**

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

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

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

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

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

Financial information corresponding to the associate Solalban Energía S.A. is summarized below.

Summarized statement of financial position:

	<u>12.31.2017</u>	<u>12.31.2016</u>
Total non-current assets	1,013,105,900	884,025,285
Total current assets	273,270,786	287,394,801
<b>Total Assets</b>	<b><u>1,286,376,686</u></b>	<b><u>1,171,420,086</u></b>
<b>Total equity</b>	<b><u>889,850,196</u></b>	<b><u>699,541,830</u></b>
Total non-current liabilities	233,277,671	272,611,435
Total current liabilities	163,148,819	199,266,821
<b>Total Liabilities</b>	<b><u>396,526,490</u></b>	<b><u>471,878,256</u></b>
<b>Total Liabilities and Equity</b>	<b><u>1,286,376,686</u></b>	<b><u>1,171,420,086</u></b>

**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

**NOTE 9: EQUITY INTEREST IN ASSOCIATE (Cont'd)**

Summarized statement of income and statement of comprehensive income:

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

Statement of cash flows:

	<u>12.31.2017</u>	<u>12.31.2016</u>
Cash flows generated by operating activities	27,927,460	29,525,717
Cash flows used in investment activities	(7,824,197)	(5,549,421)
Cash flows used in financing activities	(13,990,675)	(10,273,863)
<b>Increase in cash and equivalents for the fiscal year</b>	<b><u>6,112,588</u></b>	<b><u>13,702,433</u></b>

The information above shows the balances recorded in the financial statements of the associate (not the share of the Group in those amounts) adjusted by differences in accounting policies for valuation of property, plant and equipment under the revaluation model.

**NOTE 10: INVENTORIES**

	<u>12.31.2017</u>	<u>12.31.2016</u>
<u>Current</u>		
Supplies and materials	76,790,651	31,358,120
	<b><u>76,790,651</u></b>	<b><u>31,358,120</u></b>

**NOTE 11: OTHER RECEIVABLES**

	<u>Note</u>	<u>12.31.2017</u>	<u>12.31.2016</u>
<u>Non-Current</u>			
Value added tax		21,519	-
Minimum notional income tax		96,945,596	59,856,679
Turnover tax credit balance		788	320,945
Other tax credits		278,560	-
<b>Sub-total tax credits</b>		<b><u>97,246,463</u></b>	<b><u>60,177,624</u></b>
Related parties	33	-	18,750
Other receivables - Gasnor gas pipeline		-	1,106,621
Loans to Directors	33	-	17,343,215
Other receivables with Sorrento Thermal Plant		2,303,576	6,696,385
Provision for receivables		(1,859,200)	(1,859,200)
Sundry		-	2,090,102
		<b><u>97,690,839</u></b>	<b><u>85,573,497</u></b>

**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

**NOTE 11: OTHER RECEIVABLES (Cont'd)**

<u>Current</u>	<u>Note</u>	<u>12.31.2017</u>	<u>12.31.2016</u>
Value added tax		678,734,374	243,403,274
Turnover tax withholdings and credit balance		29,660,245	-
Other tax credits		9,781,701	12,031,994
<b>Sub-total tax credits</b>		<b>718,176,320</b>	<b>255,435,268</b>
Advances to suppliers		241,903,590	1,114,865,402
Withdrawals by directors		170,200	170,200
Non –controlling shareholders		171,602,918	219,694,525
Other receivables - Gasnor gas pipeline		-	3,535,190
Insurance to be accrued		1,031,080	5,458,408
Security deposits and derivative financial instruments		22,897,584	6,319,962
Loans to Directors		35,438,215	-
Related parties	<b>33</b>	87,596,715	4,036,908
Sundry		13,808,515	8,576,380
		<u><b>1,292,625,137</b></u>	<u><b>1,618,092,243</b></u>

**NOTE 12: TRADE RECEIVABLES**

	<u>Note</u>	<u>12.31.2017</u>	<u>12.31.2016</u>
<u>Non-Current</u>			
Additional remuneration - trust fund	<b>39</b>	-	25,106,756
Remuneration of non-recurring maintenance	<b>39</b>	-	104,263,885
Trade receivables		1,698,757	864,183
		<u><b>1,698,757</b></u>	<u><b>130,234,824</b></u>
<u>Current</u>			
Trade receivables		713,319,996	404,968,071
CAMMESA receivables, net	<b>39</b>	162,007,752	-
Unbilled sales		621,638,590	341,906,313
Allowance for bad debts		(2,750,107)	(2,826,976)
		<u><b>1,494,216,231</b></u>	<u><b>744,047,408</b></u>

**NOTE 13: Other financial assets at fair value through profit or loss**

	<u>12.31.2017</u>	<u>12.31.2016</u>
<u>Current</u>		
Mutual funds	14,264,230	123,873,610
Government securities	16,920,000	107,854,019
Derivative financial instruments	8,124,134	-
	<u><b>39,308,364</b></u>	<u><b>231,727,629</b></u>



**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

**NOTE 14: CASH AND CASH EQUIVALENTS**

	<b>12.31.2017</b>	<b>12.31.2016</b>
Cash	552,728	439,447
Checks to be deposited	149,850	18,600,989
Banks	72,344,463	76,419,749
Mutual funds	122,476,099	852,847,425
<b>Cash and cash equivalents (bank overdrafts excluded)</b>	<b>195,523,140</b>	<b>948,307,610</b>

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

	<b>12.31.2017</b>	<b>12.31.2016</b>
Cash and cash equivalents	195,523,140	948,307,610
Bank overdrafts	-	(14,657,864)
	<b>195,523,140</b>	<b>933,649,746</b>

**NOTE 15: CHANGES IN SHARE CAPITAL**

Share capital is the sum of the subscribed capital stock of the combined companies and is as follows:

	<b>12.31.2017</b>	<b>12.31.2016</b>
Albanesi S.A.	62,455,160	62,455,160
Central Térmica Roca S.A.	73,070,470	73,070,470
	<b>135,525,630</b>	<b>135,525,630</b>

**NOTE 16: DISTRIBUTION OF PROFITS**

*Dividends*

Pursuant to General Companies Law No. 19550, 5% of the profit reported in the Statement of Comprehensive Income for the year, net of prior year adjustments, transfers of other comprehensive income to unappropriated retained earnings and prior year accumulated losses, is to be allocated to the legal reserve, until it reaches 20% of the capital stock.

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

**NOTE 17: TRADE PAYABLES**

	<b>Note</b>	<b>12.31.2017</b>	<b>12.31.2016</b>
<u>Non-Current</u>			
Suppliers		783,012,955	444,542,066
		<b>783,012,955</b>	<b>444,542,066</b>
<u>Current</u>			
Suppliers		1,003,078,670	189,960,227
Provision for invoices to be received		388,880,722	70,931,272
Related parties	<b>33</b>	278,576,567	162,664,135
		<b>1,670,535,959</b>	<b>423,555,634</b>

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

**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

**NOTE 18: OTHER LIABILITIES**

	<u>Note</u>	<u>12.31.2017</u>	<u>12.31.2016</u>
<u>Non-Current</u>			
Other income to be accrued		2,516,454	-
		<u>2,516,454</u>	<u>-</u>
<u>Current</u>			
Other income to be accrued		293,179	-
Advances from customers		138,020,424	-
With related parties	<b>33</b>	109,274,270	89,629,740
Directors' fees	<b>33</b>	35,651,766	-
Sundry		-	(800)
		<u>283,239,639</u>	<u>89,630,540</u>

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

Other long-term payables are measured in accordance with Note 4.13. The amount thus obtained does not differ significantly from its fair value.

**NOTE 19: LOANS**

	<u>12.31.2017</u>	<u>12.31.2016</u>
<u>Non-Current</u>		
CAMMESA	193,854,659	195,731,948
Finance lease debts	62,070,797	19,294,201
BAF loan	-	631,249,936
International bond	6,241,488,672	3,843,235,131
Negotiable obligations	2,481,395,927	951,145,865
Other bank debts	130,383,642	-
	<u>9,109,193,697</u>	<u>5,640,657,081</u>
<u>Current</u>		
Bank overdrafts	-	14,657,864
Finance lease debts	20,731,229	7,606,558
Other bank debts	126,225,186	105,044,425
International bond	271,310,979	133,465,312
BAF loan	-	3,840,614
Negotiable obligations	499,805,736	273,086,360
CAMMESA	8,908,160	6,749,323
	<u>926,981,290</u>	<u>544,450,456</u>

**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

**NOTE 19: LOANS (Cont'd)**

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

	<b>12.31.2017</b>	<b>12.31.2016</b>
<b>Fixed rate:</b>		
Less than 1 year	406,991,907	142,973,628
Between 1 and 2 years	79,441,719	-
Between 2 and 3 years	1,290,948,194	604,897,002
More than 3 years	6,201,880,405	3,869,588,065
	<u><b>7,979,262,225</b></u>	<u><b>4,617,458,695</b></u>
<b>Floating rate</b>		
Less than 1 year	519,989,383	401,476,828
Between 1 and 2 years	541,547,189	750,182,788
Between 2 and 3 years	191,970,726	122,054,505
More than 3 years	803,405,464	293,934,721
	<u><b>2,056,912,762</b></u>	<u><b>1,567,648,842</b></u>

The fair value of Company's international negotiable obligations at December 31, 2017 and December 31, 2016 amounts to approximately \$ 7.285 billion and \$ 3.999 billion, respectively. Fair value was calculated based on the estimated market price of the Company's international negotiable obligations at the end of each fiscal year. The applicable fair value category would be Level 1.

Regarding the other loans, those at floating rate are measured at fair value. Loans at fixed rate do not differ significantly from their fair value, as they were issued at a near date.

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

Group loans are denominated in the following currencies:

	<b>12.31.2017</b>	<b>12.31.2016</b>
Argentine pesos	2,009,691,036	1,479,535,353
US dollars	8,026,483,951	4,705,572,184
	<u><b>10,036,174,987</b></u>	<u><b>6,185,107,537</b></u>

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

	<b>12.31.2017</b>	<b>12.31.2016</b>
<b>Loans at beginning of year</b>	<u><b>6,185,107,537</b></u>	<u><b>2,038,872,570</b></u>
Loans received	7,322,091,034	6,325,477,303
Loans paid	(4,779,867,278)	(2,525,311,368)
Accrued interest	1,076,536,437	707,881,631
Interest paid	(940,369,659)	(409,571,035)
Exchange difference	1,069,981,085	312,505,793
Bank overdrafts	(14,657,864)	(59,113,032)
Capitalized financial costs	117,353,695	(205,634,325)
<b>Loans at year end</b>	<u><b>10,036,174,987</b></u>	<u><b>6,185,107,537</b></u>

**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

**NOTE 19: LOANS (Cont'd)**

At December 31, 2017, the total financial debt amounts to \$ 10.036 billion. The following table shows the total debt at that date.

	Borrower	Principal	Balances at 12.31.2017	Interest rate	Currency	Date of issuance:	Maturity date
			( Pesos)	(%)			
<b>Debt securities</b>							
International Bond	GMSA/ GFSA (1)/ CTR	USD 336,000,000	6,512,799,651	9.625%	USD	7/27/2016	7/27/2023
Class V Negotiable Obligations	GMSA	\$ 1,668,870	1,772,166	BADLAR + 4%	ARS	6/30/2016	6/30/2018
Class VI Negotiable Obligations	GMSA	USD 34,696,397	645,463,488	8.000%	USD	2/16/2017	2/16/2020
Class VII Negotiable Obligations	GMSA	\$553,737,013	582,507,103	BADLAR + 4%	ARS	2/16/2017	2/16/2019
Class VIII Negotiable Obligations:	GMSA	\$ 312,884,660	311,693,229	BADLAR + 5%	ARS	8/28/2017	8/28/2021
Class II Negotiable Obligations (GFSA(1))	GMSA	\$ 8,200,001.	8,238,319	BADLAR + 6.5%	ARS	3/8/2016	3/8/2018
Class III Negotiable Obligations (GFSA(1))	GMSA	\$ 4,154,999.	4,348,576	BADLAR + 5.6%	ARS	7/6/2016	7/6/2018
Class I Negotiable Obligation co- issuance	GMSA/ CTR	USD 30,000,000	564,390,258	6.680%	USD	10/11/2017	10/11/2020
Class II Negotiable Obligations:	ASA	\$ 25,820,000	26,977,339	BADLAR + 4%	ARS	10/25/2016	10/25/2018
Class III Negotiable Obligations	ASA	\$ 255,826,342	252,248,867	BADLAR + 4.25%	ARS	6/15/2017	6/15/2021
Class II Negotiable Obligations:	CTR	\$ 270,000,000	274,827,345	BADLAR + 2%	ARS	11/17/2015	11/17/2020
Class III Negotiable Obligations	CTR	\$ 8,960,000	7,956,373	BADLAR + 5.76%	ARS	6/10/2016	6/10/2018
Class IV Negotiable Obligations	CTR	\$ 291,119,753	300,778,600	BADLAR + 5%	ARS	7/24/2017	7/24/2021
<b>Sub-total</b>			<b>9,494,001,314</b>				
<b>Other liabilities</b>							
CAMMESA	GMSA/ GROSA		202,762,819				
Supervielle loan	GMSA	USD 4,480,785	83,377,263	7.250%	USD	10/20/2017	4/22/2019
Banco Ciudad loan	CTR	USD 9,200,000	173,231,565	6.000%	USD	8/4/2017	8/4/2020
Finance lease	GMSA/CTR		82,802,026				
<b>Sub-total</b>			<b>542,173,673</b>				
<b>Total financial debt</b>			<b>10,036,174,987</b>				

(1) Company absorbed by GMSA as from January 1, 2017.

The main financial debts are described below.

**A) INTERNATIONAL BOND ISSUE**

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

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

This issuance has permitted financing investments under the Company's expansion plans, by reason of the award by the Energy Secretariat of Wholesale Demand Contracts under Resolution 115/2016 dated June 14, 2016, as well as the Group's projects under way, totalizing works for the installation of a 460-MW nominal capacity. In addition, it allows for improving the Group's financial profile with the early repayment of existing loans, obtaining a term for financing in accordance with the projects under financing and also a considerable decrease in financing costs, which implies greater financial efficiency and release of guarantees.

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

**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

**NOTE 19: LOANS (Cont'd)**

**A) INTERNATIONAL BOND ISSUE (Cont'd)**

**International Bond:**

**Principal:** Nominal value: USD 336,000,000; amount assigned to GMSA: USD 266,000,000 (Considering the effect of the merger with GFSA) and to CTR. USD 70,000,000

**Interest:** Fixed rate 9.625%

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

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

Principal balance on this International Bond at December 31, 2017 is USD 336,000,000.

As a result of the issue of International Bonds, GMSA and CTR have undertaken standard commitment for this type of issue, whose specific conditions are detailed in the pertinent public prospect. At the date of these combined financial statements, CTR, ASA and its subsidiaries are complying with all its commitments undertaken as a result of loan agreements.

**B) CLASS I NEGOTIABLE OBLIGATION (GMSA and CTR CO-ISSUANCE)**

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

**Principal:** total nominal value USD 30,000,000; amount assigned to GMSA: USD 20,000,000 and to CTR USD 10,000,000.

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

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

The Negotiable Obligations were paid up in cash.

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

The remaining balance of principal corresponding to the Negotiable Obligation at December 31, 2017 amounts to USD 30,000,000.

**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

**NOTE 19: LOANS (Cont'd)**

**C) LOAN AGREEMENTS – GENERACIÓN MEDITERRÁNEA S.A.**

**C.1) Negotiable obligations**

To improve the Company's financial profile, on October 17, 2012 GMSA obtained, under CNV Resolution No. 16942, authorization for: (i) incorporation of GMSA to the public offering system; and (ii) creation of a global program to issue simple negotiable obligations (non-convertible into shares), for a total outstanding nominal value of up to USD 100,000,000 (one hundred million US dollars) or its equivalent in other currencies, in one or more classes or series.

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

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

**Class V Negotiable Obligations:**

**Principal:** Nominal value: \$ 200,000,000

**Interest:** Private Banks BADLAR rate plus a 4% margin.

**Payment term and method:** interest on Class V Negotiable Obligations will be paid on a quarterly basis, past due, on the following dates: September 30, 2016, December 30, 2016, March 30, 2017, June 30, 2017, September 30, 2017, December 30, 2017, March 30, 2018 and June 30, 2018.

Principal on Class V Negotiable Obligations shall be amortized in 3 quarterly installments, the first two equivalent to 30% of nominal value of the negotiable obligations and the last installment to 40% of nominal value, payable on December 30, 2017, March 30, 2018 and June 30, 2018, respectively.

The proceeds from the issuance of Class V Negotiable Obligations were applied to the repurchase of the remaining balance of GISA Class III Negotiable Obligations, investments and working capital.

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

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

Principal balance on that Negotiable Obligation amounts to \$1,668,870 at December 31, 2017.

**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

**NOTE 19: LOANS (Cont'd)**

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

**C.1) Negotiable obligations (Cont'd)**

**Class VI Negotiable Obligations:**

**Principal:** Nominal value: USD 34,696,397

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

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

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

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

The remaining balance of principal corresponding to the Negotiable Obligation at December 31, 2017 amounts to USD 34,696,397.

**Class VII Negotiable Obligations**

**Principal:** Nominal value: \$ 553,737,013

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

**Payment term and method:** in three payments, once 18 (30%), 21 (30%) and 24 (40%) months have elapsed from disbursement of funds.

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

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

**Class VIII Negotiable Obligations:**

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

**Principal:** Nominal value: \$ 312,884,660

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

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

**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

**NOTE 19: LOANS (Cont'd)**

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

**C.1) Negotiable obligations (Cont'd)**

**Class VIII Negotiable Obligations (Cont'd)**

The proceeds from the issuance of Class VIII Negotiable Obligations were fully applied to debt refinancing, thus improving the Company's financial debt profile.

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

**Class II Negotiable Obligations (GFSA):**

**Principal:** nominal value: \$ 130,000,000

**Interest:** Private Banks BADLAR rate plus 6.5 %

**Payment term and method:** Interest will be paid quarterly in arrears, on the following dates: (i) June 08, 2016; (ii) September 08, 2016; (iii) December 08, 2016; (iv) March 12, 2017; (v) June 08, 2017; (vi) September 08, 2017; (vii) December 08, 2017 and (viii) March 12, 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 will be amortized in 3 (three) consecutive installments, payable on a quarterly basis, with the first two equivalent to 30% and the third one equivalent to 40% of the nominal value of the Class II Negotiable Obligations on the dates on which 18, 21 and 24 months, respectively, have elapsed, counted as from the date of issuance and liquidation, (i) September 8, 2017; (ii) December 8, 2017; (iii) March 12, 2018; if other than a business day, or if such day does not exist, on the immediately following business day. Maturity date of Class II Negotiable Obligation: March 12, 2018

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

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

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

**Class III Negotiable Obligations (GFSA):**

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

**Interest:** private banks BADLAR rate plus 5.6 %

**Payment term and method:** Interest will be paid quarterly in arrears, on the following dates: (i) October 6, 2016; (ii) January 6, 2017; (iii) April 6, 2017; (iv) July 6, 2017; (v) October 6, 2017; (vi) January 6, 2018; (vii) April 6, 2018 and (viii) July 6, 2018; 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.



**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

**NOTE 19: LOANS (Cont'd)**

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

**C.1) Negotiable obligations (Cont'd)**

**Class III Negotiable Obligations (GFSA) (Cont'd):**

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

Maturity date of Class III Negotiable Obligations: July 6, 2018.

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

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

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

Principal balance on that Negotiable Obligation amounts to \$ 4.154,999 at December 31, 2017.

**C.2) Cargill loan**

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

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

**C.3) Cargill loan**

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

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

**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

**NOTE 19: LOANS (Cont'd)**

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

**C.1) Negotiable obligations (Cont'd)**

**C.4) Syndicated loan**

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

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

**C.5) Syndicated loan**

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

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

**C.6) Loan with CAMMESA (GRISA)**

At December 31, 2017, GRISA holds financial debts with CAMMESA for \$12,282,819, guaranteed by the assignment of 100% of the present and future credit rights for the sale of electricity in the Spot market of the WEM, from the implementation of a trust agreement in accordance with Law No. 24441.

This debt was incurred to finance the program for repairing the gas turbines, control system and generators, improvement to the protection system, adapting the natural gas feeding system and other ancillary works.

This loan has a repayment period set in 48 consecutive monthly installments, to which will be added a rate equivalent to the average return obtained by the Dispatch Management Agency (CAMMESA) on financial placements in the WEM. At the closing date of these combined financial statements, 30 installments have been paid, totaling \$ 16,873,297.

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

**D) FINANCING BY CAMMESA – GENERACION ROSARIO S.A.**

On March 13, 2012, GMSA executed a new mutuum agreement with CAMMESA, through which they formalized the financing of the second stage of the repair of the Sorrento Power Plant, with the purpose of extending energy generation to 130 MW, for an amount equivalent to \$ 190,480,000.

**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

**NOTE 19: LOANS (Cont'd)**

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

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

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

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

As 18 months have elapsed since the start of commercial operation of the unit TV13 with 130 MW of available power, and considering the frequent dispatches the unit had during this period, mostly with fuel oil, delivering 65,000 MWh per month on the average, on June 19, 2015 GROSA submitted to CAMMESA a request for funding to make additional investments on the boiler, steam turbine, transformers and ancillary equipment, so as to continue having availability and dispatch as required by the WEM.

In the operation period mentioned, a significant decrease in specific consumption was recorded which is translated into a 15% savings of fuel compared with the situation existing at the time GROSA took over Central Térmica Sorrento, as a result of maintenance and improvements made over the last years.

On May 30, 2016, GROSA signed a new mutuum agreement with CAMMESA whereby the financing of the Third Stage for the Repair of the Unit TV13 was formalized for an amount of up to USD 10,406,077 plus VAT. The financing will be repaid by applying the accumulated credit rights, or those to be accrued, for the Remuneration of Non-Recurring Maintenance set forth by Section 2 of ES Resolution No. 529/2014.

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

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

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

**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

**NOTE 19: LOANS (Cont'd)**

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

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

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

On February 8, 2018, CAMMESA agreed on the interpretation made by GROSA related to the return of the financing, thus imposing a penalty due to the maximum power reached in relation to that to be supplied. Upon the deduction of the penalty, the enforcement and the commitments undertaken by the parties under the Mutuum Agreement will be considered completed.

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

To improve the Company's financial profile, on November 20, 2015, ASA obtained, under CNV Resolution No. 17887 authorization for: (i) incorporation of ASA to the public offering system; and (ii) creation of a global program to issue simple (non-convertible) negotiable obligations for a total nominal value outstanding of USD 100,000,000 (one hundred million US dollars) or its equivalent in other currencies, in one or more classes or series.

**Class I Negotiable Obligations:**

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

**Principal:** Nominal value: \$ 70,000,000

**Interest:** Private Banks BADLAR rate plus a 5.5% margin.

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

**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

**NOTE 19: LOANS (Cont'd)**

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

**Class I Negotiable Obligations (Cont'd)**

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

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

On October 25, 2016, Class II Negotiable Obligations were issued, subscribed partly in cash and the remainder through a swap for 28% of the Class I Negotiable Obligations. The amount paid was \$19,500,000.

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

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

**Class II Negotiable Obligations:**

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

**Principal:** Nominal value: \$ 220,000,000

**Interest:** Private Banks BADLAR rate plus a 4% margin.

**Payment term and method:** interest on Class II Negotiable Obligations will be paid on a quarterly basis, in arrears, on the following dates: January 25, 2017, April 25, 2017, July 25, 2017, October 25, 2017, January 25, 2018, April 25, 2018, July 25, 2018 and October 25, 2018.

Principal on Class II Negotiable Obligations will be paid in three (3) consecutive installments, on a quarterly basis, the first two equivalent to 30% of the nominal value of the Negotiable Obligations and the last one to 40%, on the dates on which 18, 21 and 24 months have elapsed, counted as from the date of issuance; i.e., on April 25, 2018, July 25, 2018 and October 25, 2018.

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

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

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

**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

**NOTE 19: LOANS (Cont'd)**

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

**Class III Negotiable Obligations:**

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

**Principal:** Nominal value: \$ 255,826,342

**Interest:** Private Banks BADLAR rate plus a 4.25% margin.

**Payment term and method:** interest on Class III Negotiable Obligations will be paid on a quarterly basis, in arrears, on the following dates: September 15, 2017; December 15, 2017; March 15, 2018; June 15, 2018; September 15, 2018; December 15, 2018; March 15, 2019; June 15, 2019; September 15, 2019; December 15, 2019; March 15, 2020; June 15, 2020; September 15, 2020; December 15, 2020; March 15, 2021, and June 15, 2021; if other than a business day, or if such day does not exist, the interest payment date will be the immediately following business day.

Principal of the Class III Negotiable Obligations will be paid in three (3) consecutive installments, on a quarterly basis, the first two equivalent to 30% of the nominal value of the Negotiable Obligations and the last one to 40%, on the dates on which 42, 45 and 48 months are completed, counted as from the date of issuance; i.e., on December 7, 2020, March 15, 2021 and June 15, 2021; if other than a business day, or if such day does not exist, the interest payment date will be the immediately following business day.

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

Principal balance on that class negotiable obligation outstanding at December 31, 2017 is \$ 255,826,342.

**F) LOAN AGREEMENTS - CENTRAL TÉRMICA ROCA S.A.**

**F.1) Negotiable obligations**

To improve the Company's financial profile, on August 8, 2014 CTR obtained, under Resolution 17413 of the CNV, authorization for: (i) the incorporation of CTR into the public offering system; and (ii) creation of a global program to issue simple (non-convertible) negotiable obligations for a total nominal value outstanding of USD 50,000,000 (fifty million US dollars) or its equivalent in other currencies, in one or more classes or series.

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

At December 31, 2017 there are Class II, Class III and Class IV negotiable obligations outstanding, issued by the CTR for the amounts and under the following conditions, and the Class I Negotiable Obligation co-issued by the Company and GMSA (see Note 19.B).

**Class II Negotiable Obligations:**

On November 17, 2015 the Company issued Class II negotiable obligations. Class II ON were considered a productive investment within the scope of subsection k) of section 35.8.1 of the General Rules of the Insurance Activity (SSN Resolution 21523/1992), pursuant to communication No. 4841 of the National Insurance Superintendency dated November 6, 2015.

**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

**NOTE 19: LOANS (Cont'd)**

**F) LOAN AGREEMENTS – CENTRAL TÉRMICA ROCA S.A. (Cont'd)**

**F.1) Negotiable obligations (Cont'd)**

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

**Principal:** nominal value: \$ 270,000,000 (pesos two hundred and seventy million).

Interest on Class III Negotiable Obligations will be paid quarterly in arrears. The next payment date is August 17, 2017, while the last payment date will be November 17, 2020.

**Interest:** Private Banks BADLAR rate plus 2%

**Payment term and method:**

Amortization: Principal on negotiable obligations will be amortized in ten (10) consecutive installments payable on a quarterly basis, equivalent to 10% of the nominal value of the negotiable obligations, on the following dates: August 17, 2018, November 17, 2018, February 17, 2019, May 17, 2019, August 17, 2019, November 17, 2019, February 17, 2020, May 17, 2020, August 17, 2020 and November 17, 2020. At the date of issue of these financial statements, principal amount due under Class II Negotiable Obligations was \$ 270,000,000.

The remaining balance of principal corresponding to the negotiable obligation at December 31, 2017 amounts to \$ 270,000,000.

**Class III Negotiable Obligations:**

On June 10, 2016, the Company issued Class III Negotiable Obligations in the amount and under the conditions described below:

**Principal:** nominal value: \$ 170,262,333 (pesos one hundred and seventy million, two hundred and sixty two thousand three hundred and thirty three).

**Interest:** Private Banks BADLAR rate plus 5.76% Under the issuance terms, a minimum rate of 36% has been set for the first quarter, and 35% for the second quarter.

Interest on Class III Negotiable Obligations will be paid quarterly in arrears, on the following dates: (i) September 10, 2017; (ii) December 10, 2017, (iii) March 10, 2018 and (iv) June 10, 2018.

**Payment term and method:** Principal on Class III negotiable obligations will be amortized in three installments, equivalent to 30%, 30% and 40%, respectively, of the nominal value of Class III Negotiable Obligations, on the following dates: (i) December 10, 2017; (ii) March 10, 2018, and; (iii) June 10, 2018.

Maturity date of Class III Negotiable Obligations: June 10, 2018. The negotiable obligations were paid up in cash and in kind, in the latter case through a swap of Class I negotiable obligations for \$41,743,233. The proceeds from the issuance of Class III negotiable obligations were applied to the repurchase of the outstanding balance of Class I negotiable obligations for \$ 11,856,767, to investments and working capital. The swap and subsequent repurchase of Class I Negotiable Obligations improved the Company's financial profile.

Class IV Negotiable Obligations were issued on July 24, 2017, and were partially paid up in kind through the delivery of Class III Negotiable Obligations. The amount swapped of Class III Negotiable Obligations was \$159 million.

The remaining balance of principal corresponding to this negotiable obligation at December 31, 2017 amounts to \$ 8,960,000.

**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

**NOTE 19: LOANS (Cont'd)**

**F) LOAN AGREEMENTS – CENTRAL TÉRMICA ROCA S.A. (Cont'd)**

**F.1) Negotiable obligations (Cont'd)**

**Class IV Negotiable Obligations:**

On July 24, 2017, the Company issued Class IV Negotiable Obligations in the amount and under the conditions described below:

**Principal:** nominal value: \$ 291,119,753 (pesos two hundred ninety one million one hundred nineteen thousand seven hundred and fifty three).

**Interest:** Private Banks BADLAR rate plus 5%

Interest on Class IV Negotiable Obligations will be paid quarterly in arrears, starting October 24, 2017 and until maturity.

**Payment term and method:** The principal of Class IV Negotiable Obligations will be fully settled within 48 months from the date of issuance.

The negotiable obligations were paid up in cash and in kind, in the latter case through a swap of Class III negotiable obligations for \$ 161,119,753. The remaining balance was fully paid in cash.

The proceeds from the issuance of Class IV negotiable obligations were applied to investment in fixed assets, debt refinancing and working capital. The swap of Class III Negotiable Obligations improved the Company's financial profile.

The remaining balance of principal corresponding to the negotiable obligation at December 31, 2017 amounts to \$ 291,119,753.

**F.2) Banco Chubut loan**

On April 7, 2017, the Company obtained a loan from Banco Chubut S.A. for a total of \$25,000,000, repayable in 24 consecutive monthly installments, and accruing interest at a 17% rate. At December 31, 2017 the loan was fully repaid.

**F.3) Banco Ciudad loan**

On August 4, 2017, the Company obtained a loan from Banco Ciudad de Buenos Aires for USD 9,200,000 in 36 installments, with a grace period of 6 months. Amortization will be made in quarterly principal installments and interest will accrue at a 6% fixed rate, payable quarterly, with the contracts entered into between Rafael G. Albanesi, Vidriería Argentina, San Miguel, Danone, OPP Film, Bopp and Chevron being assigned as collateral. At December 31, 2017, principal due amounts to \$ 171,570,800, equivalent to USD 9,200,000.



**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

**NOTE 20: PROVISIONS**

	<u>For contingencies</u>
<b>Balances as of December 31, 2015</b>	<u>9,949,496</u>
Decreases	<u>(813,944)</u>
<b>Balances at December 31, 2016</b>	<u>9,135,552</u>
Decreases	<u>(1,730,483)</u>
<b>Balances at December 31, 2017</b>	<u>7,405,069</u>

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

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

**NOTE 21: SOCIAL SECURITY DEBTS**

<u>Current</u>	<u>12.31.2017</u>	<u>12.31.2016</u>
Salaries payable	144,803	18,076
Social security charges payable	9,656,576	4,037,565
Provision for vacation pay	7,621,362	5,183,334
	<u>17,422,741</u>	<u>9,238,975</u>

**NOTE 22: TAX PAYABLES**

<u>Current</u>	<u>12.31.2017</u>	<u>12.31.2016</u>
Income tax withholding to be deposited	3,672,228	7,797,174
Turnover tax withholdings to be deposited	3,848,513	-
Social security withholdings to be deposited	46,392	-
National Fund of Electric Energy	881,364	271,417
Value added tax payable	4,864,792	-
Turnover tax payable	575,375	1,036,521
Minimum notional income tax provision, net of prepayments	18,326,117	21,265,052
Other	1,028,817	2,642,252
	<u>33,243,598</u>	<u>33,012,416</u>

**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

**NOTE 23: INCOME TAX**

Deferred assets and liabilities are offset when: a) there is a legally enforceable right to offset tax assets against tax liabilities; and b) when the charges for deferred income taxes relate to the same taxation authority. The following amounts, determined after proper offsetting, are shown in the statement of financial position.

	<u>12.31.2017</u>	<u>12.31.2016</u>
Deferred tax assets:		
Deferred tax assets to be recovered in more than 12 months	11,565,410	1,497,552
	<u>11,565,410</u>	<u>1,497,552</u>
Deferred tax liabilities:		
Deferred tax liabilities to be settled over more than 12 months	(991,048,858)	(1,121,008,016)
	<u>(991,048,858)</u>	<u>(1,121,008,016)</u>
<b>Deferred tax liabilities, net</b>	<u>(979,483,448)</u>	<u>(1,119,510,464)</u>

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

	<u>12.31.2017</u>	<u>12.31.2016</u>
<b>Balances at beginning of the fiscal year</b>	<b>(1,119,510,464)</b>	<b>(650,963,827)</b>
Charge to income statement	(94,021,738)	(117,462,774)
Expense charged to other comprehensive income	234,048,754	(351,083,863)
<b>Balance at the fiscal year end</b>	<b>(979,483,448)</b>	<b>(1,119,510,464)</b>

The activity in deferred tax assets and liabilities, without considering the offsetting of balances that correspond to the same tax jurisdiction, has been as follows:

Items	Balances at 12.31.2016	Charge to income statement	Expense charged to other comprehensive income	Balances at 12.31.2017
	\$			
Deferred tax - Assets (Liabilities)				
Property, plant and equipment	(1,314,673,621)	(305,595,063)	234,347,644	(1,385,921,040)
Investments	(20,364,844)	20,322,328	-	(42,516)
Trade receivables	(13,862,380)	12,003,885	-	(1,858,495)
Other receivables	1,860,619	2,088,816	-	3,949,435
Inventories	3,700,217	(3,700,217)	-	-
Taxes	159,395	(428,015)	-	(268,620)
Loans	(69,051,994)	2,651,457	-	(66,400,537)
Provisions	7,265,104	(3,186,254)	(298,890)	3,779,960
<b>Sub-total</b>	<b>(1,404,967,504)</b>	<b>(275,843,063)</b>	<b>234,048,754</b>	<b>(1,446,761,813)</b>
Deferred tax losses	285,457,040	181,821,325	-	467,278,365
<b>Sub-total</b>	<b>285,457,040</b>	<b>181,821,325</b>	<b>-</b>	<b>467,278,365</b>
<b>Total</b>	<b>(1,119,510,464)</b>	<b>(94,021,738)</b>	<b>234,048,754</b>	<b>(979,483,448)</b>

**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

**NOTE 23: INCOME TAX (Cont'd)**

Items	Balances at 12.31.2015	Charge to income statement	Expense charged to other comprehensive income	Balances at 12.31.2016
		\$		
Deferred tax - Assets (Liabilities)				
Property, plant and equipment	(839,809,592)	(122,758,399)	(352,105,630)	(1,314,673,621)
Investments	(263,270)	(20,361,430)	-	(20,624,700)
Trade receivables	(6,203,169)	(7,659,211)	-	(13,862,380)
Other receivables	4,500,088	(2,379,613)	-	2,120,475
Inventories	(18,378)	3,718,595	-	3,700,217
Trade payables	78,120	(78,120)	-	-
Tax payables	159,395	-	-	159,395
Loans	(3,560,041)	(65,491,953)	-	(69,051,994)
Provisions	11,017,800	(4,774,463)	1,021,767	7,265,104
<b>Sub-total</b>	<b>(834,099,047)</b>	<b>(219,784,594)</b>	<b>(351,083,863)</b>	<b>(1,404,967,504)</b>
Deferred tax losses	183,135,220	102,321,820	-	285,457,040
<b>Sub-total</b>	<b>183,135,220</b>	<b>102,321,820</b>	<b>-</b>	<b>285,457,040</b>
<b>Total</b>	<b>(650,963,827)</b>	<b>(117,462,774)</b>	<b>(351,083,863)</b>	<b>(1,119,510,464)</b>

**Tax reform in Argentina**

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

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

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

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

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

**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

**NOTE 23: INCOME TAX (Cont'd)**

	<u>12.31.2017</u>	<u>12.31.2016</u>
Income before income tax on continuing and discontinued operations	424,884,997	249,634,269
Current tax rate	35%	35%
<b>Income/(loss) at the tax rate</b>	<b>(148,709,749)</b>	<b>(87,371,994)</b>
Permanent differences	(25,391,346)	(21,445,028)
Income from interests in associates	(2,444,220)	(866,559)
Change in the income tax rate (a)	85493491	-
Tax losses, expired or non-recognized	(18,399,297)	(16,953,194)
	<u><b>(109,451,121)</b></u>	<u><b>(126,636,775)</b></u>

The income tax charge is broken down as follows:

	<u>12.31.2017</u>	<u>12.31.2016</u>
Current taxes	(15,891,432)	(8,103,256)
Deferred tax	(94,021,738)	(117,462,774)
Variation between income tax provision and tax return	462,049	(1,070,745)
<b>Income tax</b>	<u><b>(109,451,121)</b></u>	<u><b>(126,636,775)</b></u>

(a) Corresponds to the effect of the application of the changes in income tax rates on deferred tax assets and liabilities, in line with the tax reform detailed above, based on the expected year of realization. The impact of the change in the rate was recognized in income for the year, except in the case of the adjustment to deferred liabilities generated from application of the revaluation model for certain types of property, plant and equipment, as it is related to items previously recognized in other comprehensive income. This impact amounted to \$ 304,689,341 and has been disclosed in the statement of other comprehensive income.

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

Accumulated tax losses at December 31, 2017 amount to \$ 1.831 billion and, according to tax regulations in force, can be offset against future taxable profits, as detailed below:

**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

**NOTE 23: INCOME TAX (Cont'd)**

Year	\$	Year of expiration
Tax loss for the fiscal year 2013	63,142,073	2018
Tax loss for the fiscal year 2014	128,615,951	2019
Tax loss for the fiscal year 2015	237,312,673	2020
Tax loss for the fiscal year 2016	362,285,545	2021
Tax loss for the fiscal year 2017	1,052,548,215	2022
<b>Total accumulated tax losses at December 31, 2017</b>	<b>1,843,904,457</b>	
Non-recognized tax loss carry-forwards	(13,142,598)	
<b>Recognized tax losses</b>	<b>1,830,761,859</b>	

Accumulated tax loss carry-forwards not recorded are specific tax loss carry-forwards generated by the sale of shares in AJSA and BDD. Specific tax loss carry-forwards from the sale of shares can only be computed against net profits from the sale of those goods.

**NOTE 24: DEFINED PLAN BENEFIT - LABOR COMMITMENTS WITH PERSONNEL**

A detailed description of the estimated cost and liability for benefits after retirement granted to GROSA employees is included below. These benefits are:

- A bonus for all the employees retiring under the differential regime of Decree No. 937/74, when reaching 55 years of age and 30 years of service, consisting in 10 salaries, augmented by 2% per each year of service exceeding the first 5 years.
- A bonus for service length, consisting in paying one salary after 20 years of employment (17 years, for women) plus another one every 5 years up to 35 years' service (32 years, for women) and two more salaries upon reaching 40 years of service (37 years, for women).

The liabilities related to accumulated bonuses for service length and to the employee benefits plans mentioned above were determined considering all the rights accrued by the beneficiaries until closing date of the year ended December 31, 2017, based on an actuarial study performed by an independent professional at that date. The actuarial method applied by GROSA is the Projected Benefit Unit method.

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

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

**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

**NOTE 24: DEFINED PLAN BENEFIT - LABOR COMMITMENTS WITH PERSONNEL (Cont'd)**

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

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

The actuarial assumptions used were:

	<u>12.31.2017</u>	<u>12.31.2016</u>
Interest rate	6%	6%
Salary growth rate	1%	1%
Inflation	15%	30%

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

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

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

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

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

**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

**NOTE 24: DEFINED PLAN BENEFIT - LABOR COMMITMENTS WITH PERSONNEL (Cont'd)**

Estimates based on actuarial techniques involve the use of statistical tools, such as the demographic tables used in the actuarial valuation of the Group active personnel. To determine mortality for the Group active personnel, the mortality table "RP 2000" has been used. In general, a mortality table shows, for each age group, the probability that a person in that age group will die before reaching a predetermined age. Mortality tables are elaborated separately for men and women, given that both have substantially different mortality rates.

To estimate total and permanent disability due to any cause, the table "Pension Disability Table 1985" has been used.

To estimate the probability that the Group active personnel will leave the job or stay, the table "ESA 77" has been used.

The liabilities related to the above-mentioned benefits were determined considering all the rights accrued by the beneficiaries of the plans until closing date of the year ended December 31, 2017.

**NOTE 25: FINANCIAL AND NON-FINANCIAL ASSETS AND LIABILITIES**

The tables below show financial assets and financial liabilities by category of financial instruments and a reconciliation with the line disclosed in the statement of financial position, as applicable. Due to the fact that the items "Trade and other receivables" and "Trade and other payables" include both financial instruments and non-financial assets or liabilities (such as tax advances, receivables and debts), the reconciliation is shown in the columns "Non-financial assets" and "Non-financial liabilities".

Financial assets and liabilities at December 31, 2017 and 2016 are as follows:

At December 31, 2017	Financial assets/ liabilities at amortized cost	Financial assets/ liabilities at fair value through profit and loss	Non-financial assets/ liabilities	Total
<b>Assets</b>				
Trade and other receivables	1,804,859,091	23,027,445	1,058,344,428	2,886,230,964
Other financial assets at fair value through profit and loss	-	39,308,364	-	39,308,364
Cash and cash equivalents	73,047,041	122,476,099	-	195,523,140
Non-financial assets	-	129,861	14,098,856,764	14,098,986,625
<b>Total</b>	<b>1,877,906,132</b>	<b>184,941,769</b>	<b>15,157,201,192</b>	<b>17,220,049,093</b>
<b>Liabilities</b>				
Trade and other payables	2,766,341,126	-	33,243,598	2,799,584,724
Loans (finance leases excluded)	9,953,372,961	-	-	9,953,372,961
Finance leases	82,802,026	-	-	82,802,026
Non-financial liabilities	-	-	1,009,832,217	1,009,832,217
<b>Total</b>	<b>12,802,516,113</b>	<b>-</b>	<b>1,043,075,815</b>	<b>13,845,591,928</b>

**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

**NOTE 25: FINANCIAL AND NON-FINANCIAL ASSETS AND LIABILITIES (Cont'd)**

<u>At December 31, 2016</u>	<u>Financial assets/ liabilities at amortized cost</u>	<u>Financial assets/ liabilities at fair value through profit or loss</u>	<u>Non-financial assets/ liabilities</u>	<u>Total</u>
<b>Assets</b>				
Trade and other receivables	1,147,469,678	-	1,430,478,294	2,577,947,972
Other financial assets at fair value through profit and loss	-	231,727,629	-	231,727,629
Cash and cash equivalents	95,460,185	852,847,425	-	948,307,610
Non-financial assets	-	129,861	7,022,161,331	7,022,291,192
<b>Total</b>	<b>1,242,929,863</b>	<b>1,084,704,915</b>	<b>8,452,639,625</b>	<b>10,780,274,403</b>
<b>Liabilities</b>				
Trade and other payables	987,037,202	2,175,000	21,366,445	1,010,578,647
Loans (finance leases excluded)	6,158,206,778	-	-	6,158,206,778
Finance leases	2,304,732	-	24,596,027	26,900,759
Non-financial liabilities	-	-	1,132,793,119	1,132,793,119
<b>Total</b>	<b>7,147,548,712</b>	<b>2,175,000</b>	<b>1,178,755,591</b>	<b>8,328,479,303</b>

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

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

<u>At December 31, 2017</u>	<u>Financial assets at amortized cost</u>	<u>Liabilities at fair value</u>	<u>Assets at fair value</u>	<u>Non-financial instruments</u>	<u>Total</u>
Interest earned	93,968,165	-	-	-	93,968,165
Interest paid	-	(533,273,120)	-	-	(533,273,130)
Changes in the fair value of instruments	-	-	102,015,811	-	102,015,811
Exchange differences, net	342,167,995	(732,384,953)	-	-	(390,216,958)
Other financial costs	-	(127,998,201)	-	-	(127,998,201)
<b>Total</b>	<b>436,136,160</b>	<b>(1,393,656,274)</b>	<b>102,015,811</b>	<b>-</b>	<b>(855,504,303)</b>



**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

**NOTE 25: FINANCIAL AND NON-FINANCIAL ASSETS AND LIABILITIES (Cont'd)**

<b>At December 31, 2016</b>	Financial assets at amortized cost	Liabilities at fair value	Assets at fair value	Non-financial instruments	Total
Interest earned	71,769,507	-	-	-	71,769,507
Interest paid	-	(464,364,701)	-	(30,921)	(464,395,622)
Changes in the fair value of financial instruments	-	-	143,948,786	-	143,948,786
Exchange differences, net	46,361,060	(275,186,268)	-	-	(228,825,208)
Other financial costs	(5,516,702)	(96,655,061)	-	-	(102,171,763)
<b>Total</b>	<b>112,613,865</b>	<b>(836,206,030)</b>	<b>143,948,786</b>	<b>(30,921)</b>	<b>(579,674,300)</b>

**Determination of fair value**

The Group classifies fair value measurements of financial instruments using a three-level hierarchy, which gives priority to the inputs used in making such measurements. Fair value hierarchy includes these levels:

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

These charts show the Group's financial assets and liabilities measured at fair value at December 31, 2017 and 2016 and their allocation to the different hierarchy levels:

<b>At December 31, 2017</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	122,476,099	-	-	122,476,099
Other financial assets at fair value through profit and loss	39,308,364	-	-	39,308,364
Investment in shares	-	-	129,861	129,861
Property, plant and equipment	-	-	11,248,923,402	11,248,923,402
<b>Total</b>	<b>161,784,463</b>	<b>-</b>	<b>11,249,053,263</b>	<b>11,410,837,726</b>

**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

**NOTE 25: FINANCIAL AND NON-FINANCIAL ASSETS AND LIABILITIES (Cont'd)**

<b>December 31, 2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	852,847,425	-	-	852,847,425
Other financial assets at fair value through profit and loss	231,727,629	-	-	231,727,629
Investment in shares	-	-	129,861	129,861
Property, plant and equipment	-	-	4,908,472,653	4,908,472,653
<b>Total</b>	<b>1,084,575,054</b>	<b>-</b>	<b>4,908,602,514</b>	<b>5,993,177,568</b>

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

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

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

- a) For the determination of the fair value of property and land, market quotations have been used requested from expert external appraisers. The values obtained, in the case of property, include the current status of assets.
- b) For determining the fair value of Facilities and Machinery, an external appraiser has been hired who has used the replacement cost method, determining the components that form part of the power plants and obtaining values from new suppliers in the industry, adding the cost of freight, insurance, assembly and other general expenses. Depreciation was computed according to the consumed useful life of assets, for the case of facilities, the depreciation factor was 69% and 53% at December 31, 2017 and 2016 respectively and for machinery it was 70% and 65% at December 31, 2017 and 2016.

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

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

**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

**NOTE 26: SALE REVENUES**

	<b>12.31.2017</b>	<b>12.31.2016</b>
Sale of base energy	441,844,736	520,936,226
Sales under Energía Plus	939,033,852	764,763,473
Sale of electricity Res. No. 220	1,584,618,917	1,683,651,029
Sale of electricity Res. No. 21	178,289,173	-
	<b>3,143,786,678</b>	<b>2,969,350,728</b>

**NOTE 27: COST OF SALES**

	<b>12.31.2017</b>	<b>12.31.2016</b>
Cost of purchase of electric energy	(802,608,876)	(601,201,425)
Cost of gas and gas oil consumption	(148,353,885)	(933,757,738)
Salaries and social security charges	(177,795,278)	(113,880,473)
Defined benefit plan	(365,922)	(494,142)
Other employee benefits	(9,580,083)	(4,697,376)
Fees for professional services	(4,875,343)	(7,442,789)
Rental	(5,425,378)	(3,657,538)
Depreciation of property, plant and equipment	(340,106,776)	(206,969,647)
Insurance	(35,109,661)	(28,249,513)
Maintenance	(196,107,309)	(125,077,374)
Electricity, gas, telephone and postage	(5,594,117)	(4,091,944)
Duties and taxes	(21,294,625)	(19,005,358)
Travel and per diem	(3,866,428)	(2,061,302)
Security guard and cleaning service	(5,976,855)	(6,096,928)
Miscellaneous expenses	(6,070,921)	(8,710,169)
	<b>(1,763,131,457)</b>	<b>(2,065,393,716)</b>

**NOTE 28: SELLING EXPENSES**

	<b>12.31.2017</b>	<b>12.31.2016</b>
Salaries and social security charges	-	(376,515)
Duties and taxes	(9,605,060)	(19,058,636)
Advertising	(80,000)	(67,000)
Recovery of Turnover Tax (Note 43)	19,643,732	-
Bad debts	15,459	(3,846,924)
	<b>9,974,131</b>	<b>(23,349,075)</b>

**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

**NOTE 29: ADMINISTRATIVE EXPENSES**

	<u>12.31.2017</u>	<u>12.31.2016</u>
Salaries and social security charges	(35,968)	(6,788,930)
Other employee benefits	-	(27,755)
Rental	(6,624,605)	(1,594,513)
Fees for professional services	(62,931,504)	(39,659,796)
Directors' fees	(35,651,766)	-
Insurance	(227,573)	(501,931)
Electricity, gas, telephone and postage	(4,568,281)	(2,557,440)
Duties and taxes	(1,814,125)	(1,874,781)
Travel and per diem	(1,778,754)	(3,268,246)
Donations	(3,420,600)	-
Miscellaneous expenses	(2,360,734)	(3,050,653)
	<u>(119,413,910)</u>	<u>(59,324,045)</u>

**NOTE 30: OTHER OPERATING INCOME AND EXPENSES, NET**

	<u>12.31.2017</u>	<u>12.31.2016</u>
<u>Other operating income</u>		
Sales of property, plant and equipment	12,909,670	-
Recovery of insurance claim	-	8,491,862
Sundry income	3,247,673	2,008,698
<b>Total Other operating income</b>	<u>16,157,343</u>	<u>10,500,560</u>

**NOTE 31: FINANCIAL RESULTS**

	<u>12.31.2017</u>	<u>12.31.2016</u>
<u>Financial income</u>		
Interest on loans granted	19,934,329	6,798,695
Commercial and other interest	74,033,836	64,970,812
<b>Total financial income</b>	<u>93,968,165</u>	<u>71,769,507</u>
<u>Financial expenses</u>		
Loan interest	(462,629,666)	(441,136,658)
Commercial and other interest	(70,643,454)	(23,258,964)
Bank expenses and commissions	(6,861,281)	(17,104,170)
<b>Total financial expenses</b>	<u>(540,134,401)</u>	<u>(481,499,792)</u>
<u>Other financial results</u>		
Exchange differences, net	(390,216,958)	(228,825,208)
Changes in the fair value of financial instruments	102,015,811	143,948,786
Other financial results	(121,136,920)	(85,067,593)
<b>Total other financial results</b>	<u>(409,338,067)</u>	<u>(169,944,015)</u>
<b>Total financial results, net</b>	<u>(855,504,303)</u>	<u>(579,674,300)</u>

**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

**NOTE 32: EARNINGS PER SHARE**

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

	<u>12.31.2017</u>	<u>12.31.2016</u>
Profit for the year attributable to the owners	299,004,565	118,547,211
Weighted average of outstanding ordinary shares	135,525,630	122,531,094
<b>Basic and diluted earnings per share</b>	<b>2.21</b>	<b>0.97</b>

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

**NOTE 33: TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

*a) Transactions with related parties and affiliates*

		<u>12.31.2017</u>	<u>12.31.2016</u>
		<u>\$</u>	
		<u>Income / (Loss)</u>	
<b>Purchase of gas</b>			
RGA (1)	Related company	(2,712,742,960)	(1,246,166,697)
<b>Purchase of electric energy</b>			
Solalban Energía S.A.	Related company	(64,793)	(126,875)
<b>Purchase of wines</b>			
BDD	Related company	(2,837,216)	(404,254)
<b>Purchase of flights</b>			
AJSA	Related company	(66,971,278)	(39,798,093)
<b>Sale of energy</b>			
RGA	Related company	68,390,348	43,986,717
Solalban Energía S.A.	Related company	91,365,224	71,021,743
<b>Financial interest earned</b>			
AISA	Related company	14,063,307	6,798,695
Directors	Related parties	5,871,022	-
<b>Guarantees provided/received</b>			
AJSA	Related company	122,158	-
RGA	Related company	(50,964,250)	-
<b>Financial cost recovery</b>			
RGA	Related company	(40,603,312)	(7,344,468)
<b>Leases and services agreements</b>			
RGA	Related company	(48,014,668)	(58,123,671)

**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

**NOTE 33: TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Cont'd)**

*a) Transactions with related parties and affiliates*

		12.31.2017	12.31.2016
		\$	
		Income / (Loss)	
<b>Reimbursement of expenses</b>			
RGA	Related company	(1,368,169)	(5,575,569)
AESA	Related company	3,402,843	3,562,264
AJSA	Related company	678	-
AVRC	Related company	678	-
BDD	Related company	3,391	-
<b>Pipeline works</b>			
RGA	Related company	(161,544,407)	-
<b>Work management services</b>			
RGA	Related company	(112,688,100)	-
<b>Fees</b>			
Directors	Related parties	(35,651,766)	-
<b>Dividends earned</b>			
Solalban Energía S.A.	Related company	5,880,000	-

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

*b) Remuneration of key managerial staff.*

The senior management includes directors (executive and non-executive). Their remunerations at December 31, 2017 and 2016 amounted to \$ 18,434,675 and \$ 14,861,745, respectively.

	12.31.2017	12.31.2016
Salaries	18,434,675	14,861,745
	<b>18,434,675</b>	<b>14,861,745</b>

**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

**NOTE 33: TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Cont'd)**

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

Captions	Type	12.31.2017	12.31.2016
		\$	
<b>NON-CURRENT ASSETS</b>			
<b>Other receivables</b>			
Loans to Directors	Related parties	-	17,343,215
Shareholders' private accounts	Related parties	-	18,750
		-	<u>17,361,965</u>
<b>CURRENT ASSETS</b>			
<b>Other receivables</b>			
Shareholders' private accounts	Related parties	171,602,918	147,861,358
AESA	Related company	-	4,036,908
Loans to Directors	Related parties	35,438,215	-
Advances to directors	Related parties	170,200	-
AISA	Related company	87,595,874	72,003,367
AJSA (2)	Related company	841	-
		<u>294,808,048</u>	<u>223,901,633</u>
<b>CURRENT LIABILITIES</b>			
<b>Trade payables</b>			
Solalban Energía S.A.	Related company	-	541,641
AJSA	Related company	674,260	21,087,146
RGA	Related company	277,902,307	141,035,348
		<u>278,576,567</u>	<u>162,664,135</u>
<b>Other liabilities</b>			
RGA	Related company	108,559,450	89,629,740
BDD	Related company	714,820	-
Directors' fees	Related parties	35,651,766	-
		<u>144,926,036</u>	<u>89,629,740</u>

(2) For assignment of receivables from GROSA Directors to RGA on 6.30.2017.

**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

**NOTE 33: TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Cont'd)**

d) Loans granted to related parties

	<u>12.31.2017</u>	<u>12.31.2016</u>
<i>Loans to Albanesi Inversora S.A.</i>		
Balances at beginning of the fiscal year	66,798,695	-
Loans granted	-	60,000,000
Accrued interest	14,063,307	6,798,695
<b>Balance at the fiscal year end</b>	<b><u>80,862,002</u></b>	<b><u>66,798,695</u></b>
	<u>12.31.2017</u>	<u>12.31.2016</u>
<i>Loans to Directors</i>		
Balances at beginning of fiscal year	17,343,215	-
Loans granted	30,918,956	17,343,215
Assignment <sup>(2)</sup>	(20,785,080)	-
Accrued interest	5,871,022	-
<b>Balance at the fiscal year end</b>	<b><u>35,438,215</u></b>	<b><u>17,343,215</u></b>

(3) For assignment of receivables from GROSA Directors to RGA on 6.30.2017.

The loans are governed by the following terms and conditions:

Entity	Amount	Interest rate	Conditions
<b>At 12.31.2017</b>			
Directors	31,781,279	BADLAR + 3%	Maturity date: 1 year
<b>Total in pesos</b>	<b><u>31,781,279</u></b>		
Entity	Amount	Interest rate	Conditions
<b>At 12.31.2017</b>			
AISA	60,000,000	BADLAR + 3%	Maturity date: 1 year, renewable
<b>Total in pesos</b>	<b><u>60,000,000</u></b>		automatically up to 5 years

Receivables from related parties arise mainly from transactions of services provided and fall due in the month following the transaction date. No provisions have been recorded for these receivables from related parties in any of the years covered by these combined financial statements. Trade payables with related parties arise mainly from gas purchase transactions and fall due in the month following the transaction date. Transactions with related parties in conditions similar to those carried out with independent parties.



**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

**NOTE 34: WORKING CAPITAL**

At December 31, 2017, the Company reports a surplus in working capital of \$ 157,516,090 (calculated as current assets less current liabilities), which means a \$ 2,308,054,154 reduction compared to the working capital of \$ 2,465,570,244 at the end of the fiscal year ended December 31, 2016.

It should be noted that EBITDA at December 31, 2017 amounted to \$ 1.633 billion, in line with projections, which shows compliance with the objectives and efficiency of the transactions carried out by the Group.

**NOTE 35: SEGMENT REPORTING**

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

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

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

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

**NOTE 36: RESTRICTED ASSETS AND OTHER COMMITMENTS**

**A. GMSA**

**A.1 Other commitments**

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

	Total	Up to 1 year	From 1 to 3 years
<i>Sale commitments <sup>(1)</sup></i>			
Electric energy and power - Plus	915,309,592	834,436,197	80,873,395

(1) Commitments are denominated in pesos and have been valued considering estimated market prices, based on the particular conditions of each contract. They reflect the valuation of the contracts with private customers in force at December 31, 2017, under ES Resolution No.1281/06.

**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

**NOTE 36: RESTRICTED ASSETS AND OTHER COMMITMENTS (Cont'd)**

**A. GMSA**

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

On February 11, 2015, BAF Latam Trade Finance Funds B.V. became a subordinated beneficiary of the guarantee package provided to UBS AG Stamford Branch under the Contract of Assignment of Fiduciary Rights and Trust for Guarantee Purposes originally executed on May 4, 2011 as collateral for due and proper compliance with all of the payment obligations assumed under the UBS AG Loan. After the UBS AG loan was repaid in full in February 2016, BAF Latam Trade Finance Funds B.V. became the only beneficiary as to all the assets and rights assigned as collateral in accordance with that Contract, with Banco de Servicios y Transacciones S.A. acting as trustee and Generación Mediterránea as trustor.

The rights assigned under the contract are detailed below:

- All the GMSA rights under the Project Documents.
- All rights of GMSA to collect and receive all payments in cash or in kind, for any item, due to GMSA by the Debtors under present and future electricity sales transactions carried out on the Energía Plus market.
- All rights of GMSA to collect and receive all payments in cash or in kind, for any item, due to GMSA to any Insurance Company, at this date or in the future.
- Fiduciary ownership of the Real Estate Property existing at this date and any real estate property incorporated thereafter.
- Fiduciary ownership of GMSA assets.
- The right to make any claims and file any actions arising from the breach of the obligation to pay.
- Any collection right resulting from the rights assigned.
- Any and all rights that ASA has or may have with GMSA by reason of any irrevocable capital contribution.
- All the Funds existing in GMSA Account that have been received by GMSA in relation to the assigned rights.

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

**B. GROSA**

On April 27, 2011 the Ordinary Shareholders' Meeting of Central Térmica Sorrento S.A. unanimously approved a lease contract with GROSA; the purpose of the agreement is to rent both the building and the assets added to the Power Plant, including the generator, equipment and other available fixed assets and spare parts. The contract was effectively valid as from November 15, 2010 (with a 9-month grace period) and has a set term of 10 years, with a renewal option for 7 additional years. The first fee installment was invoiced on August 1, 2011.

**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

**NOTE 36: RESTRICTED ASSETS AND OTHER COMMITMENTS (Cont'd)**

**B. GROSA (Cont'd)**

On December 23, 2015 the reorganization proceeding of Central Térmica Sorrento S.A. was initiated. This situation does not affect the lease agreement mentioned above or the electric power generation business.

On November 10, 2016, a mediation hearing was closed without reaching an agreement in connection with the eviction of the property under a lease agreement mentioned in the preceding paragraph. GROSA estimates that it is highly unlikely that the eviction will take place as Central Térmica Sorrento S.A. has no right to be granted this order.

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

**NOTE 37: EXECUTION OF CONTRACTS TO PURCHASE MACHINERY**

*Siemens Industrial Turbomachinery AB*

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

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

On September 13, 2016, four Deferred Payment Agreements were executed with Siemens Industrial Turbomachinery AB for the turbines to be installed in CTE and CTI whereby, once fulfilled the preceding conditions fixed in the agreements, GMSA will be granted a commercial financing of 50% of the amount of the agreement signed for the enlargement of CTI and the work at Ezeiza, equivalent to SEK 438,960,000 (approximately USD 50.7 million).

The commercial financing to be granted will be repaid in 24 monthly installments, with the first installment of two agreements being payable in September 2017 and the rest in April 2018. Payments shall be made in SEK (Swedish Crown).

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

**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

**NOTE 37: EXECUTION OF CONTRACTS TO PURCHASE MACHINERY (Cont'd)**

*Siemens Industrial Turbomachinery AB (Cont'd)*

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

(1) The commitment is denominated in US dollars and considering the time of payment according to the particular conditions of the contract.

*Pratt & Whitney Power System Inc*

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

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

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

	Total	2018	2019	2020	2021	2022	2023
Commitments (1)	USD						
PWPS for the purchase of a turbine FT4000™ SwiftPac®	16,475,401	750,000	750,000	3,743,495	3,743,495	3,743,495	3,744,916

(1) The commitment is denominated in US dollars and considering the time of payment according to the particular conditions of the contract.

**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

**NOTE 38 - LONG TERM MAINTENANCE SERVICE AGREEMENT**

**a) POWER PLANTS CTMM, CTI, CTF and CTE**

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

GMSA signed with Siemens SA and Siemens Industrial Turbomachinery AB a global service and spare part agreement for the CTRi, CTMM, CTI and CTE power plants. As set forth in the agreements, Siemens must provide on-site technical assistance on a permanent basis, a remote monitoring system to follow up on the efficient performance of the turbines, 24-hour assistance from the engineering department, original spare parts in a timely manner and repairs for planned and corrective maintenance. In addition, the agreement establishes that Siemens will make available for GMSA replacement equipment (engine gas generator), if necessary, for CTRi, CTMM, CTI and CTE. Siemens thus guarantees an average availability of not less than ninety six percent (96%) to the above mentioned power plants for each biannual measurement period. In addition, the power plants have their own repair shop with tools and spare parts in stock to make on-site repairs. Compliance with the power sale agreement with CAMMESA under Resolution No. 220/07 (for CTRi and CTMM) and Resolution No. 21/16 (for CTI and CTE) is thus guaranteed.

Compliance with the energy sale agreements is thus guaranteed.

**b) CTR**

CTR, GE International INC and GE Energy Parts International, LLC, entered into a global service agreement (Long Term Service Agreement), for the power plant. As set forth in the agreement, GE must provide on-site technical assistance on a permanent basis, a remote monitoring system to follow up on the operation of the turbines, 24-hour assistance from the engineering department, original spare parts in a timely manner and repairs for planned and corrective maintenance. GE thus guarantees availability of not less than ninety five percent (95%) to the Power Plant per contractual year. Also, the Power Plant has its own repair shop with tools and stocks of spare parts to perform on-site repairs. Compliance with the power sale agreement with CAMMESA under Resolution 220/07 is thus guaranteed.

**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

**NOTE 39: GMSA – PRESENTATION TO CAMMESA**

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

On August 26, 2015, GMSA made a new presentation to CAMMESA updating the amount in the request mentioned in the preceding paragraph under Resolution No. 529/14.

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

On January 27, 2016 the ES partially accepted the request submitted by GMSA, through the Notes mentioned in the above paragraphs, and authorized financing for up to USD 6,888,920 plus VAT. This financing will be repaid applying the accumulated receivables in favor of GMSA and the receivables to which it is entitled by application of the Remuneration for Non-Recurring Maintenance..

On June 10, 2016 GMSA submitted to CAMMESA a request for recognition of the remuneration for maintenance and investments, as set forth by Resolution No. 529/14 for CTLB and CTRi. Since the effective date of that Resolution, in February 2014 and until April 2016 inclusive, GLB has generated a total of 60,166 MWh, equivalent to the amount of and GR generated a total of 51,564 MWh, equivalent to the amount of \$ 3,068,853.

Further, a note about non-recurring maintenance was filed with CAMMESA by both CTLB and CTRi, for a total amount of USD 953,000 plus VAT. The technical team from CAMMESA completed the visits to the power plant and issued a report on CTLB and CTRi which is under economic assessment.

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

On December 2, 2016, a new work plan for CTMM was filed with CAMMESA. The work schedule included in the plan is as follows:

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

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

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

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

**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

**NOTE 40: MERGER THROUGH ABSORPTION**

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

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

The Corporate Reorganization allows to enhance and optimize the performance of the economic activities and the operating, administrative and technical structures of the Participating Companies to achieve synergies and operating efficiency through only one operating unit. Considering that the participating companies are electric power generating agents in the 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 Corporate Reorganization will be tax free under the terms of Section 77 and following provisions of the Income Tax Law No. 26839.

As a result of the merger and as approved in the Final Merger Agreement, as from the Effective Date of Merger (January 1, 2016): (a) the equities of all merged companies (GISA, GLBSA and GRISA) were fully transferred to GMSA, thus acquiring the ownership of all rights and obligations of GISA, GLBSA and GRISA, subject to the registration of the final merger agreement in the Public Registry under the Superintendency of Commercial Companies (IGJ); (b) GISA, GLBSA and GRISA were dissolved without liquidation, being absorbed by GMSA; (c) GMSA capital stock increased from \$ 76,200,073 to \$ 125,654,080, amending the by-laws of the continuing company.

On March 22, 2016, the CNV through Resolution No. 18003 approved the described merger through absorption within the terms of Section 82 of the General Companies Law No. 19550, which was submitted to the IGJ for its registration on May 18, 2016. In turn, on March 22, 2016, the CNV approved under Resolutions Nos. 18004 and 18006 the early dissolution of GISA and the transfer of the public offering from GISA to GMSA, respectively. The dissolutions without liquidation of GISA, GRISA and GLBSA were registered with the IGJ on May 18, 2016

2) GMSA-GFSA MERGER THROUGH ABSORPTION

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

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

**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

**NOTE 40: MERGER THROUGH ABSORPTION (Cont'd)**

2) GMSA – GFSA merger through absorption (Cont'd)

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

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

Further, the Shareholders' Meeting of GMSA, within the framework of the merger process, among other issues, approved a capital increase from \$ 125,654,080 to \$ 138,172,150 by issuing 12,518,070 new ordinary registered non-endorsable shares of GMSA, of \$1 par value each and entitled to 1 (one) voting right per share, considering the respective swap ratio, as from the effective merger date (January 1, 2017), delegating to the Board of Directors the power to decide when the new shares will be issued. Furthermore, as a result of that capital increase, it was resolved to approve the amendment to section 5 of the corporate bylaws.

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

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



**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

**NOTE 40: MERGER THROUGH ABSORPTION (Cont'd)**

3) ASA-AISA MERGER THROUGH ABSORPTION

On October 18, 2017, ASA and AISA held their pertinent Extraordinary Shareholders' Meetings, at which the shareholders of both companies approved the corporate reorganization process by which ASA absorbed AISA ("ASA - AISA merger"), as well as the respective documentation. In addition, at the AISA meeting in particular, the early dissolution without liquidation of AISA as a result of the merger was also approved, and its de-registration as a corporation in due course. Further, the Shareholders' Meeting of ASA, within the framework of the merger process, among other issues, approved a capital increase from \$62,455,160 to \$64,451,745, by issuing 1,996,585 new ordinary registered non-endorsable shares of ASA, of \$1 par value each and entitled to 1 (one) voting right per share, as from the effective merger date (January 1, 2018), delegating to the Board of Directors the power to decide when the new shares will be issued. Furthermore, as a result of that capital increase, it was resolved to approve the amendment to section 4 of the corporate bylaws.

The Corporate Reorganization allows to enhance and optimize the performance of the economic activities and the operating, administrative and technical structures of the Participating Companies to achieve synergies and operating efficiency through only one operating unit. Considering that the participating companies have as main purpose that of investment and they companies they control 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 Corporate Reorganization will be tax free under the terms of Section 77 and following provisions of the Income Tax Law No. 26839.

**NOTE 41: BUSINESS INTERRUPTION INSURANCE COVERAGE**

*Operational all-risk insurance policy with coverage for loss of profit*

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

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

**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

**NOTE 41: BUSINESS INTERRUPTION INSURANCE COVERAGE (Cont'd)**

*Operational all-risk insurance policy with coverage for loss of profit (Cont'd)*

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

*Contractors' all-risk and assembly insurance*

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

The policy includes delay in start-up (DSU) or advance loss of profit (ALOP) insurance of up to 12 months, providing coverage for the expected commercial profit margin for sales of energy and power, discounting the variable costs during the period of repair or replacement of damaged equipment.

Once all pieces of equipment are in operation, the new assets will be covered by the All-risk insurance that Albanesi Group has taken out, and which covers all power plants in operation.

**NOTE 42: PENALTY IMPOSED BY CAMMESA - CTR**

In January 2014, CTR received a penalty from CAMMESA (Compañía Administradora del Mercado Mayorista Eléctrico S.A.) for approximately \$ 10 million, for not having available power under the commitment assumed by the Company.

On February 27, 2014, CTR submitted to CAMMESA a note making reference to the application of penalties as stipulated in the Offer for the Commitment to Power Availability and Supply in the WEM, pursuant to Energy Secretariat Resolution 220/2007, as a result of the malfunction on January 13, 2014 of a transformer in one of the phases of the ROCATG1 machine generation system.

CTR has requested a forgiveness of those penalties, inasmuch as the incident that caused the malfunction was clearly due to a totally unexpected act of God (Section 514 of the Civil Code), the effects of which could not be avoided in spite of the efforts made to solve it.

The general norm (Section 513 of the Civil Code) is applicable in these circumstances, which releases from liability for noncompliance with obligations, when such noncompliance is caused by an act of God or force majeure event, the malfunction of the transformer in this case.

In relation to the presentation made by the Company, CAMMESA sent on May 26, 2014 to the Undersecretariat of Energy a note requesting that the service outage associated with the event described above be considered as a force majeure event or an act of God, so as not to impose the penalties stipulated in the respective Offer for the Commitment to Power Availability and Supply in the WEM, accepted by Energy Secretariat Note No. 316/2012.

The legal counsel for CTR have reported that there are sufficient legal arguments to consider that the request for a forgiveness of the penalties filed by the Company to CAMMESA will be sustained. At the date of issuance of the combined financial statements, no answer was received.

**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

**NOTE 43: EXEMPTION GRANTED BY THE GENERAL REVENUE BOARD OF TUCUMÁN**

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

**NOTE 44: SUPPLY CONTRACT WITH CAMMESA: AGREED UPON DATE FOR COMMERCIAL OPERATION FOR THE POWER PLANTS**

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

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

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

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

- (i) Unfavorable weather conditions, considering the volume of rainfall above average, and its timing (in relation to the tasks being performed at the work site), which delayed the civil works;
- (ii) Generalized forcible actions and strikes, owing to the measures adopted by several unions, and certain forcible measures specific to the UOCRA (construction workers' union) that impacted on CTE;

**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

**NOTE 44: SUPPLY CONTRACT WITH CAMMESA: AGREED UPON DATE OF AUTHORIZATION FOR THE COMMERCIAL OPERATION OF THE POWER PLANTS (Cont'd)**

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

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

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

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

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

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

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

**NOTE 45: AGREEMENT OF THE ARGENTINE FEDERATION OF ENERGY WORKERS WITH GMSA, CTR AND AESA**

On June 8, 2017, GMSA, CTR and AESA subscribed a convention memorandum of agreement with the Argentine Federation of Energy Workers (Federación Argentina de Trabajadores de Luz y Fuerza) where they acknowledge that labor relationships between them will be ruled by a company-specific bargaining agreement.

This company bargaining agreement will have an effective period of 3 years as from January 1, 2018 and it is applicable for the following power plants: CTMM, CTI, CTRi, CTLB, CTF, CTR and CT Timbues.

**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

**NOTE 46: SUBSEQUENT EVENTS**

**a) ASA-AISA merger through absorption**

On January 16, 2018, through Resolution RESFC- 2018-19281-APN-DIR#CNV dated January 11, 2018 the CNV approved the described merger through absorption within the terms of Section 82 of the General Companies Law No. 19550 and the capital increase with the amendment of the bylaws as decided within the framework of the merger. Both procedures were registered with the Superintendency of Commercial Companies on February 23, 2018 under No. 3452 of Book 88, Volume: -, Companies by Shares. Furthermore, the dissolution without liquidation of AISA was registered with the IGJ and its de-registration under No. 3453 of Book 88, tome: -, Companies by Shares

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

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

**c) Borrowings**

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

Entity	Principal	Interest rate	Falling due
Banco Hipotecario	USD 20,000,000	6.75%	Jun-19
ICBC	USD 15,000,000	4%	Mar-18
Banco Citibank N.A.	USD 10,000,000	3.5%	Jan-19

Also in January 2018, CTR entered into two loan agreements with the aim of allocating funds received to investments.

Entity	Principal	Interest rate	Falling due
Banco Provincia de Buenos Aires	USD 10,600,000	4%	Jan-19
ICBC Bank	USD 7,000,000	4%	Mar-18

**d) Loan from Cargill Limited**

On February 15, 2018, GMSA and CTR agreed to a loan for USD 25,000,000, which was borrowed by GMSA and has been fully guaranteed by ASA suretyship. The term of the loan is 36 months, with principal amortization and a 12-month grace period, as from which it is amortized semi-annually, and accrues interest semi-annually at 6-month LIBOR, plus a 4.25% spread.

**Albanesi S.A. and Central Térmica Roca S.A.**  
**Notes to the Combined Financial Statements (Cont'd)**

**NOTE 46: SUBSEQUENT EVENTS (Cont'd)**

**e) Execution of contracts for the purchase of machinery**

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

**f) Authorization for CTE and CTI commercial operation**

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

**g) CAMMESA financing:**

On March 13, 2012, GROSA executed a mutuum agreement with CAMMESA, through which they formalized the financing of the second stage of the repair of the Sorrento Power Plant, with the purpose of extending energy generation to 130 MW, for an amount equivalent to \$ 190,480,000. (See Note 18).

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

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

**NOTE 47: FINANCIAL STATEMENTS TRASLATION INTO ENGLISH LANGUAGE**

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

### Summary of activity at December 31, 2017 and 2016

*Below we present an analysis of the results of the combined operations and of the financial position, which must be read jointly with the interim condensed combined financial statements attached.*

Fiscal year ended December 31:

	2017	2016	Variation	Variation %
	GWh			
<b>Sales by type of market</b>				
Sales of Electricity Res. 95/529/482/22/19 plus Spot	765.5	1,357.0	(591.5)	(44%)
Sales under Energía Plus	744.0	709.2	34.8	5%
Sales to CAMESA Res. No. 220	784.7	826.0	(41.3)	(5%)
Sales of Electricity Res. 21	25.0	-	25.0	100%
<b>Total</b>	<b>2,319.2</b>	<b>2,892.2</b>	<b>(573.0)</b>	<b>(20%)</b>

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

Fiscal year ended December 31:

	2017	2016	Variation	Variation %
	GWh			
<b>Sales by type of market</b>				
Sales of Electricity Res. 95/529/482/22/19 plus Spot	441.8	520.9	(79.1)	(15%)
Sales under Energía Plus	939.0	764.8	174.2	23%
Sales to CAMESA Res. No. 220	1,584.6	1,683.7	(99.1)	(6%)
Sales of Electricity Res. 21	178.3	-	178.3	100%
<b>Total</b>	<b>3,143.7</b>	<b>2,969.4</b>	<b>174.3</b>	<b>6%</b>

**Summary of activity at December 31, 2017 and 2016**

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

Fiscal year ended December 31:

	2017	2016	Variation	Variation %
Sales of energy	3,143.7	2,969.4	174.3	6%
<b>Net sales</b>	<b>3,143.7</b>	<b>2,969.4</b>	<b>174.3</b>	<b>6%</b>
Purchase of electricity	(802.6)	(601.2)	(201.4)	33%
Gas and diesel consumption by the plant	(148.4)	(933.8)	785.4	(84%)
Salaries and social security contributions	(177.8)	(113.9)	(63.9)	56%
Pension plan	(0.4)	(0.5)	0.1	(20%)
Maintenance services	(196.1)	(125.1)	(71.0)	57%
Depreciation of property, plant and equipment	(340.1)	(207.0)	(133.1)	64%
Insurance	(35.1)	(28.2)	(6.9)	24%
Sundry	(62.8)	(55.8)	(7.0)	13%
<b>Cost of sales</b>	<b>(1,763.1)</b>	<b>(2,065.5)</b>	<b>302.4</b>	<b>(15%)</b>
<b>Gross income</b>	<b>1,380.7</b>	<b>904.0</b>	<b>476.7</b>	<b>53%</b>
Salaries and social security contributions	-	(0.4)	0.4	(100%)
Taxes, rates and contributions	(9.6)	(19.1)	9.5	(50%)
Advertising	(0.1)	(0.1)	-	0%
Turnover tax recoveries	19.6	-	19.6	100%
Doubtful accounts	-	(3.8)	3.8	(100%)
<b>Selling expenses</b>	<b>10.0</b>	<b>(23.3)</b>	<b>33.3</b>	<b>(143%)</b>
Salaries and social security contributions	-	(6.8)	6.8	(100%)
Fees and compensation for services	(62.9)	(39.7)	(23.2)	58%
Per diem, travel and representation expenses	(1.8)	(3.3)	1.5	(45%)
Taxes and rates	(1.8)	(1.9)	0.1	(5%)
Directors' fees	(35.7)	-	(35.7)	100%
Sundry	(17.2)	(7.8)	(9.4)	121%
<b>Administrative expenses</b>	<b>(119.4)</b>	<b>(59.5)</b>	<b>(59.9)</b>	<b>101%</b>
Loss on investments in related companies	(7.0)	(2.5)	(4.5)	180%
Other operating income	16.2	10.5	5.7	54%
<b>Operating income</b>	<b>1,280.4</b>	<b>829.3</b>	<b>451.1</b>	<b>54%</b>
Commercial interest, net	3.4	41.7	(38.3)	(92%)
Interest on loans, net	(442.7)	(434.3)	(8.4)	2%
Exchange differences, net	(390.2)	(228.8)	(161.4)	71%
Bank expenses	(6.9)	(17.1)	10.2	(60%)
Sundry	(19.1)	58.9	(78.0)	(132%)
<b>Financial results, net</b>	<b>(855.5)</b>	<b>(579.7)</b>	<b>(275.8)</b>	<b>48%</b>
<b>Income before tax</b>	<b>424.9</b>	<b>249.6</b>	<b>175.3</b>	<b>70%</b>
Income tax	(109.5)	(126.6)	17.1	(14%)
<b>Net income for the fiscal year</b>	<b>315.4</b>	<b>123.0</b>	<b>192.4</b>	<b>156%</b>
<b>Other comprehensive income for the fiscal year</b>	<b>607.2</b>	<b>708.0</b>	<b>(100.8)</b>	<b>(14%)</b>
<b>Total comprehensive income for the fiscal year</b>	<b>922.6</b>	<b>831.0</b>	<b>91.6</b>	<b>11%</b>



## Summary of activity at December 31, 2017 and 2016

### Sales:

Net sales were worth \$ 3,143.7 million in the fiscal year ended December 31, 2017, as against \$ 2,969.4 million in the year 2016, which is equivalent to an increase of \$ 174.3 million (6%).

During the year ended December 31, 2017 energy dispatch reached 2,319.2 GWh, 20% lower than the 2,892.2 GWh in the fiscal year 2016.

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

- (i) \$939.0 million from sales under Energía Plus, up 23% from the \$764.8 million in the fiscal year 2016. This variation is attributed to the favorable effect on prices due to a higher exchange rate.
- (ii) \$ 1,584.6 million for sales of electricity in the forward market to CAMMESA under the framework of Resolution No. 220/07, representing a 6% decrease with regard to the \$ 1,683.7 million for 2016. Such variation is mainly due to the net effect between a decrease in the dispatch of energy, an increase in the exchange rate and a decrease in the period of diesel consumption, as well as changes to the business information disclosed as per Resolution 19/2017.
- (iii) \$ 441.8 million for sales of energy under Resolutions Nos. 95/529/482/22/19 and on the sport market, representing a decrease of 15% with regard to the \$ 520.9 million for fiscal 2016. This variation is attributed to the management of surplus volumes of electricity generation carried out by CAMMESA.
- (iv) \$178.3 million from energy sold under Resolution 21, representing an increase of 100%. This variation is explained by the start-up of new turbines in the fiscal year 2017.

### Cost of sales:

The total cost of sales for the year ended December 31, 2017 reached \$ 1,763.1 million, compared with \$ 2,065.5 million for the fiscal year 2016, reflecting a decrease of \$ 302.4 million (or 15%).

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

- (i) \$802.6 million corresponding to purchases of electricity, representing an increase of 33% compared with \$601.2 million recorded in the fiscal year 2016, due to the effect of the exchange rate variation.
- (ii) \$ 148.4 million for gas and diesel consumption at the plant, representing a decrease of 84% as against \$ 933.8 million in the fiscal year 2016. This variation was attributed to a change in the calculation of gas consumption by CAMMESA.
- (iii) \$ 196.1 million in maintenance services, up 57% from the \$ 125.1 million in the fiscal year 2016. This increase is explained by the higher dollar exchange rate and the start-up of the new turbines.

### **Summary of activity at December 31, 2017 and 2016**

- (iv) \$ 340.1 million for depreciation of PP&E, up 64% from the \$ 207.0 million in the fiscal year 2016. This variation was mainly due to the higher depreciation value of buildings, installations and machinery as a result of their revaluation at December 31, 2017 and 2016, and the start-up of new projects.
- (v) \$ 177.8 million in salaries, wages and social security contributions, which represented an increase of 56% with respect to the \$ 113.9 million in the fiscal year 2016. This increase was mainly attributable to higher salaries and new hires.
- (vi) \$ 35.1 million in insurance, up 24% from the \$ 28.2 million in the fiscal year 2016 as a result of the exchange rate variation and the start-up of new turbines.

#### Gross income:

The gross result for the fiscal year ended December 31, 2017 was a profit of \$ 1,380.7 million, compared with a profit of \$ 904.0 million in the fiscal year 2016, representing an increase of 53%. This was attributable to the exchange rate variation and the start-up of the new turbines.

#### Selling expenses

Selling expenses for the fiscal year ended December 31, 2017 amounted to a \$10.0 million profit, compared with \$ 23.3 million loss for the fiscal year 2016, representing an improvement of \$33.3 million (or 143%). On March 3, 2017, the revenue department of the General Revenue Board of Tucuman resolved to exempt GMSA from payment of Turnover Tax in that jurisdiction, amending the tax determined as from the period December 2011.

#### Administrative expenses:

The administrative expenses for the fiscal year ended December 31, 2017 amounted to \$ 119.4 million, compared with \$59.5 million in the fiscal year 2016, reflecting an increase of \$ 59.9 million (or 101%).

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

- (i) \$ 62.9 million in fees and compensation for services, up 58% from the \$ 39.7 million in the previous fiscal year.
- (ii) \$ 17.2 million in sundry expenses, accounting for a 121% increase from the \$ 7.8 million for the previous fiscal year. The main variations were attributable to office expenses, taxes and rates.
- (iii) No salaries and wages and social security contributions attributable to administration were recorded in the fiscal year 2017, representing a decrease of 100% with respect to \$ 6.8 million in the fiscal year 2016. The reduction in the payroll was mainly due to the hiring of services provided by third parties.
- (iv) \$ 35.7 million in directors' fees in 2017.

## Summary of activity at December 31, 2017 and 2016

### Operating income/(loss):

The operating result for the fiscal year ended December 31, 2017 was a profit of \$ 1,280.4 million, compared with a profit of \$ 829.3 million in the fiscal year 2016, reflecting an increase of 54%. The increase was mainly due to the effect of a higher exchange rate on the operating activities of the controlled companies, the start-up of new projects and the high availability of the power plants throughout the year.

### Financial result:

Financial results for the fiscal year ended December 31, 2017 amounted to a total loss of \$ 855.5 million, compared with a loss of \$ 579.7 million for the fiscal year 2016, which accounted for an increase of 48%.

The most salient aspects of this variation are as follows:

- (i) \$ 442.7 million loss corresponding to financial interest, up 2% from the \$ 434.3 million loss in the fiscal year 2016 as a result of an increase in the financial debt generated by investment projects.
- (ii) \$ 390.2 million loss due to net exchange differences, reflecting an increase of 71% compared with the \$ 228.8 million loss in the previous fiscal year.
- (iii) \$ 22.6 million loss generated by other financial results, compared with a \$ 83.5 million gain in the fiscal year 2016.

### Income before tax:

During the fiscal year ended December 31, 2017, the Company recorded profit before tax of \$ 424.9 million, compared with a profit of \$ 249.6 million in the previous fiscal year, reflecting an increase of 70%.

Income tax determined for the current year amounted to \$ 109.5 million, compared with \$ 126.6 million in the previous year.

### Net income:

The net result for the fiscal year ended December 31, 2017 was a gain of \$ 315.4 million, compared with a gain of \$ 123.0 million in the fiscal year 2016, reflecting an increase of 156%.

### Other comprehensive income for the fiscal year:

Other comprehensive income for the fiscal year amounted to \$ 607.2 million, compared with \$ 708.0 million for 2016, mainly corresponding to the revaluation of property, plant and equipment. The Group decided to revalue the items land, real property, and machinery and turbines, classified as property, plant and equipment, due to the fact that the Group considers that the revaluation model more reliably reflects the real value of assets.

## Summary of activity at December 31, 2017 and 2016

### Adjusted EBITDA

	Fiscal year ended December 31:			
	2017	2016	Variation	Variation %
	(In thousands of pesos)			
Operating income	1,280,389	829,309	451,080	54%
Depreciation and amortization	340,107	206,970	133,137	64%
Gain on investments in related companies	6,983	2,476	4,507	182%
Dividends received	5,880	-	5,880	100%
<b>Adjusted EBITDA in thousands of pesos</b>	<b>1,633,359</b>	<b>1,038,755</b>	<b>594,604</b>	<b>57%</b>
<b>Adjusted EBITDA in thousands of US dollars</b>	<b>97,311</b>	<b>70,268</b>	<b>27,043</b>	<b>38%</b>

Adjusted EBITDA corresponding to the fiscal year ended December 31, 2017 increased \$ 594.6 million (57%), from \$ 1,038.8 million for the year ended December 31, 2016 to \$ 1,633.4 million reported for 2017. This increment was mainly due to the following factors: i) the start-up of the TG6 and 7 of CTMM, of the TG3 of CTI, of the TG24 of CTRi, and of the power plant CTE during 2017; and ii) the simplification of the calculation of remunerations and their value in US dollars since February 2017, established by Resolution ES 19/17, superseding Resolution ES 22/16, thus increasing the company's operating income.

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

	12.31.17	12.31.16
Non-current Assets	14,121.6	7,206.7
Current Assets	3,098.5	3,573.5
<b>Total Assets</b>	<b>17,220.0</b>	<b>10,780.3</b>
Equity attributable to owners of the parent	3,239.9	2,351.2
Equity attributable to non-controlling interest	134.6	100.6
<b>Total Equity</b>	<b>3,374.5</b>	<b>2,451.8</b>
Non-Current Liabilities	10,904.5	7,220.4
Current Liabilities	2,940.9	1,108.0
<b>Total Liabilities</b>	<b>13,845.6</b>	<b>8,328.5</b>
<b>Total equity and Liabilities</b>	<b>17,220.0</b>	<b>10,780.3</b>

**Summary of activity at December 31, 2017 and 2016**

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

	<b>12.31.17</b>	<b>12.31.16</b>
Ordinary operating income	1,280.4	829.3
Financial results	(855.5)	(579.7)
<b>Ordinary net income</b>	<b>424.9</b>	<b>249.6</b>
Income tax	(109.5)	(126.6)
<b>Income for the fiscal year</b>	<b>315.4</b>	<b>123.0</b>
<b>Other comprehensive income</b>	<b>607.2</b>	<b>708.0</b>
<b>Total comprehensive income</b>	<b>922.6</b>	<b>831.0</b>

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

	<b>12.31.17</b>	<b>12.31.16</b>
Cash flows generated by (applied to) operating activities	212.1	(874.6)
Cash flows (applied to) investment activities	(2,618.1)	(1,524.5)
Cash flows from financing activities	1,578.6	3,358.3
<b>(Decrease) / Increase in cash and cash equivalents</b>	<b>(827.4)</b>	<b>959.2</b>

5. Ratios presented comparatively with the previous fiscal year:

	<b>12.31.2017</b>	<b>12.31.2016</b>
Liquidity (1)	1.05	3.23
Solvency (2)	0.23	0.28
Tied-up capital (3)	0.82	0.67
Indebtedness ratio (4)	5.43	5.37
Accrued and capitalized interest coverage ratio (5)	1.52	1.42

(1) Current Assets/Current Liabilities

(2) Equity / Total Liabilities

(3) Non-current Assets / Total Assets

(4) Financial debt/annualized EBITDA (\*\*)

(5) Annualized EBITDA (\*\*) / annualized accrued financial interest (\*\*)

(6) Net result for the year (excluding Other comprehensive income)/ Average total equity

(\*\*) Amounts not covered in the Audit Report.



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

## **REPORT OF THE INDEPENDENT AUDITORS**

To the Shareholders, President and Directors of  
Albanesi S.A.  
Legal Address: Av. Leandro N. Alem 855 14th floor  
Autonomous City of Buenos Aires  
Tax Code No. 30-68250412-5

To the Shareholders, President and Directors of  
Central Térmica Roca S.A.  
Legal Address: Av. Leandro N. Alem 855 14th floor  
Autonomous City of Buenos Aires  
Tax Code No. 33-71194489-9

### **Report on the combined financial statements**

We have audited the attached combined financial statements of Albanesi S.A and Central Térmica Roca S.A. (together, the "Group") (comprised by the companies described in Note 3.1), which consist of the combined statement of financial position as of December 31, 2017, the combined statement of comprehensive income, statements of changes in combined equity and combined cash flows for the year then ended, as well as a summary of the most significant accounting policies and other explanatory information.

The balances and other information corresponding to the fiscal year 2016 are an integral part of the audited combined financial statements mentioned above; therefore, they must be considered in connection with these financial statements.

### **Board's responsibility**

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

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### **Auditors' responsibility**

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

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

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

### **Opinion**

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

### **Other matters**

As mentioned in Note 1, given the specific purpose of the combined financial statements, this independent auditors' report is issued for the exclusive use of the Group for presentation to the National Securities Commission and should not be used for any other purpose.

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

In accordance with current regulations, we report, in connection with Albanesi S.A. and Central Térmica Roca S.A., that:

A handwritten signature in black ink, appearing to be the initials 'AN'.



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- a) at December 31, 2017, there was no debt accrued by Albanesi S.A. in favor of the Argentine Integrated Social Security System;
- b) at December 31, 2017 the debt accrued by Central Térmica Roca S.A. in favor of the Argentine Integrated Social Security System according to the Company's accounting records amounted to \$ 898,476, none of which was claimable at that date;
- c) we have applied for Albanesi S.A. and Central Térmica Roca S.A. the money laundering abatement and anti-terrorist financing procedures comprised in the professional standards issued by the Professional Council in Economic Sciences of the City of Buenos Aires.

Autonomous City of Buenos Aires, April 13, 2018.

PRICE WATERHOUSE & CO. S.R.L.

(Partner)

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Raúl Leonardo Viglione