



GENNEIA S.A.

Consolidated Financial Statements as of
December 31, 2018 and 2017
Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

To the President and Board of Directors of GENNEIA S.A.:

Identification of the consolidated financial statements subject to audit

We have audited the accompanying consolidated financial statements of GENNEIA S.A. (an Argentine corporation, hereinafter mentioned as "GENNEIA" or the "Company") and its controlled companies, which comprise the consolidated balance sheet as of December 31, 2018 and 2017 and the consolidated statement of profit or loss and other comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information included in the notes.

Board of Directors' responsibility for the consolidated financial statements

The Company's Board of Directors' is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board ("IASB"), and for such internal control as it determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying consolidated financial statements based on our audits. We conducted our audit in accordance with the International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("IAASB") of the International Federation of Accountants ("IFAC"), adopted in Argentina with the effective date established through Technical Resolution N° 32 of the Argentine Federation of Professional Councils in Economic Sciences and the circulars of adoption of Standards Issued by the IAASB and the IESBA of the IFAC N° 1, 2, 3 and 4, which was approved by Resolution CD N° 3506 of the Professional Council in Economic Sciences of the Province of Buenos Aires. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatements.

An audit involves performing procedures, substantially on a test basis, to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected, as well as the assessment of the risks of material misstatement of the financial statements, depend on the auditor's judgment. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the Company's financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's Board of Directors and management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements mentioned in the first paragraph present fairly, in all material respects, the consolidated financial position of GENNEIA S.A. and its controlled companies as of December 31, 2018 and 2017, and the results of its consolidated operations, the consolidated changes in its shareholder's equity and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Province of Buenos Aires, March 1, 2019.

Deloitte & Co. S.A.

Guillermo D. Cohen

Partner

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GENNEIA S.A.

CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018 AND 2017

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GENNEIA S.A.**CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2018 AND 2017**

(amounts expressed in thousands of United States dollars - Note 2.1)

	December 31, 2018	December 31, 2017
Current Assets		
Cash and banks (Note 5.a)	150,145	29,523
Investments (Note 5.b)	3,945	68,631
Trade receivables (Note 5.c)	46,479	39,577
Other receivables (Note 5.d)	55,768	8,732
Inventories (Note 5.e)	1,076	1,958
Total current assets	<u>257,413</u>	<u>148,421</u>
Non-current assets		
Trade receivables (Note 5.c)	10,641	22,597
Other receivables (Note 5.d)	129,426	142,995
Investments (Note 5.b)	11,243	4,689
Inventories (Note 5.e)	9,391	8,382
Goodwill (Note 5.f)	17,587	17,587
Fixed assets (Note 5.f)	951,446	552,222
Assets under concession (Note 5.f)	-	1,776
Intangible assets (Note 5.f)	32,618	36,164
Total non-currents assets	<u>1,162,352</u>	<u>786,412</u>
Total assets	<u>1,419,765</u>	<u>934,833</u>
Current liabilities		
Accounts payable (Note 5.g)	128,936	62,017
Loans (Note 5.h)	91,795	65,863
Salaries and social security payable (Note 5.i)	4,881	4,465
Taxes payable (Note 5.j)	1,184	4,458
Other liabilities (Note 5.k)	7,558	2,088
Provisions (Note 5.l)	3,963	313
Total current liabilities	<u>238,317</u>	<u>139,204</u>
Non-current liabilities		
Taxes payable (Note 5.j)	115	294
Other liabilities (Note 5.k)	7,033	7,104
Loans (Note 5.h)	831,091	460,705
Deferred income tax liability (Note 5.r)	85,065	69,081
Total non-current liabilities	<u>923,304</u>	<u>537,184</u>
Total liabilities	<u>1,161,621</u>	<u>676,388</u>
Shareholders' equity (per corresponding statements)		
Capital stock	19,491	19,247
Share premium	276,029	256,372
Capital contributions	5,323	5,224
Legal reserve	1,221	302
Facultative reserve	22,960	-
Accumulated other comprehensive loss	(2,785)	(4,631)
Unappropriated retained results	(64,095)	(18,069)
Shareholders' equity attributable to owners of the Company	<u>258,144</u>	<u>258,445</u>
Total liabilities and shareholders' equity	<u>1,419,765</u>	<u>934,833</u>

Notes 1 to 17 and the Annex A are an integral part of and should be read in conjunction with these consolidated financial statements.

GENNEIA S.A.**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

(amounts expressed in thousands of United States dollars, except for per share amounts in United States dollars - Note 2.1)

	December 31, 2018	December 31, 2017
Net sales (Note 5.m)	202,391	156,805
Cost of sales (Note 5.n)	<u>(86,476)</u>	<u>(70,721)</u>
Gross profit	115,915	86,084
Selling expenses (Note 5.o)	(1,692)	(1,331)
Administrative expenses (Note 5.o)	(21,061)	(12,707)
Other expenses, net (Note 5.p)	(12,936)	(4,527)
Loss on long term investment (Note 5.b)	(1,423)	(101)
Financial expense, net (Note 5.q)	<u>(87,157)</u>	<u>(47,272)</u>
Net (loss) profit before income tax	(8,354)	20,146
Income tax (Note 5.r)	<u>(13,793)</u>	<u>13,853</u>
Net (loss) profit for the year	(22,147)	33,999
Other comprehensive income		
Translation differences from investments in companies ⁽¹⁾	<u>1,846</u>	<u>1,712</u>
Total other comprehensive income	1,846	1,712
Total comprehensive (loss) income for the year	<u>(20,301)</u>	<u>35,711</u>
(Loss) profit attributable to:		
Owners of the Company	<u>(22,147)</u>	<u>33,999</u>
Net (loss) profit for the year	<u>(22,147)</u>	<u>33,999</u>
Total comprehensive (loss) income attributable to:		
Owners of the Company	<u>(20,301)</u>	<u>35,711</u>
Total comprehensive (loss) income for the year	<u>(20,301)</u>	<u>35,711</u>
(Losses) Earnings per share (basic and diluted) (Note 3.20):	(0.22)	0.40

- (1) May be reclassified subsequently to profit or loss at the moment of the sale of the investment or the full or partial reimbursement of the capital. For the year ended December 31, 2017 includes 1,861 reclassified to profit or loss for the period on the liquidation and partial reimbursement of the capital of certain subsidiaries.

Notes 1 to 17 and the Annex A are an integral part of and should be read in conjunction with these consolidated financial statements.

GENNEIA S.A.**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY AS OF DECEMBER 31, 2018 AND 2017**

(amounts expressed in thousands of United States dollars - Note 2.1)

	Shareholders' contributions				Retained earnings				Equity attributable to:		
	Capital stock	Issuance premiums	Subtotal	Capital contributions	Total	Legal reserve	Facultative reserve	Accumulated other comprehensive loss ⁽¹⁾	Unappropriated retained results	Owners of the Company	Total
Balances as of January 1, 2017	17,417	158,818	176,235	4,608	180,843	302	-	(6,343)	(52,068)	122,734	122,734
As decided by the General Extraordinary Shareholders' meeting of January 6, 2017:											
- Capital increase (Note 8)	1,115	48,561	49,676	324	50,000	-	-	-	-	50,000	50,000
As decided by the General Extraordinary Shareholders' meeting of September 20, 2017:											
- Capital increase (Note 8)	715	48,993	49,708	292	50,000	-	-	-	-	50,000	50,000
Net profit for the year	-	-	-	-	-	-	-	-	33,999	33,999	33,999
Other comprehensive income for the year	-	-	-	-	-	-	-	1,712	-	1,712	1,712
Balances as of December 31, 2017	19,247	256,372	275,619	5,224	280,843	302	-	(4,631)	(18,069)	258,445	258,445
As decided by the General Extraordinary Shareholders' meeting of March 28, 2018:											
- Capital increase (Note 8)	244	19,657	19,901	99	20,000	-	-	-	-	20,000	20,000
As decided by the General Ordinary and Extraordinary Shareholders' meeting of April 24, 2018:											
- Legal reserve increase (Note 8)	-	-	-	-	-	919	-	-	(919)	-	-
- Appropriation to Facultative reserve (Note 8)	-	-	-	-	-	-	22,960	-	(22,960)	-	-
Net loss for the year	-	-	-	-	-	-	-	-	(22,147)	(22,147)	(22,147)
Other comprehensive income for the year	-	-	-	-	-	-	-	1,846	-	1,846	1,846
Balances as of December 31, 2018	19,491	276,029	295,520	5,323	300,843	1,221	22,960	(2,785)	(64,095)	258,144	258,144

(1) Corresponds to the effect of the translation of the financial statements of investments in companies with functional currencies other than the U.S. dollar.

Notes 1 to 17 and the Annex A are an integral part of and should be read in conjunction with these consolidated financial statements.

Carlos Palazón
Authorized Director

GENNEIA S.A.**CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**
(amounts expressed in thousands of United States dollars - Note 2.1)

	December 31, 2018	December 31, 2017
Cash flows provided by operating activities		
Net (loss) profit for the year	(22,147)	33,999
Adjustments to reconcile net (loss) profit for the year to net cash flows provided by operating activities:		
Depreciation and amortization of non-current assets	58,868	47,822
Fixed assets decrease	-	69
Income tax	13,793	(13,853)
Allowances and provisions net increase	3,650	179
Interest expense recognized in profit or loss	30,361	31,260
Exchange differences and others	53,754	16,011
Loss on long term investment	1,423	101
Impairment loss of goodwill and intangible assets	8,303	-
Changes in assets and liabilities:		
Trade receivables	(11,829)	(15,194)
Other receivables ⁽³⁾	(9,700)	(18,266)
Inventories	(127)	320
Accounts payable	(2,852)	6,083
Salaries and social security payable	416	421
Taxes payable	(3,098)	1,746
Other liabilities	(1,983)	1,917
Interest payments	(39,216)	(21,888)
Net cash flows provided by operating activities ⁽⁶⁾	<u>79,616</u>	<u>70,727</u>
Cash flows used in investing activities ^{(2) (4)}		
Payments for fixed assets and assets under concession acquisitions	(397,270)	(169,650)
Capital contributions on long term investments	(7,977)	(4,790)
Acquisitions of subsidiaries net of acquired cash and equivalents (Note 14)	(1,496)	(105,319)
Restricted cash	-	4,896
Net cash flows used in investing activities	<u>(406,743)</u>	<u>(274,863)</u>
Cash flows provided by financing activities ⁽⁵⁾		
Capital increase and share premium	20,000	100,000
Proceeds from issue of notes , net of transaction costs ⁽⁷⁾	260,575	343,531
Payment of notes	(25,000)	(90,112)
Proceeds from loans, net of commissions ⁽⁷⁾	217,268	65,398
Payment of loans	(67,934)	(165,048)
Net cash flows provided by financing activities	<u>404,909</u>	<u>253,769</u>
Exchange differences on cash and cash equivalents	(21,846)	-
Increase in cash and equivalents ⁽¹⁾	55,936	49,633
Cash and equivalents at the beginning of the year ⁽¹⁾	98,154	48,521
Cash and equivalents at the end of the year ⁽¹⁾	<u>154,090</u>	<u>98,154</u>

(1) Cash and short-term investments with maturity up to three months at the acquisition date (Note 3).

(2) As of December 31, 2018 cash used in investing activities includes the payment of 3,841 of acquisitions of fixed assets made during the preceding year, and it is net of 71,548 from financed acquisitions of fixed assets at the end of the year; additionally includes advanced payments to fixed assets suppliers made during the year and is net of advanced payments to fixed assets suppliers made during preceding years for a net amount of 29,595. As of December 31, 2017 cash used in investing activities includes the payment of 3,317 of acquisitions of fixed assets made during the preceding year, and it is net of 3,841 from financed acquisitions of fixed assets at the end of the year; additionally includes advanced payments to fixed assets suppliers of 89,939 and is net of advanced payments to fixed assets suppliers made during preceding years of 7,459.

(3) Includes 28,264 and (15,602) related to the decrease (increase) in the Account for future investments for the years ended December 31, 2018 and 2017, respectively (Note 11.12).

(4) Includes 10,786 and 2,585 of interest payments related to financial costs capitalized in fixed asset for the years ended December 31, 2018 and 2017, respectively.

(5) See Note 5.h for a reconciliation between opening and closing balances of liabilities arising from financing activities.

(6) Includes 996 and 199 corresponding to payments of income taxes for the year ended December 31, 2018 and 2017, respectively.

(7) Proceeds from issue of notes are net of transaction costs and commissions for 4,429 and 6,469 for the years ended December 31, 2018 and 2017, respectively, and proceeds from loans are net of transaction costs and commissions for 36,357 for the year ended December 31, 2018.

Notes 1 to 17 and the Annex A are an integral part of and should be read in conjunction with these consolidated financial statements.

GENNEIA S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(Amounts are stated in thousands of United States dollars, except where otherwise indicated - Note 2.1)

NOTE 1 - BUSINESS OF THE COMPANY

GENNEIA S.A. ("GENNEIA" or the "Company") is a "sociedad anónima" (stock corporation) incorporated under the laws in force in Argentina, with a registered office at Nicolas Repetto 3676, 3rd Floor, Olivos, Province of Buenos Aires, Argentina.

The main activities of GENNEIA and its subsidiaries comprise three business units: (i) the electric power generation from conventional sources; (ii) the electric power generation from renewable sources; and (iii) the trading on its own, on behalf of third parties or associated to third parties, of natural gas and/or its transportation capacity and of electric power, through the Company and its subsidiary Enersud Energy S.A. ("ENERSUD").

Business units – Electric power generation from conventional sources

GENNEIA develops its power generation business from conventional sources through nine thermal power plants with a total nominal installed capacity of 643 MW, eight of which are connected to the National Interconnection System ("Sistema Argentino de Interconexión", or "NIS") and were originally developed under the programs for the generation of distributed energy "Energía Distribuida I" and "Energía Distribuida II" of Energía Argentina S.A. ("ENARSA") and Cruz Alta plant (with an installed capacity of 245 MW) that derive from the base energy remuneration scheme established under Resolution No. 19/2017 (as it is described below). Furthermore, the power plants of Río Mayo and Gobernador Costa belong to an isolated system in the Province of Chubut, with 7 MW of installed capacity. On August 2017, the Company notified the Province of Chubut of the termination of the PPAs effective as from the earlier of August 2018 or the date in which the Province of Chubut receives possession of the assets that make up the plants. See Note 11.11.

The programs for the generation of distributed energy have been promoted by the National Government and by ENARSA in the framework of Resolution N° 220/07. On April 18, 2012, the Company entered into a Framework Agreement (hereinafter the "Framework Agreement") with the Energy Secretariat (at present, the National Electric Energy Secretariat and hereinafter, the "Secretariat"), whereby Genneia assumed the commitment to install thermal power plants for a total of 200 MW before April 18, 2019 (see Note 11.12) and the Secretariat would instruct Compañía Administradora del Mercado Mayorista Eléctrico ("CAMMESA"), which administers the Wholesale Electric Market ("MEM") to enter into nine Power Purchase Agreements ("PPA") with GENNEIA for the power plants under the framework of Resolution N° 220/2007, with a 10 year term as from the original commercial operation date of each power plant and with prices established in US Dollars. The agreements set a capacity payment in US dollars per MW-month and an energy payment in US dollars per MWh applicable during the term of the contract.

Under such PPAs, the Company has the obligation to operate and maintain the power generation assets subject to such agreements, make firm capacity available and sell electricity to CAMMESA. The Company is entitled to receive firm capacity rates of USD21,275 per MWm for making the Company's generation assets available to the NIS. The Company is also entitled to receive payments to compensate the Company's variable operating and maintenance expenses, which range from USD7.45 to USD10.00 per MWh for electricity effectively generated by the Company's power plants using natural gas and from USD10.15 to USD14.90 per MWh for electricity effectively generated by using diesel fuel.

Under the PPAs, CAMMESA has the option to provide the Company with all the fuel required to fire the thermal power generation plants. However, according to the resolution of the Secretariat of Energy 95/2013, CAMMESA is currently in charge of managing and supplying all fuels required to operate the Company's thermal plants, and since June 2014 CAMMESA has provided the Company with the natural gas and diesel fuel necessary to operate the Company's thermal power plants. On November 2018, the Secretary of Energy issued Resolution 70/2018 that authorized the generators to obtain their own fuel, maintaining the methodology of setting maximum prices for the fuels to be recognized. CAMMESA continues with the purchase of fuel for those generators that do not buy their own fuel.

The maximum fuel prices were initially set by Resolution SE 46/18 from August 18. Then Resolution SGE 25/18 clarifies that if the gas is supplied by IEASA with gas from Bolivia, CAMMESA must consider the cost of acquisition.

During February 19, Genneia purchased natural gas for the Pinamar and Matheu Thermal Power Plants and obtained a margin with respect to the declared Variable Fuel Cost.

Subsequently, the SE with the note NO-2019-07973690-APN-SGE # MHA decreased the maximum prices recognized to the average prices arising in the auctions carried out by CAMMESA in the MEM.

Amounts payable to the Company under these PPAs are denominated in U.S. dollars and payable in pesos at the wholesale reference exchange rate (tipo de cambio de referencia mayorista) quoted by the Central Bank pursuant to Communication "A" 3,500.

The expiration dates of the PPAs are as follows: (i) Pinamar, 02/15/2018, (ii) Matheu, 11/18/2018, (iii) Paraná, 06/23/2019, (iv) Olavarría, 09/21/2019, (v) Concepción del Uruguay I, 10/20/2019, (vi) Concepción del Uruguay II, 10/29/2019; (vii) Las Armas I, 11/17/2019, (viii) Las Armas II, 01/20/2021 and (ix) Bragado I, 06/15/2021. As of the date of these financial statements, the Pinamar and Matheu plants are under the base energy remuneration scheme established under Resolution No. 19/2017.

Furthermore, on November 9, 2015 GENNEIA and the Secretariat executed an addenda to the Framework Agreement whereby the Company agrees to fulfill the previously indicated commitment whether by installing new thermal power plants or, alternatively (either totally or proportionally) by installing one or more wind power plants; to such end, the Company may use the amounts accumulated in the "Account for future investments" created by the Framework Agreement ("CARFON") (Note 11.12).

In accordance with the Framework Agreement, the CARFON is funded by making the following deductions to the firm capacity charges under the Company's PPAs with CAMMESA for each of the thermal power plants connected to the NIS of USD 1,700 per MWm for the first three years, USD 3,400 per MWm the fourth year and USD 5,100 per MWm from the fifth year to the expiration. As of December 31, 2018 the PPAs for the Company's Paraná, Olavarría, Concepción del Uruguay I and II, Las Armas I and II and Bragado thermal power plants are in the sixth or following year of their respective effective dates.

Power plants of Río Mayo and Gobernador Costa started commercial operations in June 2008 and September 2009, respectively. The energy generated is sold to the province of Chubut according to an agreement effective until December 31, 2025. By means of this agreement, the province of Chubut has assumed the obligation to pay monthly to GENNEIA (i) a cost for the capacity made available, and (ii) a cost for thermoelectric power generated, which will be adjusted semiannually based on natural gas price.

The PPAs entered into for the Company's Gobernador Costa and Río Mayo power generation plants located in the Province of Chubut expires in December 31, 2025. The PPA provides (except for the case of one generation unit in the Gobernador Costa plant for which a reduced price is received) for payment, in Argentine pesos ("Ps" or "ARS"), of a firm capacity charge of Ps.0.095 per kWh and a fare for electricity delivered of Ps.0.375 per kWh (both of which can be adjusted on a quarterly basis to reflect increases in natural gas prices and adjustment of U.S. dollar). The payments under this PPA are denominated and payable in pesos. On October 24, 2018, the Company and the Province of Chubut executed an agreement whereby the Parties agreed to the following without any acknowledgement of facts or rights in relation to the amounts enforceable under the PPA until February 28, 2018 or in relation to the fine due under the PPA: (i) a prompt payment scheme for the amounts owed by the Province under the Agreement and enforceable as from March 1, 2018 until the date of delivery of the Power Plants to the Province; (ii) consummation of return of the Power Plants and transfer of personnel assigned to such plants to the Province of Chubut on February 28, 2019 subject to compliance by the Province with the payment scheme as agreed upon; and (iii) negotiation of the amount and form of payment by the Province of Chubut of the fine for termination set forth in the PPA. See Note 11.11.

During the year 2016 the Company was awarded two projects under the bid process to install new thermal generation units called by Resolution N° 21/2016 of the Secretary of Electric Energy.

Under such context, the Company has expanded its generation capacity at the Bragado thermal power plant by 118 MW, of which 59 MW (Bragado II) reached commercial operation by February 2017 and the remaining 59 MW (Bragado III) reached commercial operation by May 2017. The Company signed two 10-year U.S. dollar-denominated PPAs with CAMMESA for the entire additional installed capacity. These PPAs will expire on January 31, 2027, in the case of Bragado II and on May 31, 2027, in the case of Bragado III. The Company provided CAMMESA with performance bonds for a total amount of USD 8,880,000.

The main terms of these PPAs are the following: (i) the Company has the obligation to make available to CAMMESA up to 60.40 MW of power capacity from May to October of each year and 58 MW of power capacity from November to April of each year and deliver the electricity produced by the Company's generation units pursuant to the requests of CAMMESA, (ii) the Company is entitled to receive firm capacity rates of USD25,000 per MW-Month for making the Company's

generation assets available to the NIS, with respect to Bragado II, and USD19,000 per MW-Month, with respect to Bragado III, (iii) under the Company's PPAs, CAMMESA is not obliged to provide the Company with natural gas or diesel fuel, but has the option to do so or reimburse the Company for the cost of diesel fuel and natural gas actually used, provided that the amount of fuel used matches the specific fuel consumption guaranteed by us. Nonetheless, pursuant to Resolutions No. 95/2013 and 529/2014 issued by the Secretary of Energy, CAMMESA is in charge of managing and supplying all fuel required to fire the Company's thermal plants; and (iv) amounts payable to the Company under these PPAs are denominated in U.S. dollars and payable in pesos at the wholesale reference exchange rate (tipo de cambio de referencia mayorista) quoted by the Central Bank pursuant to Communication "A" 3,500.

Acquisition of Generadora Eléctrica del Tucumán S.A. ("GETSA")

On August 11, 2017 Genneia Desarrollos S.A. ("GDSA") a subsidiary of Genneia S.A., acquired from Pluspetrol Resources Corporation B.V. and Pluspetrol Resources Corporation, 100% of the shares of GETSA, controlling such company as of such date (see Note 14.1). On September 1st, 2017, the company was merged into GDSA.

On October 21, 2013 the Energy Secretariat (at present, the National Electric Energy Secretariat and hereinafter) ("SEE"), issued the resolution No. 807/2013 recognizing GETSA as a Wholesale Electricity Market Agent (WEM) as a generator. On February 2, 2017, the Resolution SEE 19/2017 issued by the National Ministry of Energy and Mining, established that the WEM agents (generators, co-generators, self-generators) were able to present guaranteed availability offers to subscribe guaranteed availability commitments (CoDiG), by installed energy-generating power units.

The offers must be accepted by CAMMESA (acting on behalf of the WEM electricity demanding agents), who will purchase the power under the guaranteed availability agreements.

Resolution SEE 19/17 establishes that such agreements may be assigned to Electricity Distribution Companies and Large Users of the WEM once the state of emergency situation of the electricity sector in Argentina is ended (according to Decree No. 134/1995, such emergency was declared until January 1st, 2018). Generator agents fully or wholly-owned by the Argentine Government are excluded from the scope of Resolution SEE 19/17.

The term of the guaranteed availability agreements is 3 years, and their general terms and conditions are established in Resolution SEE 19/17.

The energy power will be remunerated according to a calculation based on of the available monthly power, the real available power, a guaranteed offered power, the allocated power; and the generated and operated energy. The remuneration is calculated in US dollars convertible to Argentine Pesos, and the sale liquidations have an expiration date. The resolution also establishes an incentive operational efficiency mechanism for thermal power plants on the basis of the fulfilment of fuel consumption objectives.

Business unit – Electric power generation from renewable sources

As part of the GENREN Project, promoted by ENARSA in order to fulfill the Law N° 26,190, in early 2012 GENNEIA started the commercial operation of the Rawson Wind Farm with an installed power capacity of 77.4 MW, according to the corresponding GENNEIA – ENARSA Agreements of the Rawson Project, which became effective as from the execution of the PPA of the Rawson Project between ENARSA and CAMMESA. As required by the bidding terms issued by ENARSA for this project, the Company provided ENARSA with performance bonds for a total amount of USD 12.6 million.

These Agreements, among other matters, (i) have a term until the earlier of (a) 15 years as from the date of the commercial operation of the respective plant, (b) the delivery of a quantity of energy dispatched that ENARSA committed to purchase (2,400 GWh for the Rawson Wind Farm I and 1,425 GWh for the Rawson Wind Farm II), (ii) grant ENARSA the option to renew the PPA for another 18 month period, provided all of the power estimated by the respective PPA has not been delivered, (iii) amounts payable to the Company under these PPAs are denominated in U.S. dollars and payable in pesos at the wholesale reference exchange rate (tipo de cambio de referencia mayorista) quoted by the Central Bank pursuant to Communication "A" 3,500 as calculated on the business day prior to the expiration of the payment obligation by CAMMESA to ENARSA; (iv) electricity effectively delivered is compensated through a charge at a U.S. dollar fare per MWh of USD128.70 for Rawson I and USD124.20 for Rawson II the Company is not entitled to receive any fixed capacity payments; (v) provide that due to the fact that ENARSA assigned the Company its rights to receive payments under the WEM Agreements that support each of the Company's PPAs with ENARSA, the Company receives payments under these PPAs directly from CAMMESA. However, ENARSA is still responsible for such payments if CAMMESA does not pay and certain conditions are met.

Law No. 27,191, published in the Official Gazette on October 21, 2015, amended the National Promotion Regime for the Use of Renewable Sources of Energy, originally established by Law No. 26,190 (the “Promotion Regime”).

The amendments are intended to set up a legal framework to promote investments in renewable energy and promote the diversification of the national energy matrix, increasing the share of renewable energy in the Argentine power market.

Law N° 27,191 among other matters:

- (i) Provides that, at an initial stage, the share of renewable energy should reach 8% of the national consumption of electric power as of December 31, 2017. At a second stage, this share should rise to reach 20% of electric power consumption as of December 31, 2025.
- (ii) Modifies and extends the tax benefit scheme applicable to eligible projects.
- (iii) Creates the Renewable Energy Promotion Fund (“FODER”).
- (iv) Imposes obligations upon Large Users and Large Demands, setting an objective of mandatory compliance for energy consumption from renewable sources, which individual and effective non-compliance as from December 31, 2017 will result in the application of a fine equivalent to the generation cost with imported fuel.
- (v) Grants exemptions related to access and use of renewable energy sources.

On March 31, 2016, Regulatory Decree 531/2016 of Law 27,191 was published in the Official Gazette, which among other matters it establishes:

- (i) Promotional fiscal benefits;
- (ii) Regulates the operation of the FODER;
- (iii) Regulates the alternatives of compliance by Large Users of the objective of energy consumption through renewable sources.

In order to comply with the development for the contribution of renewable energies, the Company built the Rawson wind farm expansion project, which, added 24 MW to the installed capacity of such wind farm, and reached commercial operation on December 2017. As of the date of issuance of these consolidated financial statements, the Company has entered into several PPA's nominated in US dollars, for a average term 10 to 20 years, with industrial users in Argentina for the total installed capacity of the Rawson expansion and others wind projects like Villalonga II which the company has added to its wind farm portfolio with an installed capacity of 3.45 MW. The main terms and conditions are as follows: (i) the Company has the obligation to deliver up a specific quantity of electricity per year generated from renewable sources that the user will acquire; (ii) the industrial user will pay a fixed amount in dollars per MWh (plus taxes), on a take or pay basis, for 100% of the electricity effectively delivered regardless of its actual consumption, as long as it does not exceed the MW/h/year established, (iii) amounts payable to the Company under this PPA are nominated in U.S. dollars and payable in pesos pursuant to the seller exchange rate for wire transfers reported by Banco de la Nación Argentina, and if such rate is not available, pursuant to the wholesale reference exchange rate reported by the Argentine Central Bank pursuant to Communication “A” 3,500 or, if the latter is not available, pursuant to the exchange rate reported by the Mercado Abierto Electrónico (Argentine Open Electric Market), and in all cases as calculated on the business day immediately prior to the effective payment date..

Commercial Operation Date “Project PEM I”

On November 2, 2018, with the authorization of CAMMESA, the Madryn I Wind Farm entered into commercial operation. With an installed capacity of 71.1 MW, the project that was due to be completed in May 2019, has reached six months of implementation before the provisions of the contract with CAMMESA celebrated within the framework of Resolution No. 202/16 of the Ministry of Energy and Mining of the Nation and the Regime for the Promotion of Renewable Energies established by Laws N ° 26,190 and N ° 27,191.

Commercial Operation Date “Wind project Villalonga”

On October 7, 2016, the Ministry of Energy issued Resolution No. 213 awarding the Company the right to develop the Villalonga project of 50MW, located in the Province of Buenos Aires. The Company expects this project to reach commercial operation in May 2019. On January 12, 2017, the subsidiary of the Company Genneia Vientos Argentinos S.A. entered into a 20-year U.S. dollar-denominated PPA with CAMMESA with respect to the entire installed capacity of the Villalonga wind farm based on the relevant form of PPA included in Resolution No. 136.

The main terms and conditions are as follows: (i) Genneia Vientos Argentinos has the obligation to build, operate and maintain the wind farm subject to such agreements and sell the electricity to CAMMESA (acting in representation of the

WEM agents); (ii) Genneia Vientos Argentinos committed 50 MW of power capacity; (iii) Genneia Vientos Argentinos will be entitled to receive a payment for electricity effectively dispatched of USD 54.96 per MWh, and an additional annual adjustment set forth in the PPAs as a percentage of the price for electricity effectively dispatched; (iv) amounts payable to Genneia Vientos Argentinos under the PPAs will be denominated in U.S. dollars and payable in pesos at the prevailing exchange rate of the immediately preceding business day of the payment date; and (v) CAMMESA's obligations under the PPAs will be guaranteed by the FODER in which the Argentine government is the trustor.

As required in the bidding process and the PPA, as Financial Strategic Partner, Genneia shall keep, directly or indirectly, the ownership of at least twenty-five per cent (25 %) of Genneia Vientos Argentinos S.A.'s share capital with right to vote until the commercial operation date.

As required by Resolution No. 136 issued by the Ministry of Energy, Genneia Vientos Argentinos S.A. ("Genneia Vientos Argentinos") provided performance bonds to CAMMESA for a total amount of USD 12,500,000 to guarantee the obligations assumed under the PPA.

On December 19, 2018, with the authorization of CAMMESA, the Villalonga Wind Farm entered into commercial operation.

Commercial Operation Date "Wind project Chubut Norte"

On October 7, 2016, the Ministry of Energy issued Resolution No. 213 awarding the Company the right to develop the Chubut Norte wind farm Project of 28.3 MW, located in the Province of Chubut. The Company expects this project to reach commercial operation in April 2019. As required by Resolution No. 136 issued by the Ministry of Energy, Genneia Vientos del Sur S.A. ("Genneia Vientos del Sur") provided performance bonds to CAMMESA for a total amount of USD 7,087,500 to guarantee the obligations assumed under the PPA. On January 12, 2017, the subsidiary of the Company Genneia Vientos del Sur S.A. entered into a 20-year U.S. dollar-denominated PPA with CAMMESA for the entire installed capacity of the Chubut Norte wind farm based on the relevant form of PPA included in Resolution No. 136.

The PPA will expire 20 years after the date in which CAMMESA granted the commercial authorization to operate the project in the WEM (commercial operation date). The main terms and conditions are as follows: (i) Genneia Vientos del Sur has the obligation to build, operate and maintain the wind farm subject to such agreements and sell the electricity to CAMMESA (acting in representation of the WEM agents); (ii) Genneia Vientos del Sur committed 28.35 MW of power capacity; (iii) Genneia Vientos del Sur will be entitled to receive a payment for electricity effectively dispatched of USD 66 per MWh, and an additional annual adjustment set forth in the PPAs as a percentage of the price for electricity effectively dispatched; (iv) amounts payable to Genneia Vientos del Sur under the PPAs will be denominated in U.S. dollars and payable in pesos at the prevailing exchange rate of the immediately preceding business day of the payment date; and (v) CAMMESA's obligations under the PPAs will be guaranteed by the FODER in which the Argentine government is the trustor.

As required in the bidding process and the PPA, as Financial Strategic Partner, Genneia shall keep, directly or indirectly, the ownership of at least twenty-five per cent (25 %) of Genneia Vientos del Sur S.A.'s share capital with right to vote until the commercial operation date.

On December 12, 2018, with the authorization of CAMMESA, the Chubut Norte Wind Farm entered into commercial operation.

Through Resolution No. 473-E/2017 issued on November 30, 2017 by the Ministry of Energy, the Company was awarded the right to develop the Chubut Norte III (57.6MW) and Chubut Norte IV (82.8MW) projects. The Company entered into a 20-year U.S. dollar-denominated PPA with CAMMESA for the entire installed capacity of the Chubut Norte III and Chubut Norte IV wind farm based on the relevant form of PPA included in Resolution No. 275-E/2017 (See note 12).

Acquisition of ICERSA - Parque Eólico Loma Blanca IV S.A.

On August 29, 2017, the Company entered into a stock purchase agreement with SIDEI S.A. with respect to 100% of the capital stock of Isolux Corsán Energías Renovables S.A. ("ICERSA" now Parque Eólico Loma Blanca IV S.A. "PELBIV"). The effective transfer of shares and payment of the purchase took place on November 29, 2017 (See Note 14.3)

PELBIV is the owner of the 51 MW Loma Blanca IV Wind Farm located in Puerto Madryn, Province of Chubut.

On December 2010, Loma Blanca executed a Power Purchase Agreements (“PPA”) with ENARSA and Compañía Administradora de Mercado Mayorista Eléctrico (“CAMMESA”).

The agreement, among other matters, (i) determines a term until the earlier of (a) 15 years from the beginning of the operation date in the respective plant, (b) the delivery of the total compliment energy agreed with ENARSA (2,636 GWh), (ii) grants ENARSA the option to renew the PPA for another 18 months, and (iii) provide a fixed price in USD payable in Argentine pesos based on the energy effectively dispatched. Under the PPA for the wind farm, the Company is entitled to receive payments for USD 127.01 per MWh for electricity deliver, the Company is not entitled to receive any fixed capacity payments.

Acquisition of Ullum I Solar S.A., Ullum II Solar S.A. y Ullum III Solar S.A.

On April 9, 2018, the Company accepted the sale offer made by 360 Energy S.A. and Energías Sustentables S.A., as sellers, of the shares representing 100% of the share capital and votes of the Ullum I Solar S.A., Ullum II Solar S.A. and Ullum III Solar S.A. ("The Ullum Companies"). (See Note 14.1)

The Ullum Companies are the owners of three solar plant projects located in the Province of San Juan, Argentina with a combined installed capacity of 82 MW. The Ullum Companies have PPAs signed with CAMMESA for 20 years denominated in Dollars, awarded under round 1 of the RENOVAR tender. The projects are in the initial stage of their construction.

On December 19, 2018, with the authorization of CAMMESA, the Ullum I Solar Photovoltaic Plant and the Ullum II Solar Photovoltaic Plant entered into commercial operation.

On December 22, 2018, with the authorization of CAMMESA, the Ullum III Solar Photovoltaic Plant entered into commercial operation.

Business Unit – Commercialization and transportation capacity of natural gas and electricity

GENNEIA carried out all the trading of natural gas, natural gas transport capacity and energy through its subsidiary ENERSUD. However, since GENNEIA obtained on November 7, 2013 the enrollment at the Registro del Mercado Mayorista de Gas Natural (Natural Gas Wholesale Market Registry) and in the Registro de Comercializadores (Traders’ Registry), as from January 2014 an important part of such activities were transferred to GENNEIA.

NOTE 2 - BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of preparation

These consolidated financial statements of GENNEIA and its controlled companies for the years ended December 31, 2018 and 2017 have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

These consolidated financial statements are presented in U.S. dollars which is the functional currency of the Company (Note 3.1).

2.2 Applicable accounting policies

The consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the summary of significant accounting policies in Note 3. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are described in Note 3.

The preparation of these consolidated financial statements is the responsibility of the Company's Management and requires accounting estimates and judgments of the management when applying financial standards. Areas of high complexity which require more judgments or those in which assumptions and estimations are more significant are detailed in Note 4.

2.3 Standards and Interpretations issued

2.3.1 New standards issued

Standards and Interpretations or amendments to them, published by the IASB, which were adopted as from the year beginning January 1, 2018, are the following: (i) IFRS 9 (2014) Financial instruments; (ii) IFRIC 22 Foreign currency transactions and advance consideration; (iii) Amendments to IFRS Annual improvements to IFRSs 2014-2016 cycle.

The impact of the adoption of IFRS 9 and the new accounting policies is described below. The IFRIC 22 and the Amendments to IFRS from the IFRS 2014-2016 cycle mentioned above did not have any significant impact on the Company's accounting policies and did not require retrospective adjustments.

- IFRS 9 Financial Instruments introduces changes and new requirements for the classification, measurement and derecognition of financial assets and liabilities, impairment of financial instruments and hedge accounting.

Classification and measurement

IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 Financial Instruments—Recognition and measurement, to be subsequently measured at amortized cost or fair value (either through OCI or through profit or loss). Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal, are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods.

The most significant effect of IFRS 9 with regard to classification and measurement of financial liabilities refers to the registration of changes in their fair value (designated as at fair value through profit or loss), attributable to changes in the credit risk of that liability. Specifically, in accordance with IFRS 9, for financial liabilities designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability, that is attributable to changes in the credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

Based on the evaluation made, the Company considers that the new classification requirements do not have a significant impact on the accounting of its financial assets and liabilities. The evaluation of the business models was made on January 1, 2018 and then retrospectively applied to financial assets that have not been recognized before this date. Loans and accounts receivable are maintained to obtain the contractual cash flows that represent only the payment of principal and interest, therefore, they meet the criteria to be measured at amortized cost under IFRS 9.

Impairment

The new impairment model requires the recognition of impairment provisions based on expected credit losses (“ECL”) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortized cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments made, the Management of the Company considers that the application of the ECL model of IFRS 9 has not had a significant impact on its financial instruments.

Hedge accounting

IFRS 9 introduces a new hedge accounting model, with the objective of aligning accounting more closely with companies' risk management activities and establishing a more principles-based approach. The new approach will make it possible to better reflect the risk management activities in the financial statements, allowing more elements to be eligible as hedged items: non-financial risk component, net positions and aggregate exposures (ie a combination of a non derivative exposure and a derivative exposure).

As of December 31, 2018 and 2017, the Company has not entered into hedge derivative contracts.

Standards and Interpretations or amendments to them, published by the IASB, which were early adopted as from the year beginning January 1, 2016, are the following: (i) IFRS 15 - Revenue from contracts with customers and Clarifications to IFRS 15, (ii) IFRS 16 - Recognition, measurement and presentation of leases.

IFRS 15 addresses the principles for recognizing revenues and establishes the requirements for reporting about the nature, amount, timing an uncertainty of revenue and cash flows arising from contracts with customers and introduces a 5-step approach to revenue recognition. The basic principle implies the recognition of revenue that represent the transfer of goods or services to customers at an amount that reflects the consideration the entity expects to be entitled in exchange for those goods or services. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios.

IFRS 16 defines a lease as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. Under this standard, lessees have to recognize a lease liability reflecting future lease payments and a ‘right-of-use asset’ for lease contracts. This is a significant change compared to IAS 17 under which lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 contains an optional exemption for lessees in case of short-term leases and leases for which the underlying asset is of low value assets.

The Company has applied IFRS 15 and IFRS 16 in accordance with the fully retrospective transitional approach, using for IFRS 16 the practical expedients in IFRS 16. C3 under which the Company is not required to reassess whether a contract is, or contains, a lease at the date of initial application and instead, the Company is permitted to apply this Standard for contracts that were previously identified as leases applying IAS 17 Leases and IFRIC 4 Determining whether an Arrangement contains a Lease, and not to apply this Standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

Apart from providing more extensive disclosures on the Company’s revenue transactions in accordance with IFRS 15, adoption of the standards and interpretations or amendments to them mentioned in the preceding paragraphs did not have a significant impact on the consolidated financial statements of the Company as of and for the years ended December 31, 2018 and 2017.

2.3.2 New standards, interpretations and amendments issued not yet adopted

The Company did not adopt the standards and interpretations or amendments mentioned below, because its application is not required at the end of the year ended December 31, 2018.

IFRIC 22	Foreign currency transactions and advance consideration ⁽¹⁾
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture ⁽⁵⁾
Amendments to IFRS	Annual improvements to IFRSs 2014-2016 cycle ⁽¹⁾
IFRIC 23	Uncertainty over Income Tax Treatments ⁽¹⁾
Amendments to IFRS 9	Prepayment features with negative compensation ⁽¹⁾
Amendments to IAS 28	Long-term interests in associates and joint ventures ⁽¹⁾
IFRS 17	Insurance contracts ⁽⁴⁾
Amendments to IAS 19	Plan amendment, curtailment or settlement ⁽¹⁾
Amendments to IFRS	Annual improvements to IFRSs 2015-2017 cycle ⁽¹⁾
IFRS 3 Clarification	Definition of a Business ⁽³⁾
Amendments to IAS 1 and IAS 8	Definition of Material ⁽²⁾
Conceptual Framework	Revised Conceptual Framework for Financial Reporting ⁽³⁾

(1) Effective for fiscal years beginning on or after January 1, 2019, with early application permitted.

(2) Effective for fiscal years beginning on or after January 1, 2020, with early application permitted.

(3) Effective for fiscal years beginning on or after January 1, 2020.

(4) Effective for fiscal years beginning on or after January 1, 2021.

(5) Effective date deferred indefinitely.

- Amendments to IFRS 9 – Prepayment features with negative compensation remedy an unintended consequence to the notion of ‘reasonable additional compensation’. The amendments allow financial assets with a prepayment option that could result in the option’s holder receiving compensation for early termination to meet the SPPI condition if specified criteria are met.

The amendment applies to annual periods beginning on or after January 1, 2019, with earlier application permitted.

- Amendments to IAS 28 – Long-term interests in associates and joint ventures clarifies that IFRS 9, including its impairment requirements, applies to long-term interests in associates and joint-ventures that form part of an entity’s net investment in these investees. In applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by IAS 28.

The amendments are effective for annual periods beginning on or after January 1, 2019 with earlier application permitted.

- IFRIC 22 (Foreign currency transactions and advances payments) clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

IFRIC 22 is applicable for annual periods beginning on or after January 1, 2018. Earlier application is permitted. Entities can apply the Interpretation either retrospectively or prospectively. Specific transition provisions apply to prospective application. The Company will apply this Interpretation prospectively to all assets, expenses and income in the scope of the Interpretation initially recognized on or after the beginning of the reporting period in which the entity first applies the Interpretation.

- Amendments to IFRS 10 and IAS 28 deals with the situations where there is a sale or contribution of assets between an investor and its associate or joint venture.

IAS 28 and IFRS 10 has been amended to reflect the following:

- Gains and losses resulting from transactions involving assets that do not constitute a business between an investor and its associate or joint venture are recognised to the extent of unrelated investor's interest in the associate or joint venture.
- Gains or losses from downstream transactions involving assets that constitute a business between an investor and its associate or joint venture should be recognised in full in the investor's financial statements.

In December 2015, the IASB postponed the effective date of these amendments indefinitely pending the outcome of its research project on the equity method of accounting. Earlier application of these amendments is still permitted.

- IFRIC 23 - Uncertainty over Income Tax Treatments clarifies the accounting for uncertainties in income taxes. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

Main aspects clarified by the interpretation are:

- (i) Whether tax treatments should be considered collectively.
An entity is required to use judgement to determine whether each tax treatment should be considered independently or whether some tax treatments should be considered together. The decision should be based on which approach provides better predictions of the resolution of the uncertainty.
- (ii) Assumptions for taxation authorities' examinations.
An entity is to assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so.
- (iii) Determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.
An entity has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it used or plans to use in its income tax filing.
If the entity concludes that it is probable that a particular tax treatment is accepted, the entity has to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings.
If the entity concludes that it is not probable that a particular tax treatment is accepted, the entity has to use the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better predictions of the resolution of the uncertainty.
- (iv) Effect of changes in facts and circumstances.
An entity has to reassess its judgements and estimates if facts and circumstances change.

IFRIC 23 is effective for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted.

- Amendments to IAS 19 Amendment, Curtailment or Settlement establishes that (i) if a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement; and (ii) in addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

An entity applies the amendments to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019. Early application is permitted but must be disclosed.

- The Annual Improvements to IFRS Standards 2015-2017 Cycle amended four Standards:
 - IAS 12 Income Taxes;
 - IAS 23 Borrowing Costs;
 - IFRS 3 Business Combinations; and
 - IFRS 11 Joint Arrangements.

All the amendments are effective for annual periods beginning on or after 1 January 2019, and earlier application is permitted.

IAS 12 Income Taxes

The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

When an entity first applies those amendments, it shall apply them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

IAS 23 Borrowing Costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

An entity shall apply those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments.

IFRS 3 Business Combinations

The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.

An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019.

IFRS 11 Joint Arrangements

The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not remeasure its PHI in the joint operation.

An entity shall apply those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019.

- The IASB has issued 'Definition of a Business (Amendments to IFRS 3)' aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments in Definition of a Business (Amendments to IFRS 3) are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only. They contemplate:
 - clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
 - narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
 - add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
 - remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
 - add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020.

- The IASB has issued 'Definition of Material (Amendments to IAS 1 and IAS 8)' to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards themselves.

The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted.

- The International Accounting Standards Board (IASB) has published a revised 'Conceptual Framework for Financial Reporting'. Included are revised definitions of an asset and a liability as well as new guidance on measurement and derecognition, presentation and disclosure. The new Conceptual Framework does not constitute a substantial revision of the current Conceptual Framework. Instead the IASB focused on topics that were not yet covered or that showed obvious shortcomings that needed to be dealt with.

The Conceptual Framework does not have a stated effective date and the Board will start using it immediately.

References to the Conceptual Framework

Together with the revised Conceptual Framework, the IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020.

As of the date of issuance of these consolidated financial statements, the Company is evaluating the impact that the adoption of the standards mentioned in the previous paragraph, which will be effective on or after January 1, 2019, will have on the consolidated financial statements of the Company. It is not practicable to provide a reasonable estimate of the potential effect until a detailed review has been completed. The Company will not early adopt any of these standards or amendments from their effective date and the Company will use the transition provisions included in each standards or amendments.

2.4 Basis of consolidation

The consolidated financial statements of GENNEIA incorporate the separate financial statements of the Company and its controlled entities. They are considered controlled when the Company (i) has power over the investee, (ii) is exposed, or has rights, to variable returns from its involvement with the investee and, (iii) has the ability to use its power to affect its returns.

The main consolidation adjustments are the following:

- elimination of assets and liabilities and income and expenses of the parent with its subsidiaries, in order to disclose the balances maintained effectively with third parties; and
- elimination of interests in the equity and earnings of the controlled entities, for each period.

The latest financial statements available as of the balance sheet date have been used in the consolidation process and considering significant subsequent events and transactions and/or available management information and the transactions between GENNEIA and the controlled entity.

If necessary, financial statements of controlled entities are adjusted to adapt their accounting policies with those used by the Company.

Detailed below are the controlled companies whose financial statements have been included in these consolidated financial statements:

	Main activity	Percentage of participation (direct and indirect)	
		December 31, 2018	December 31, 2017
Subsidiaries:			
Enersud Energy S.A.U.	Industrialization, separation and trading of propane and butane gas and/or liquefied gas and trading of natural gas and transportation for industrial or residential consumption.	100%	100%
Ingentis II Esquel S.A.	Power generation and trading.	100%	100%
Genneia Desarrollos S.A. ⁽¹⁾	Production and development of renewable energies and its commercialization.	100%	100%
Nor Aldyl San Lorenzo S.A.	Production and development of renewable energies and its commercialization, construction of gas pipelines and networks.	100%	100%
Nor Aldyl Bragado S.A.	Production and development of renewable energies and its commercialization, construction of gas pipelines and networks.	100%	100%
MyC Energía S.A.	Generation, production, development and trading of energies.	100%	100%
Genneia Vientos Argentinos S.A.	Construction, financing, commissioning, operation and maintenance of a renewable sources power plant.	100%	100%
Genneia Vientos Sudamericanos S.A.	Construction, financing, commissioning, operation and maintenance of a renewable sources power plant	100%	100%
Genneia Vientos Sudoeste S.A.	Construction, financing, commissioning, operation and maintenance of a renewable sources power plant	100%	100%
Genneia Vientos del Sur S.A.	Construction, financing, commissioning, operation and maintenance of a renewable sources power plant	100%	100%
Patagonia Wind Energy S.A.	Production and development of renewable energies and its commercialization.	100%	100%
Parque Eólico Loma Blanca IV S.A. ⁽²⁾	Production and development of renewable energies and its commercialization.	100%	100%
Genneia La Florida S.A.	Construction, financing, commissioning, operation and maintenance of a renewable sources power plant	100%	-
Genneia Vientos Patagónicos S.A.	Construction, financing, commissioning, operation and maintenance of a renewable sources power plant	100%	-
Ullum I Solar S.A. (Ullum 1) ⁽³⁾	Production and development of renewable energies and its commercialization.	100%	-
Ullum II Solar S.A. (Ullum 2) ⁽³⁾	Production and development of renewable energies and its commercialization.	100%	-
Ullum III Solar S.A. (Ullum 3) ⁽³⁾	Production and development of renewable energies and its commercialization.	100%	-

(1) As described in Note 14.2, on August, 11, 2017 Genneia Desarrollos S.A. acquired Generadora Electrica de Tucuman S.A. ("GETSA") and on September 1, 2017 this company was merged into the acquiring company.

(2) As described in Note 14.3, on November, 29, 2017 Genneia S.A. acquired Isolux Corsán Energías Renovables S.A. (currently Parque Eólico Loma Blanca IV S.A.) ("PELBIV").

(3) As described in Note 14.1, Genneia S.A. acquired Ullum I Solar S.A., Ullum II Solar S.A. and Ullum III Solar S.A. ("Ullums Companies")

Since the Company has a 100% interest in its controlled entities, there is no information to disclose in relation to non-controlling interests.

2.5 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred or assumed and the equity interests issued by the Company in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except for certain assets and liabilities measured in accordance with the corresponding accounting policies.

The goodwill, if any, is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

The value of the investment and, if applicable, the goodwill, must be adjusted as soon as the original accounting measurements of the identifiable assets and liabilities of the acquired company have to be adjusted if, after the acquisition, there is additional evidence that allows a new and better estimate of its fair value at the time of acquisition. The accounting measurement assigned to the goodwill should be corrected, as a consequence of the aforementioned, if necessary, to the extent that its adjustment: a) does not take the accounting measurement of the goodwill above its recoverable value; and b) it is carried out at most during the first year after the year in which the acquisition took place.

See Note 14.1 in relation to the acquisition of Ullum I Solar S.A., Ullum II Solar S.A. and Ullum III Solar S.A. made during the year 2018, and Notes 14.2 and 14.3 in relation to the acquisition of Generadora Eléctrica de Tucumán S.A. and Isolux Corsán Energías Renovables S.A. made during the year 2017, respectively.

2.6 Investments in joint ventures:

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting.

Under the equity method, an investment in a joint venture is initially recognized in the consolidated balance sheet at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the joint ventures.

Joint ventures have been valued based upon the latest available financial statements of these companies as of the end of each year, taking into consideration, if applicable, significant subsequent events and transactions, available management information and transactions between the Company and the related company which have produced changes on the latter's shareholders' equity.

On each closing date or upon the existence of signs of impairment, it is determined whether there is any objective evidence of impairment in the value of the investment in joint ventures. If this is the case, Company calculates the amount of the impairment as the difference between the recoverable value of joint ventures and their book value, and recognizes the difference under "Loss on long term investment" in the statement of profit or loss and other comprehensive income. The recorded value of investments in joint ventures does not exceed their recoverable value.

2.7 Seasonality of operations

Except for the energy generation from conventional sources which, during the Argentinian winter has an increase of energy generation based on liquid fuel sources, the operations of the Company does not have a significant seasonal nature.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. Functional and presentation currencies and tax effects on other comprehensive income

Under IFRS the companies should define their functional currency in accordance with the criteria established by IAS 21 "Effects of changes in foreign currency exchange rates", which may differ from their reporting currency. Under the above mentioned rule, considering the main activities of the Company and of each of its subsidiaries as detailed in Note 1, and the currency of the primary economic environment in which the entities operates, the Company's Management and Board of Directors have defined the USD dollar ("USD") as the functional currency for GENNEIA, Genneia Desarrollos S.A., Genneia Vientos Argentinos S.A., Genneia Vientos del Sur S.A., Genneia Vientos del Sudoeste S.A., Genneia Vientos Sudamericanos S.A., Vientos de Necochea S.A., Parque Eólico Loma Blanca IV S.A., Ullum I Solar S.A., Ullum II Solar S.A., Ullum III Solar S.A., Genneia Vientos Patagónicos S.A. and Genneia La Florida S.A.. As a result, the financial statements of such companies have been converted into USD by applying the procedure established in IAS 21. In accordance with the established procedure, monetary assets and liabilities are remeasured into USD at the exchange rate prevailing on the balance sheet date. Non-monetary assets, measured on a historic cost basis, as well as income and expenses are remeasured using the exchange rate prevailing on the transaction date. Any gain or loss arising from the remeasurement of monetary assets and liabilities into USD is recognized in the income statement in the period they are generated. For all the other subsidiaries, Management has defined the Argentine peso as the functional currency. In these cases, the adjustment resulting from remeasuring the financial statements of such entities into the USD is recognized under other comprehensive income. On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other disposals, including the full or partial reimbursement of capital, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

These consolidated financial statements are presented in the defined functional currency of the Company (U.S. dollars) which differs from the presentation currency required by Argentine regulations (Argentine pesos). Results accounted for in "Other comprehensive income" related to exchange differences arising from investments in companies with functional currencies other than U.S. dollars have no effect on the current or deferred income tax since at the time they were generated, the relevant transactions did not make any impact on net income or taxable income.

3.2. Foreign currencies

In preparing the consolidated financial statements, transactions in currencies other than the Company's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting year, monetary items denominated in foreign currencies are translated to functional currency at the rates prevailing at that date. Exchange differences on monetary items are recognized in profit or loss in the period in which they arise.

3.3. Financial Instruments

Financial assets and financial liabilities are recognized when a Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and liabilities at fair value through profit or loss) are added or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

3.4. Financial assets

Financial assets are classified into the following two specified categories: ‘financial assets measured at fair value through profit and loss’ or ‘financial assets measured at amortized cost’.

- *Financial assets at amortized cost*

Financial assets are measured at amortized cost if both of the following criteria are met: (i) the objective of the Company’s business model is to hold the assets to collect the contractual cash flow, and (ii) the contractual terms only require specific dates for payment of principal and interest.

In addition, and for assets that meet the above conditions, IFRS 9 contemplates the option of designating, at the time of the initial recognition, an asset as measured at its fair value, if doing so would eliminate or significantly reduce the valuation or recognition inconsistency that could arise in the event that the valuation of the assets and liabilities or the recognition of profit or losses resulting therefrom be carried out on different bases. The Company has not designated a financial asset at fair value by using this option.

As of the closing date of these consolidated financial statements, the Company’s financial assets at amortized cost include certain elements of cash and cash equivalents, trade receivables and other receivables.

- *Financial assets at fair value through profit or loss*

If either of the two criteria above are not met, the financial asset is classified as an asset measured “at fair value through profit or loss”.

As of the closing date of these consolidated financial statements, the Company’s financial assets at fair value through profit or loss include mutual funds and the investments held in mutual funds in the account for future investments.

Financial assets are recognized on trade date, when the Company commits to purchase or sale an asset. The recognition method is consistent for all purchases or sales of financial assets of the same category. Financial assets are recognized when the rights to receive cash flows from the investments and the risks and rewards of ownership have expired or have been transferred.

Financial assets at amortized cost are initially measured at fair value, plus transaction costs. These assets accrue interest based on the effective interest rate method.

Financial assets at their fair value through profit or loss are initially recognized at fair value and transaction costs are recognized as an expense in the statement of comprehensive income. They are subsequently valued at fair value. Changes in fair values and results from sales of financial assets at fair value through profit or loss are recorded in “Net financial results” in the statement of comprehensive income.

In general, the Company uses the transaction price to ascertain the fair value of a financial instrument on initial recognition. In other cases, the Company records a gain or loss on initial recognition only if the fair value of the financial instrument can be supported by other comparable and observable market transactions for the same type of instrument or if it is based in a technical valuation that only inputs observable market information. Unrecognized gains or losses on initial recognition of a financial asset are recognized later on, only to the extent they arise from a change in the factors (including time) that market participants would consider upon setting the price.

Gains/losses on debt instruments measured at amortized cost and not included for hedging purposes are charged to income when the financial assets are derecognized or an impairment loss is recognized and during the amortization process using the effective interest rate method. The Company reclassifies all investments on debt instruments only when its business model for managing those assets changes.

3.4.1 Cash and cash equivalents

Include cash, time deposits in financial entities and short-term investments with maturity up to three months at the acquisition date, with low risk of value variation and destined to cancel short-term liabilities.

	December 31, 2018	December 31, 2017
Cash	150,145	29,523
Current investments	3,945	68,631
Cash and cash equivalents	154,090	98,154

3.4.2 Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

3.4.3 Impairment of financial assets

Financial assets are assessed by the Company for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected.

Objective evidence of impairment could include: significant financial difficulty of the issuer or counterparty; or breach of contract, such as a default or delinquency in interest or principal payments; or it becoming probable that the borrower will enter bankruptcy or financial re-organization; or the disappearance of an active market for that financial asset because of financial difficulties.

3.4.4 Derecognition of financial assets

The Company shall derecognize a financial asset only when the contractual rights on the financial assets cash flows expire and transfer the substantial risks and advantages inherent to ownership of the financial asset. If the Company does not transfer or retain substantially all the risks and advantages inherent to the ownership and retains the control over the asset transferred, the Company shall recognize its interest in the asset and the associated obligation at the amounts payable. If the Company retains substantially all the risks and advantages inherent to property on the transferred financial asset, the Company shall continue to recognize the financial asset and shall also recognize a collateral loan for the receipts.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognized on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

3.5. Inventories

Materials and spare parts are stated at the weighted average cost reduced, if necessary, to net realizable value. The net realizable value is the estimated price of sale less estimated selling costs. Materials and spare parts in transit have been valued at acquisition cost.

Based on Management's analysis at December 31, 2018 and 2017, no allowance for inventory has been recognized for materials and spare parts. Such analysis takes into consideration the conservation status, their future use and the net realizable value of the inventories.

3.6. Goodwill

The goodwill recorded by the Company corresponds to the acquisitions of GETSA, Ullum 1, Ullum 2, Ullum 3 and PELBIV (Note 14).

Goodwill corresponds to the amount of the transferred consideration in excess of the net acquisition cost on the date of acquisition of the identifiable assets acquired and liabilities assumed.

Goodwill is not amortized but tested for impairment. For purposes of conducting the impairment test, goodwill is assigned to each of the Company's cash generating units expected to benefit from the synergies of the relevant combination. The cash generating units to which goodwill is assigned are subject to annual, or more frequent, impairment tests, when there are indicators of impairment. If the recoverable amount of the cash generating unit is lower than the unit's book amount, the impairment loss is firstly applied to reducing the carrying amount of goodwill assigned to the unit, and is then applied proportionately to the unit's other assets. The carrying amount of each asset in the reporting unit is used as basis. The impairment loss recognized for goodwill is not reversed in any subsequent period.

Any impairment loss for goodwill is recognised directly in profit or loss.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Company has recognized an impairment loss in the year ended December 31, 2018 related to the goodwill of Ullum 1, Ullum 2 and Ullum 3 as described in note 15, which was included in the Other expenses, net caption of the consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2018.

3.7. Fixed assets

- Lands and buildings held for use in production, supply of services or for administrative purposes, machinery and equipment, generation equipment, tools, facilities, furniture and equipment and vehicles, are stated in the consolidated statement of financial position at their cost less any subsequent accumulated depreciation (except for land which is not depreciated) and less any recognized impairment loss.

Depreciation of buildings, machinery and equipment, generation equipment, tools, facilities, furniture and equipment and vehicles is charged to expense for each year.

- Work in progress at the end of each year is carried at cost, less any recognized impairment loss. These assets are classified in the appropriate category of fixed assets when the construction is completed and are ready for use.

Depreciation of these assets commences when the assets are ready for their intended use. The Company has capitalized the corresponding portion of financial costs (interest) related to third parties' financing of long-term construction of fixed assets.

- Improvement on third party assets are stated at cost less accumulated depreciation and accumulated impairment losses.
- Assets acquired through leasing agreements have been incorporated at the lower value of the cash purchase price and the sum of discounted values of the minimum payments of the assets, calculated at the implied interest rate of the leasing, with a counterpart in "Leasings" of current and non-current liabilities.
- Depreciation is recognized so as to write-off the cost or valuation of assets (other than land) less their residual values over their useful lives, using the straight-line method. The estimated useful lives and residual values are reviewed at each year end, with the effect of any changes in estimates being accounted for on a prospective basis.

- An item of fixed assets is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gain or loss derived of the sales proceeds disposal or retirement of an item of fixed assets is determined as the difference between the sales proceeds and the carrying amount of the asset and it is recognized in the consolidated statement of income and other comprehensive income.
- Costs related to assets retirement obligations are capitalized at their discounted value along with the related assets and are depreciated using the unit-of-production method. As compensation, a liability is recognized for this concept at the estimated value of the discounted payable amounts. Future changes in the abandonment cost, the useful life of the assets and their estimate of abandonment, as well as changes in regulations related to abandonment, which are not possible to be predicted at the date of issuance of these consolidated financial statements, could affect the value of the abandonment obligations and, consequently, the related asset, affecting the results of future operations.

3.8. Assets under concession - Service concession agreements

The value of assets for the generation power plants of Río Mayo and Gobernador Costa as indicated in Note 1 are recognized pursuant to the provisions of the IFRIC 12 “Service Concession Agreements”. Assets meeting certain requirements set forth by the IFRIC 12, which at Management of the Company’s judgment are met in the facilities mentioned in the preceding paragraphs, are recognized as intangible assets.

These assets are valued at their acquisition cost net of accumulated amortization. As mentioned in Note 1 and 11.11, in August 2017 the Company notified the Province of Chubut of the termination of this PPA effective as from the earlier of August 2018 or the date when the province of Chubut receives the possession of the plants. These assets were depreciated using the straight-line method during the course of the concession period and as from the notification of termination, they are being depreciated in the remaining contractual period that the Company has to continue operating the plants until August 2018.

3.9. Intangible assets

3.9.1 Intangible assets acquired separately

Mainly include costs of acquisition of new projects. The accounting policies for the recognition and measurement of these intangible assets are described below.

Intangible assets acquired are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired are reported at cost less accumulated impairment losses.

3.9.2 – Intangible assets acquired in a business combination

Correspond to the intangible assets acquired in the business combination of ICERSA, Ullum 1, Ullum 2 and Ullum 3 as detailed in Note 14, related to the PPA that these companies have with CAMMESA, which are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

The Company has recognized an impairment loss in the year ended December 31, 2018 related to the intangible assets of Ullum 1, Ullum 2 and Ullum 3 as described in note 15, which was included in the Other expenses, net caption of the consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2018.

3.10. Impairment of tangible and intangible assets other than Goodwill

At the end of each reporting year, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

To evaluate if there is evidence that an asset could be impaired, both external and internal sources of information are analyzed, whenever events or changes in circumstances indicate that the carrying amount of an asset or cash-generating unit may be negatively affected.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

In the impairment assessment, the assets that do not generate independent cash flows are grouped in an appropriate cash generating unit.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

The business plans for each asset, which are approved on an annual basis by executive management, are the primary source of information for the determination of value in use. They contain forecasts for energy production, sales volumes, costs and capital expenditure. As an initial step in the preparation of these plans, various assumptions regarding market conditions, such as energy prices (after the end of the PPAs), foreign currency exchange and inflation rates are set. These assumptions consider existing PPA prices, other macroeconomic factors and historical trends and variability. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset and are discounted to their present value using a discount rate that reflects current market assessments of the time value of money.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. After a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

3.11. Liabilities

The Company recognizes a liability when it has a present obligation (legally enforceable as a result of the execution of a contract or a requirement contained in a legal standard) resulting from a past event and which amount owed can be reliably estimated.

3.12. Financial liabilities

Financial liabilities are classified as fair value through profit or loss or as other financial liabilities.

Other financial liabilities, initially measured at fair value, net of transaction costs, are subsequently measured at amortized cost using the effective interest method. Interest charges are included in the "Financial expense, net" caption of the consolidated statement of profit or loss and other comprehensive income.

The financial liabilities at fair value through profit or loss have been recognized at their fair value, recognizing any gain or loss arising from the revaluation in the statement of profit or loss and other comprehensive income. The net gain or loss recognized in profit or loss is disclosed in the "Financial expense, net" caption of the consolidated statement of profit or loss and other comprehensive income.

The Company derecognizes financial liabilities (or a part of them) when, and only when, the Company's obligations are discharged, cancelled or they expired.

The difference between the carrying amount of the financial liability derecognized and the consideration paid is recognized in profit or loss.

3.13. Other liabilities

Other financial liabilities, including borrowings and trade and other payables, are initially recognized at fair value, net of costs directly attributable to their acquisition (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts).

Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method, with interest income recognized based on the effective yield.

Financial liabilities are classified as current liabilities unless the Company has an unconditional right to defer its settlement for more than 12 months from the balance sheet date.

The estimated present value of the asset retirement obligation is recorded as a liability, with a corresponding increase in the carrying amount of the related asset, subject to depreciation. The liability recorded is increased each fiscal period due to the passage of time and this change is charged to net profit or loss. The asset retirement obligation can also increase or decrease due to changes in the estimated timing of cash flows, changes in the discount rate and/or changes in the original estimated undiscounted costs. Increases or decreases in the obligation will result in a corresponding change in the carrying amount of the related asset. Actual costs incurred upon settlement of the asset retirement obligation are charged against the asset retirement obligation to the extent of the liability recorded. The Company discounts the costs related to asset retirement obligations using the discount rate that reflects the current market assessment of the time value of money and risks specific to the liabilities that have not been reflected in the cash flow estimates. Asset retirement obligations are remeasured at each reporting period in order to reflect the discount rates in effect at that time.

3.14. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting year, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

The Company has been sued in certain labor, civil and commercial lawsuits. Provisions for contingencies are recorded on a risk assessment basis and when the likelihood of a loss is probable. The assessment of a loss probability is based on the opinion of legal counsels of the Company and its Management.

3.15. Revenue recognition

The Company derives its revenues mainly from power generation and sale of energy contracts, and natural gas trading and transportation.

Revenues derived from electric power generation and natural gas trading and transportation are measured at the fair value of the consideration received or receivable specified in the contract with a customer and excludes amounts collected on behalf of third parties and are recorded as sales when realized and transfers control of the product or service to the customer. For such purpose, they should meet the following criteria: there is an agreement with the client, the price is fixed or determinable, the service was provided and collection is reasonably secured.

Main revenue activities are the following:

Electric power generation from conventional sources:

The Company recognizes revenue based on monthly available capacity per MW and energy dispatch for each plant. Such activities are recognized as a performance obligation satisfied over time, measured on an hourly basis for firm capacity made available and energy dispatch, and then revenue recognized separately for these activities on a monthly basis according to the PPAs. The Company has no other performance obligations once capacity has been made available and energy has been dispatched. Company's Management has evaluated that performance obligations are satisfied over time since the customer simultaneously receives and consumes the benefits provided by the Company's performance as it performs. The consideration is contractually determined and allocated between these activities based on their contractual selling prices. Both activities are billed and paid for on a monthly basis according to contractual established due dates.

Electric power generation from renewable sources:

The Company recognizes revenue based on energy dispatch for each wind farm. Such activity is recognized as a performance obligation satisfied over time, measured on an hourly basis, and then revenue recognized on a monthly basis according to the PPAs. The Company has no other performance obligations once energy has been dispatched. Company's Management has evaluated that performance obligations are satisfied over time since the customer simultaneously receives and consumes the benefits provided by the Company's performance as it performs. The consideration is contractually determined based on contractual selling prices. This activity is billed and paid for on a monthly basis according to contractual established due dates.

Commercialization and transportation capacity of natural gas and electricity:

Revenue is recognized when natural gas and transport capacity is transfer to the customer. Such activities are recognized as a performance obligation satisfied over time, as natural gas or transportation capacity is transferred to the customer. The Company has no other performance obligations once natural gas or transportation capacity has been transferred to the customer. Company's Management has evaluated that performance obligations are satisfied over time since the customer simultaneously receives and consumes the benefits provided by the Company's performance as it performs.

Interest income is recognized based on the yields calculated by the effective interest rate method.

3.16. Leasing

The identification of a lease is made under a control model, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the customer. Control is considered to exist if the customer has (i) the right to obtain substantially all of the economic benefits from the use of an identified asset, and (ii) the right to direct the use of that asset.

Assets that qualify as a lease require the lessee to recognize a right-of-use asset and a lease liability at lease commencement date, except for short-term leases and leases of low value of assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

The Company does not have significant leasing agreements at the end of December 2018 and 2017.

3.17. Financial costs

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

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

3.18. Income tax and minimum presumed income tax

3.18.1 Income taxes – current and deferred

Income tax expenses represent the sum of the tax currently payable and the deferred tax.

3.18.1.1 Current tax

The tax currently payable is based on taxable profit for the year. The Company's liability for current tax is calculated using tax rate that have been enacted or substantively enacted at the end of the year. The current income tax charge is calculated on the basis of the tax laws in force in Argentina.

On December 29, 2017, Tax Reform, Law N° 27,430, was published in the Official Gazette, which came into force on the day following its publication in the Official Gazette, being one of the main changes the reduction of the tax rate for income tax on non-distributed corporate profits from 35% to: (i) 30% for the periods between January 1, 2018 and December 31, 2019 and (ii) 25% from January 1, 2020. This new regulation has an impact on the measurement of deferred tax assets and liabilities (including tax loss carryforwards) as from the effective date of this new law, given that they must be recognized by applying the tax rates that will be in force on the dates when the temporary differences will be reverted or used.

3.18.1.2 Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax basis used in the computation of taxable results. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets, including tax loss carry forwards, are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Such deferred assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable results nor the accounting results.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the period or year, as detailed below. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the year to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Under IFRS, deferred income tax assets and liabilities are classified as non-current assets and non-current liabilities.

The net deferred tax liability as of December 31, 2018 and 2017 was measured considering the rates of 30% or 25%, according to the date in which it is expected that the temporary item will be reversed or used. The effect of the application of the new rates is disclosed separately in the income tax note (Note 5.r).

3.18.1.3 Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss in the consolidated statement of profit or loss and other comprehensive income, except when they relates to items that are recognized directly in equity, in which case, the current and deferred tax is recognized directly in equity or when current tax or deferred tax arises from the initial accounting for a business combination.

3.18.2 Minimum presumed income tax

The minimum presumed income tax complements the income tax. The Company determines the tax charge by applying the enacted rate of 1% to the taxable assets at the end of year. The Company's tax obligation will coincide with the higher between the determined minimum presumed income tax and the income tax liability determined applying the enacted tax rate over the estimated taxable result of year. Nevertheless, if the presumed income tax in a fiscal year exceeds the corresponding income tax, such excess may be computed as a prepayment of any income tax excess over the minimum presumed income that may be generated in the next ten years.

According to Law N° 27,260 issued on July 22, 2016, this tax was repealed for fiscal years beginning as from January 1, 2019.

Regarding the declaratory status action filed against the Argentine state - AFIP - DGI, see Note 11.7.

3.19. Shareholders' equity accounts

Shareholders' contributions and reserves accounts were prepared in accordance with the accounting standards in force on the transition date to IFRS. Changes to such accounts were accounted for pursuant to the respective decisions of the Shareholders' Meetings, regulatory and statutory rules (Share premium and Reserves).

Capital stock

Includes capital contributions paid in by shareholders, and includes all outstanding shares at par value.

Share premium

It is the difference between the subscription price of capital increases and the corresponding par value of issued shares.

Capital contributions

Corresponds to transactions with shareholders that, as provided by IFRS, and based on the substance over form principle, are assimilated to capital contributions and, thus, their effects are directly recognized under Shareholders' equity.

Legal Reserve

In accordance with the provisions of Law N° 19,550, the Company is required to set up a legal reserve of at least 5% of net income, which results from the sum of net income for the year adjusted by any amount that could have been transferred from accumulated other comprehensive income (loss) to retained earnings plus any adjustment recognized directly in retained earnings, until such reserve reaches 20% of the subscribed capital plus adjustment to capital.

Facultative reserve

Corresponds to the allocation made by the Genneia's Shareholders' meeting, whereby a specific amount is being assigned to be used in future investments of the Company and its subsidiaries in power generation projects.

Unappropriated retained results

It includes the retained earnings / losses without specific appropriation, which in case of being positive based on the separate financial statements of the Company presented in Argentine pesos according to the Argentine Securities Commission ("CNV") regulations, may be distributed pursuant to a resolution by the Shareholders' meeting, insofar as they are not subject to statutory restrictions, as that described in the previous legal reserve paragraph. Includes earnings / losses from prior years that were not distributed, the amounts transferred from other comprehensive income and the adjustments to prior years according to accounting standards. As of December 31, 2018, the unappropriated retained results according to the Company's separate financial statements presented in Argentine pesos amounts to an accumulated loss of AR\$ 1,180 million.

In addition, pursuant to the provisions of CNV, when the net balance of the other comprehensive income account is positive, it cannot be distributed, capitalized or appropriated to absorbing accumulated losses, and when the net balance of such account is negative, a restriction shall apply to the distribution of retained earnings by such amount.

Under Law N° 25,063, passed in December 1998, dividends distributed, either in cash or in kind, in excess of accumulated taxable income at the end of year immediately preceding the payment or distribution date, will be subject to 35% as an income tax withholding as a sole and final payment. Accumulated taxable income for the purposes of this tax includes the balance of accumulated accounting profits at year end immediately preceding the effective date of the Law less dividends paid plus the taxable income determined from that exercise. However, according to Law No. 27,430 of Tax Reform (Note 3.18.1.1), this tax is eliminated for the profits generated as from 2018.

Finally, Law No. 27,430 of Tax Reform also established, among other issues, a withholding on dividends of 7% for the years 2018 and 2019, and 13% from 2020.

In accordance with the Shareholders' Agreement, the approval to distribute dividends to the shareholders requires the favorable vote of a qualified majority of the Company's capital stock. However, the Company is limited in the distribution of dividends by certain restrictive covenants assumed in connection with the issuance of the negotiable obligations (Note 9).

Other comprehensive income

It includes income and expenses directly recognized under Shareholders' Equity and the transfers of such items from Shareholders' Equity accounts to income for the period or retained earnings accounts, as established by IFRS.

3.20. Earnings per share

Net profit (loss) per share is calculated by dividing the net profit (loss) for the year attributable to the Company's shareholders by the weighted average of shares of the Company outstanding during the year.

Diluted net profit (loss) per share is calculated by dividing the net profit (loss) for the fiscal year by the weighted average of shares outstanding, and when dilutive, adjusted for the effect of all potentially dilutive shares, including share options, on an as if they had been converted.

In computing diluted net income per share, income available to ordinary shareholders, used in the basic earnings per share calculation, is adjusted by those results that would result of the potential conversion into ordinary stock. The weighted average number of ordinary shares outstanding is adjusted to include the number of additional ordinary shares that would have been outstanding if the dilutive potential ordinary shares had been issued. Diluted net income per share is based on the most advantageous conversion rate or exercise price over the entire term of the instrument from the standpoint of the security holder. The calculation of diluted net income per share excludes potential ordinary shares if their effect is anti-dilutive.

As of the date of the issuance of these consolidated financial statements, there are no instruments outstanding that imply the existence of potential ordinary shares. Thus the basic net income per share matches the diluted net income per share.

The following table shows the net profit (loss) and the weighted average number of shares that have been used for the calculation of the basic earnings per share:

	2018	2017
Net (loss) profit attributable to owners of the Company	(22,147)	33,999
Weighted average number of outstanding ordinary shares (Note 8)	101,870,956	84,838,692
Basic and diluted (losses) earnings per share (in United States dollars)	(0.22)	0.40

NOTE 4 - CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In the application of the Company's accounting policies, the Management and Board of Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future years.

Below is a detail of the main accounting areas and items that require that management make significant judgments and estimates in preparing these consolidated financial statements.

Functional Currency

The Company's Management applies its professional judgment in determining its functional currency and of its controlled entities. Judgement is basically made regarding the currency that mainly influences and determines sales prices, labor and material costs, investments and other costs, as well as the financing and collections derived from its operating activities in the long-term.

Recoverable value of trade receivables and other receivables

As detailed in Notes 7.3.2 and 11.11, the Company has significant receivables from entities with state participation or dependent on funds from the public sector, recognized as trade receivables and other receivables as a result of its generation operations.

Management makes an ongoing assessment of the recoverability of receivables based on aging, payment capacity of the counterparty, nature of the client, security interest received, its legal rights, among others, and accounts for provisions based on the estimated recoverable value of such receivables.

Recognition of the account for future investments

As mentioned in Note 11.12 CAMMESA deducts from its monthly payments to the Company an amount appropriated to set up an "Account for future investments" which might be used to the installation of certain power plants.

Such deductions are recorded as other receivables and Company's revenues in the period of accrual based on the regulatory and legal analysis made by Company's management, in consultation with its legal advisors (see Note 1 and 11.12).

Recoverable value of deferred tax assets, tax loss carryforwards and credits for minimum presumed income tax

The Company recognizes tax loss carryforwards and other tax credits as deferred tax assets when it is probable its deduction against future taxable income. To that effect, based on paragraph 26 of NIC 12, the Company considers the projected taxable income and the reversal of temporary liability differences.

In order to determine the likelihood of realization and estimate the recoverable amount of such assets, Management projects taxable income on the basis of several future variables, including the estimate of the Argentine currency devaluation against the US dollar for the following years. Such estimates are periodically reviewed and their effects are recognized in the period in which a revision is performed.

Useful life of fixed assets, recoverable value of fixed assets, assets under concession and intangible assets

The Company estimates the useful life of their fixed assets, assets under concession and intangible assets, mainly wind power plant and thermal generation plants, based on the technology of the corresponding assets and their type and characteristic of use.

In addition, the Company generally estimates the recoverable value of fixed assets, assets under concession and intangible assets on the basis of their economic value in use, calculated as the discounted expected future cash flows generated by each asset or group of assets under evaluation, considering their estimated useful life.

In order to estimate cash flows, the Company's Management calculates revenues and future costs based on its best estimate of the regulatory framework, tariffs, fuel costs, devaluation and inflation of the Argentine peso, salaries, wind farm utilization factor, useful life of the assets and the rate used to discount such cash flows, among others.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires Management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

The Company has recognized an impairment loss in the year ended December 31, 2018 related to the goodwill of Ullum 1, Ullum 2 and Ullum 3 as described in Note 15.

Estimate of contingent liabilities for claims and lawsuits

The final outcome arising from litigation, claims and other contingencies, as well as the perspective given to each issue by the Management may vary from their estimates due to different interpretations of laws, contracts, opinions and final assessments of the amount of the claims. Changes in the facts or circumstances related to these types of contingencies can have, as a consequence, a significant effect on the amount of the provisions for litigation and other contingencies recorded or the perspective given by the Management.

NOTE 5 - DETAIL OF THE MAIN ACCOUNTS OF THE CONSOLIDATED FINANCIAL STATEMENTS

The breakdown of the main accounts of the consolidated financial statements is as follows:

Consolidated balance sheets as of December 31, 2018 and 2017

	December 31, 2018	December 31, 2017
Assets		
a) Cash and banks:		
Cash	480	549
Banks	149,651	28,945
Checks to be deposited	14	29
	<u>150,145</u>	<u>29,523</u>
b) Investments:		
Current		
Mutual funds	3,945	68,631
	<u>3,945</u>	<u>68,631</u>
Non-current		
Investments in joint venture	11,243	4,689
	<u>11,243</u>	<u>4,689</u>

Includes the interest in the following joint venture:

	Main activity	Percentage of participation	
		December 31, 2018	December 31, 2017
Joint venture:			
Vientos de Necochea S.A.	Production and development of renewable energies and its commercialization.	50%	50%

The above joint venture is accounted for using the equity method in these consolidated financial statements.

Vientos de Necochea S.A. is a stock corporation under the laws in force in Argentina whose legal form confers separation between the parties to the joint arrangement and the company itself. Furthermore, there is no contractual arrangement or any other facts and circumstances that indicate that the parties to the joint arrangement have rights to the assets and obligations for the liabilities of the joint arrangement. Accordingly, Vientos de Necochea S.A. is classified as a joint venture of the Company. Vientos de Necochea S.A. was incorporated in May 2017 by Genneia and Centrales de la Costa Atlántica S.A. for the development of the Vientos de Necochea 1 wind farm project, which is described in Note 12.

Summarized financial information in respect of the joint venture is set out below. The summarized financial information below represents amounts shown in the joint venture's financial statements.

	December 31, 2018	December 31, 2017
Balance sheet information		
Current assets	13,842	9,039
Non-current assets	13,429	1,743
Current liabilities	3,246	1,397
Non-current liabilities	1,539	8
Shareholders equity	22,486	9,377
Statement of profit or loss and other comprehensive income		
Administration expenses	(39)	(16)
Other expenses, net	(40)	-
Financial income, net	267	39
Net income before income tax	188	23
Income tax	(3,034)	(225)
Net loss for the year	(2,846)	(202)
Reconciliation of the above summarized financial information to the carrying amount of the interest in the joint venture recognized in the consolidated financial information:		
Net assets of the joint venture	22,486	9,378
Proportion of the Company's ownership interest in the joint venture	50%	50%
Carrying amount of the Company's interest in the joint venture	11,243	4,689
<u>Evolution of non-current investments:</u>		
Balance at the beginning of the year	4,689	-
Capital contributions	7,977	4,790
Comprehensive loss for the year	(1,423)	(101)
Balance at the end of the year	11,243	4,689
c) Trade receivables:		
Current		
Trade receivables - electric power generation	26,637	22,900
Trade receivables - electric power generation		
Related parties (Note 6)	35	-
Accruals for unbilled sales of electric power generation	18,770	15,994
Trade receivables - sale of gas and gas transportation	566	307
Accruals for unbilled sales of gas and gas transportation	471	376
	46,479	39,577
Non-current		
Trade receivables - electric power generation		
Río Mayo and Costa, net (Note 11.11)	10,094	21,491
Trade receivables - electric power generation	547	1,106
	10,641	22,597

	December 31, 2018	December 31, 2017
<u>Aging of trade receivables</u>		
Up to three months	3,878	3,887
Three to six months	1,571	1,632
Six to nine months	390	1,990
Nine to twelve months	384	1,637
More than one year	11,275	18,534
Past due balance at end of the year ^{(1) (2)}	17,498	27,680
To be due	39,622	34,494
Balance at end of year ⁽²⁾	57,120	62,174

- (1) In relation to uncollected past due current trade receivables with ENARSA of 7,024 and 6,145 as of December 31, 2018 and 2017 respectively, see Note 11.8.
- (2) In relation to uncollected trade receivables with the Province of Chubut (Dirección General de Servicios Públicos) for a net amount of 10,094 and 21,491 as of December 31, 2018 and 2017, respectively, see Note 11.11.
- (3) As of December 31, 2018 and 2017, past due balances include certain trade receivables net amounts classified as non-current for 9,459 and 20,681, respectively, related to electric power generation of Rio Mayo y Costa power plants.

d) Other receivables:

Current

Financial assets

Account for future investments (Note 11.12)	14,335	-
Related parties (Note 6)	773	651
Receivable for investment in Patagonian Pipeline	170	345
Loma Blanca Trust credits	312	336
	15,590	1,332

Prepayments, tax receivables and others

Prepaid insurance	657	744
Value added tax	34,779	5,036
Income tax and minimum presumed income tax advances and withholdings (net of minimum presumed income tax payable)	735	224
Advanced payments to suppliers	104	165
Turnover tax credit	710	11
Miscellaneous	3,193	1,220
	40,178	7,400
	55,768	8,732

Non-current

Financial assets

Account for future investments (Note 11.12)	-	42,599
Construction costs to be recovered	400	492
Receivable for investment in Patagonian Pipeline	1,046	2,126
Loma Blanca Trust credits	2,849	3,030
	4,295	48,247

	December 31, 2018	December 31, 2017
<u>Prepayments, tax receivables and others</u>		
Minimum presumed income tax credit	1,335	2,332
Turnover tax credit	520	468
Advanced payments to suppliers of fixed assets ⁽¹⁾	119,534	89,939
Credit from tax on bank debits and credits	2,030	1,226
Deferred tax asset (Note 5.r)	149	469
Expenses paid in advance	1,516	-
Miscellaneous	47	314
	<u>125,131</u>	<u>94,748</u>
	<u>129,426</u>	<u>142,995</u>

(1) Corresponds to advanced payments to suppliers for fixed assets acquisitions in relation to the new projects as detailed in Note 12.

e) Inventories:

Current

Materials and spare parts	1,076	1,958
	<u>1,076</u>	<u>1,958</u>

Non-current

Materials and spare parts	9,391	8,382
	<u>9,391</u>	<u>8,382</u>

f) Fixed assets, assets under concession, intangible assets and goodwill:

f.1) Evolution of fixed assets:

Main account	2018					Accumulated at the end of the year
	Accumulated at the beginning of the year	Increases	Decreases	Transfers	Foreign currency exchange difference	
Land	9,743	126	-	-	-	9,869
Furniture and fixture	446	98	-	-	-	544
Machinery	3,960	31	-	-	-	3,991
Computer equipment	4,788	507	-	-	-	5,295
Communication equipment	52	-	-	-	-	52
Vehicles	1,437	36	(29)	-	-	1,444
Buildings and installations	14,791	30	-	-	-	14,821
Tools	958	347	-	-	-	1,305
Pipelines	2,600	-	-	-	3,188	5,788
Power generation equipment	506,626	255	-	2,919	-	509,800
Wind Farm	254,591	774	-	244,210	-	499,575
Solar Photovoltaic Plant	-	-	-	75,754	-	75,754
Work in progress	42,888	446,907	-	(322,883)	-	166,912
Right of use on land and buildings	3,568	1,179	-	-	-	4,747
Total 2018	846,448	450,290 ⁽¹⁾⁽²⁾⁽³⁾	(29)	-	3,188	1,299,897
Total 2017	610,772	236,198 ⁽¹⁾⁽²⁾⁽⁴⁾	(70)	-	(452)	846,448

Main account	2018						2017	
	Accumulated Depreciation						Net book value at December 31, 2018	Net book value at December 31, 2017
	Accumulated at the beginning of the year	Annual depreciation rate	Increases	Decreases	Foreign currency exchange difference	Accumulated at the end of the year		
Land	-	-	-	-	-	-	9,869	9,743
Furniture and fixture	397	10%	25	-	-	422	122	49
Machinery	536	10%	636	-	-	1,172	2,819	3,424
Computer equipment	3,895	33%	661	-	-	4,556	739	893
Communication equipment	49	33%	-	-	-	49	3	3
Vehicles	881	20%	119	(29)	-	971	473	556
Buildings and installations	1,887	10%	726	-	-	2,613	12,208	12,904
Tools	649	10%	94	-	-	743	562	309
Pipelines	1,618	3%-7%	115	-	628	2,361	3,427	982
Power generation equipment	232,192	5%-10%	38,489	-	-	270,681	239,119	274,434
Windfarm	51,427	4%-5%	12,017	-	-	63,444	436,131	203,164
Solar Photovoltaic Plant	-	3%	209	-	-	209	75,545	-
Work in progress	-	-	-	-	-	-	166,912	42,888
Right of use on land and buildings	695	4%-33%	535	-	-	1,230	3,517	2,873
Total 2018	294,226		53,626	(29)	628	348,451	951,446	
Total 2017	247,751		46,749	-	(274)	294,226		552,222

- (1) Includes 24,625 and 5,395 for the year ended December 31, 2018 and 2017, respectively, corresponding to financial costs related to third parties financing to work in progress extended for a substantial period of time.
- (2) Includes 80 and 78 for the years ended December 31, 2018 and 2017, respectively, of depreciation of fixed assets that are being used in the construction projects.
- (3) Includes 535, 523 and 11 of increase due to the acquisition of Ullum I Solar S.A., Ullum II Solar S.A. and Ullum III Solar S.A., respectively, for the year ended December 31, 2018 (Note 14.1).
- (4) Includes 68,715 of cost increase due to the adquisition of Generadora Electrica de Tucuman S.A. (Note 14.2) and 77,210 due to the adquisition of Isolux Corsán Energías Renovables S.A. (now Parque Eólico Loma Blanca IV S.A.) (Note 14.3).

f.2) Evolution of assets under concession:

Main account	2018				2017	
	Cost				Net book value at December 31, 2018	Net book value at December 31, 2017
	Accumulated at the beginning of the year	Increases	Transfers	Accumulated at the end of the year		
Power generation equipment	9,396	-	-	9,396	-	1,776
Work in progress	-	-	-	-	-	-
Total 2018	9,396	-	-	9,396	-	-
Total 2017	9,087	309	-	9,396	-	1,776

Main account	2018				2017	
	Accumulated Amortization				Net book value at December 31, 2018	Net book value at December 31, 2017
	Accumulated at the beginning of the year	Annual depreciation rate	Increases	Accumulated at the end of the year		
Power generation equipment	7,620	5% ⁽¹⁾	1,776	9,396	-	1,776
Work in progress	-	-	-	-	-	-
Total 2018	7,620		1,776	9,396	-	-
Total 2017	6,469		1,151	7,620	-	1,776

(1) In virtue of the cancellation of the operating agreement of the "Rio Mayo" and "Costa" plants, as described in Note 11.11, the Company depreciated the plant within the maximum remaining term of 12 months in which the Company must continue to operate the plant from the date of notification of the termination of the agreement.

	December 31, 2018	December 31, 2017
<u>f.3) Evolution of intangible assets:</u>		
<u>f.3.1) Intangible assets acquired separately (Puerto Madryn Project):</u>		
Cost and book value at the beginning of the year	4,260	4,260
Amortization	(8)	-
Book value at the end of the year ⁽¹⁾	<u>4,252</u>	<u>4,260</u>

(1) The accumulated amortization as of and for the year ended December 31, 2018 amounts to 8.

**f.3.2) Intangible assets acquired in a business combination
(intangible asset related PELBIV acquisition)**

Cost and book value at the beginning of the year	31,904	-
Increases	-	31,904
Intangible asset amortization related to Loma Blanca acquisition	(3,538)	-
Book value at the end of the year ⁽¹⁾	<u>28,366</u>	<u>31,904</u>

(1) The accumulated amortization as of and for the year ended December 31, 2018 amounts to 3,538.

**f.3.3) Intangible assets acquired in a business combination
(intangible asset related ULLUMs acquisitions - Note 14.1)**

Cost and book value at the beginning of the year	-	-
Increases - Intangible asset related to Ullum I Solar S.A. acquisition	1,649	-
Increases - Intangible asset related to Ullum II Solar S.A. acquisition	1,636	-
Increases - Intangible asset related to Ullum III Solar S.A. acquisition	2,507	-
Impairment allowance	(5,792)	-
Cost and book value at the end of the year ⁽¹⁾	<u>-</u>	<u>-</u>
Total	<u>32,618</u>	<u>36,164</u>

(1) There is no accumulated amortization as of and for the year ended December 31, 2018.

f.4) Evolution of Goodwill:

f.4.1) Evolution of Goodwill (GETSA):

Cost and book value at the beginning of the year	17,587	-
Increases	-	17,587
Cost and book value at the end of the year	<u>17,587</u>	<u>17,587</u>

f.4.2) Evolution of Goodwill (ULLUMs - Note 14.1):

Cost and book value at the beginning of the year	-	-
Increases	2,511	-
Impairment	(2,511)	-
Cost and book value at the end of the year	<u>-</u>	<u>-</u>
Total	<u>17,587</u>	<u>17,587</u>

	December 31, 2018	December 31, 2017
Liabilities		
g) Accounts payable:		
Current		
Trade	70,393	49,060
Accrual for invoices pending to receive	58,462	12,876
Related parties (Note 6)	81	81
	<u>128,936⁽¹⁾</u>	<u>62,017⁽²⁾</u>
(1) Includes 1,144 past due up to three months, 13 from three to six months, 991 from six to nine months, 52 from nine to twelve months, and 43,500 over a year and 73,182 to be due up to three months and 10,054 up to three to six months. In relation to past due accounts payable to ENARSA for an amount of 38,442 as of December 31, 2018, see Note 11.8. (2) Includes 1,783 past due up to three months, 383 from three to six months, 46 from six to nine months, 178 from nine to twelve months, and 45,111 over a year and 14,516 to be due up to three months. In relation to past due accounts payable to ENARSA for an amount of 38,442 as of December 31, 2017, see Note 11.8.		
h) Loans:		
Current		
Negotiable obligations	17,848	37,585
Other bank and financial debts	73,503	26,876
Related parties (Note 6)	35	-
Leasings	409	1,402
	<u>91,795</u>	<u>65,863</u>
Non-current		
Negotiable obligations	577,322	366,071
Other bank and financial debts	201,187	92,806
Related parties (Note 6)	49,496	-
Leasings	3,086	1,828
	<u>831,091</u>	<u>460,705</u>
<u>Evolution of loans and reconciliation of liabilities arising from financing activities:</u>		
Balances at the beginning of the year	526,568	297,355
<u>Financing cash flows</u>		
Proceeds from loans	477,843	408,929
Principal payments	(92,934)	(255,160)
	<u>384,909</u>	<u>153,769</u>
<u>Non-cash changes</u>		
Financing associated with the project PELBIV	173	58,162
Leasings associated with the project PELBIV	-	1,548
Leasings associated with the project Pomona	1,024	991
Leasings associated with the project La Florida	135	-
	<u>1,332</u>	<u>60,701</u>
<u>Other changes:</u>		
Interest accrual	54,553	36,655
Interest payments	(50,002)	(24,473)
Effect of exchange difference and others	5,526	2,561
	<u>10,077</u>	<u>14,743</u>
Balance at the end of the year	<u>922,886</u>	<u>526,568</u>

		December 31, 2018	December 31, 2017
<u>Detail of loans:</u>	<u>Ref. Note</u>		
Series XIV Negotiable Obligation	9.1.1	-	25,161
Series XVIII Negotiable Obligation	9.1.1	19,935	19,877
Series XX Bonds (Genn 2022 Bond)	9.1.1	523,709	358,618
Series XXI Negotiable Obligation	9.1.1	51,526	-
Series XXII Negotiable Obligation	9.2.1	49,531	-
Banco Provincia S.A.	9.2.3	-	4,005
Banco Provincia S.A. II	9.2.3	5,513	-
Banco Provincia S.A. III	9.2.3	4,370	-
Banco Ciudad	9.2.4	4,020	8,039
Banco Ciudad II	9.2.4	-	6,072
Banco Ciudad III	9.2.4	5,605	-
Banco Itaú S.A.	9.2.5	7,086	-
Banco Itaú S.A. II	9.2.5	10,066	-
Industrial and Commercial Bank of China (Argentina) S.A.	9.2.6	10,019	-
Banco Chubut S.A.	9.2.7	2,006	-
GETSA / GDSA Credit Facility	9.2.10	36,205	44,445
Financial Trust Loma Blanca Serie I	9.2.11	49,145	57,121
Project Finance Genneia Vientos del Sudoeste S.A.	9.3.1	71,696	-
Project Finance Genneia Vientos del Sur S.A.	9.3.2	25,876	-
Project Finance Genneia Vientos Argentinos S.A.	9.3.2	43,083	-
Leasings	-	3,495	3,230
		<u>922,886</u>	<u>526,568</u>
i) Salaries and social security payable:			
Salaries, social security and withholdings payables		4,881	4,465
		<u>4,881</u>	<u>4,465</u>
j) Taxes payable:			
Current			
Value added tax		652	2,532
Tax withholdings payable		376	580
Taxes under regularization regime		8	7
Income tax payable		-	1,301
Miscellaneous		148	38
		<u>1,184</u>	<u>4,458</u>
Non-current			
Taxes under regularization regime		115	294
		<u>115</u>	<u>294</u>
k) Other liabilities:			
Current			
Liability with the Province of Chubut on the purchase of Ingentis II shares		458	926
Liability with Pluspetrol on the purchase of GETSA shares (Note 14.2)		547	1,040
Liability on the purchase of Ullum I Solar S.A., Ullum II Solar S.A., and Ullum III Solar S.A. (Note 14.1)		6,498	-
Related parties (Note 6)		-	2
Miscellaneous		55	120
		<u>7,558</u>	<u>2,088</u>

	December 31, 2018	December 31, 2017
Non-current		
Accrual for assets retirement obligation	6,627	6,283
Liability with Pluspetrol on the purchase of GETSA shares (Note 14.2)	406	821
	<u>7,033</u>	<u>7,104</u>

l) Allowances and provisions:

Items	December 31, 2018			December 31, 2017		
	Value as of December 31, 2017	Additions	Value as of December 31, 2018	Value as of December 31, 2016	Additions	Decreases
Allowances deducted from assets:						
For doubtful accounts	-	-	-	2,335	-	(2,335)
For other assets	-	-	-	2,323	-	(2,323)
For intangible assets	-	5,792	5,792	-	-	-
Total deducted from assets	-	5,792	5,792	4,658	-	(4,658)
Provisions included in liabilities:						
For claims and pending labor lawsuits	313	3,650	3,963	134	179	-
Total included in liabilities	313	3,650	3,963	134	179	-

Consolidated statements of profit or loss and other comprehensive income for the years ended December 31, 2018 and 2017

	2018	2017
m) Net sales:		
Revenue from electric power generation from conventional sources	126,939	111,622
Revenue from electric power generation from renewable sources	69,560	40,106
Revenue from gas trading and transport	5,090	4,653
Other revenues	802	424
	<u>202,391</u>	<u>156,805</u>

(1) For the years ended December 31, 2018 and 2017, 92% and 93% of sales, respectively, were made to CAMMESA and ENARSA.

n) Cost of sales:

Purchases for electric power generation from conventional sources	(6,388)	(4,187)
Purchases for gas trading and transport	(1,670)	(999)
Operating costs of electric power generation from conventional sources (Note 5.o)	(55,546)	(53,541)
Operating costs of electric power generation from renewable sources (Note 5.o)	(22,618)	(11,670)
Operating cost of gas trading and transport (Note 5.o)	(254)	(324)
	<u>(86,476)</u>	<u>(70,721)</u>

o) Operating costs and expenses:

	2018					
	Operating cost of electric power generation from renewable sources	Operating cost of electric power generation from conventional sources	Operating cost of gas trading and transport	Administrative expenses	Selling expenses	Total
Salaries and benefits	453	4,717	99	6,975	345	12,589
Social security charges and other contributions	90	1,261	19	1,033	116	2,519
Professional fees and compensations for services	4,216	472	-	4,769	9	9,466
Directors and statutory auditors' fees	-	-	-	666	-	666
Expenses for development of new businesses	-	-	-	2,012	-	2,012
Other staff costs	4	82	-	465	-	551
Travelling and lodging expenses	24	310	-	373	34	741
Freight and insurance	607	2,299	-	138	1	3,045
Rental and expenses of property, machinery and equipment	1	18	-	340	11	370
Taxes, rates and contributions	21	440	15	21	1,160	1,657
Maintenance and repairs	632	3,434	-	542	2	4,610
Works contracts and other services	85	338	-	-	-	423
Fixed and concessioned assets depreciation and amortization	12,754	41,109	121	1,329	9	55,322
Amortization of intangible assets	3,546	-	-	-	-	3,546
Contingencies and claims	-	-	-	1,920	-	1,920
Miscellaneous	185	1,066	-	478	5	1,734
Total 2018	22,618	55,546	254	21,061	1,692	101,171

	2017					
	Operating cost of electric power generation from renewable sources	Operating cost of electric power generation from conventional sources	Operating cost of gas trading and transport	Administrative expenses	Selling expenses	Total
Salaries and benefits	476	5,940	87	4,734	438	11,675
Social security charges and other contributions	106	1,646	19	994	140	2,905
Professional fees and compensations for services	1,439	700	-	2,001	72	4,212
Directors and statutory auditors' fees	-	-	-	746	-	746
Expenses for development of new businesses	-	-	-	905	-	905
Other staff costs	6	73	-	677	2	758
Travelling and lodging expenses	26	456	-	196	15	693
Freight and insurance	265	2,672	-	177	2	3,116
Rental and expenses of property, machinery and equipment	-	24	-	355	14	393
Taxes, rates and contributions	10	627	23	28	633	1,321
Maintenance and repairs	450	2,058	-	463	4	2,975
Works contracts and other services	1	534	-	-	-	535
Fixed and concessioned assets depreciation and amortization	8,821	37,722	195	1,077	7	47,822
Miscellaneous	70	1,089	-	354	4	1,517
Total 2017	11,670	53,541	324	12,707	1,331	79,573

	<u>2018</u>	<u>2017</u>
p) Other expenses, net:		
Tax on bank debits and credits	(4,647)	(4,535)
Impairment of goodwill and intangible assets (Note 15)	(8,303)	-
Fixed assets retirements	-	(69)
Others	14	77
	<u>(12,936)</u>	<u>(4,527)</u>

q) Financial expense, net:

The breakdown of financial income and expenses is as follows:

Financial income:

Interest income	278	675
Fair value gains on financial assets at fair value through profit or loss	-	3,123
	<u>278</u>	<u>3,798</u>

Financial expense

Fair value losses on financial assets at fair value through profit or loss	(17,565)	-
Interest expense	(30,361)	(31,260)
Exchange differences, net ⁽¹⁾	(32,608)	(12,934)
Issuance costs and withholdings	(2,273)	(3,631)
Miscellaneous	(4,628)	(3,245)
	<u>(87,435)</u>	<u>(51,070)</u>

Total financial expense, net

	<u>(87,157)</u>	<u>(47,272)</u>
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(1) For the year ended December 31, 2017 includes 1,861 reclassified from other comprehensive income to profit or loss for the period on the liquidation and partial reimbursement of the capital of certain subsidiaries.

r) Income tax:

The consolidated income tax (charge) benefit for the year ended December 31, 2018, and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Current income tax	386 ⁽¹⁾	(277)
Deferred income tax	(14,179)	14,130
	<u>(13,793)</u>	<u>13,853</u>

(1) Corresponds to a recovery related to the income tax accrual as of December 31, 2017.

The reconciliation between the consolidated income tax (charge) benefit for the years ended December 31, 2018 and 2017 and the (loss) income that would result from applying the prevailing tax rate on the net profit before income tax, included in the consolidated statement of profit or loss and other comprehensive income for each year, is as follows:

	2018	2017
Net (loss) profit before income tax	(8,354)	20,146
Statutory tax rate	30%	35%
Statutory tax rate applied to net (loss) profit before income tax	2,506	(7,051)
Permanent differences and others at the prevailing tax rate:		
Non recoverable tax loss carryforwards	(8,756)	-
Tax rate change effect (Note 3.18.1)	-	27,114
Effects of the functional currency and others ⁽¹⁾	(7,543)	(6,210)
	(13,793)	13,853

(1) It mainly includes the effect of using a different currency for reporting and tax purposes.

Furthermore, the breakdown of the consolidated net deferred tax liabilities as of December 31, 2018 and 2017, is as follows:

	2018	2017
Deferred tax assets		
Tax loss carryforwards	50,828	27,393
Non deductible liabilities	17,838	-
Miscellaneous	3,838	3,571
Total deferred tax assets	72,504	30,964
Deferred tax liabilities		
Fixed assets	(148,618)	(88,937)
Assets under concession	-	(393)
Intangible assets	(8,126)	(8,520)
Miscellaneous	(676)	(1,726)
Total deferred tax liabilities	(157,420)	(99,576)
Net deferred tax liabilities ^{(1) (2) (3)}	(84,916)	(68,612)

- (1) Includes 149 and 469 of net deferred tax assets of subsidiaries that have been recorded in other receivables as of December 31, 2018 and 2017, respectively.
- (2) Includes 677 related to an increase in deferred tax liabilities of Enersud Energy S.A.U. which had an impact on other comprehensive loss for the year ended December 31, 2018.
- (3) Includes 1,448 related to an increase in deferred tax liabilities related to bussiness combinations (Ullums) which was offset by a decrease for impairment for the year ended December 31, 2018.

As of December 31, 2018, the Company and its subsidiaries maintain a deferred tax asset for accumulated tax loss carryforwards of 50,828; which may be offset against taxable income as follows:

Year until it can be used	Tax loss carryforward	Deferred asset
2019	6,405	-
2020	25,300	1,961
2021	1,276	319
2022	160	40
2023	68,424	17,106
2026	5	1
2027	7,600	1,923
2028	117,758	29,478
	226,928	50,828

The following table summarizes the deferred tax assets for tax loss carry forwards as of December 31, 2018 by the individual project and company which generates it:

Project/Company	Deferred asset
PEM I	12,473
PEM II	8,969
PER III	3,151
Genneia Others	9,478
Subtotal Genneia	34,071
GEDSA	3,927
PELBIV	6,021
Vientos Argentinos	1,642
Vientos del Sudoeste	1,955
Vientos del Sur	1,049
Ullum I Solar	78
Ullum II Solar	735
Ullum III Solar	1,066
Others	284
Subtotal Subsidiaries	16,757
Total	50,828

For the years ended December 31, 2018 the Company has estimated a tax loss in relation to the PEM I, PEM II, PER III, Villalonga, Chubut Norte I, III and IV, Ullum I Solar, Ullum II Solar, Ullum III Solar and Pomona projects, by virtue of the benefit granted by Article 9 of Law No. 26.190 (National Development Regime for the Use of Renewable Sources of Energy Destined for The Production of Electric Energy), whose tax loss carryforwards may be used for up to ten years from the year in which they are generated to compensate against taxable income generated from these projects. On the other hand, in relation for tax results not generated by these businesses, for the year ended December 31, 2018 the Company has estimated a tax loss, mainly generated as a consequence of the devaluation of the Argentine peso occurred during the year 2018, that may be offset against future taxable income.

For the year ended December 31, 2017, the Company has estimated tax loss in relation to the PEM I and PEM II projects, by virtue of the benefit granted by Article 9 of Law N ° 26,190 (National Development Regime for the Use of Renewable Sources) of Energy Destined to the Production of Electric Power), whose tax loss carryforwards may be used for up to ten years from the year in which they are generated to offset the tax profits generated from these projects. On the other hand, for the year ended December 31, 2017 the Company has estimated a taxable income that may be offset against accumulated tax loss carryforwards at the beginning of such year.

The Company and its subsidiaries recognize tax loss carry-forwards and other tax credits as deferred tax assets when its deduction against future taxable income is probable. To that effect, based on paragraph 36 of IAS 12, the Company and its subsidiaries consider the projected tax results and reverse of temporary liability differences.

To assess the probability of recoverability and estimate the recoverable amount of deferred assets related to tax loss carryforwards, Management has projected the tax income based on various future variables including an estimate of the peso devaluation against the USD for the next fiscal years. Such estimates are reviewed periodically, and the effects of such estimates are recognized in the period of the revision. In virtue of such analysis, as of December 31, 2018 the Company has expensed 7,292 related to tax loss carryforwards that expire in the years 2019 and 2020 and that had high probability of not being used as a consequence of the estimate of the peso devaluation against the US dollar.

NOTE 6 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The principal outstanding consolidated balances as of December 31, 2018 and 2017 for transactions with related parties are as follows:

	December 31, 2018					December 31, 2017		
	Trade receivables	Other receivables	Accounts payable	Loans		Other receivables	Accounts payable	Other liabilities
	Current	Current	Current	Current	No Current	Current	Current	Current
Companies under joint control:								
Vientos de Necochea S.A	-	734	-	-	-	575	-	2
Shareholders, directors and key management:								
Fintech Energy LLC	-	20	74	15	20,625	41	74	-
Jorge Horacio Brito	-	6	-	-	-	11	-	-
Jorge Pablo Brito	-	6	-	-	-	11	-	-
Delfin Jorge Ezequiel Carballo	-	6	7	3	24,748	11	7	-
LAIG Eolia S.A.	-	1	-	-	-	2	-	-
PointState Argentum LLC	-	-	-	17	4,123	-	-	-
Other related companies:								
Banco Macro S.A. ⁽¹⁾	35	-	-	-	-	-	-	-
	<u>35</u>	<u>773</u>	<u>81</u>	<u>35</u>	<u>49,496⁽²⁾</u>	<u>651</u>	<u>81</u>	<u>2</u>

The main consolidated operations with related parties for the years ended December 31, 2018 and 2017 are as follows:

	December 31, 2018				December 31, 2017			
	Sales of goods and services	Recovery (reimbursement) of expenses, investments and other services, net	Loans received (paid), net	Interests and commissions lost	Sales of goods and services	Recovery (reimbursement) of expenses, investments and other services, net	Loans received (paid), net	Interests and commissions lost
Companies under joint control:								
Vientos de Necochea S.A	727	38	-	-	318	507	-	-
Shareholders, directors and key management:								
Jorge Horacio Brito	-	-	-	-	-	-	(785)	(14)
Fintech Energy LLC	-	-	20,835	(116)	-	-	-	-
Delfin Jorge Ezequiel Carballo	-	-	4,165	(139)	-	-	-	-
PointState Argentum LLC	-	-	25,000	(23)	-	-	-	-
Other related companies:								
Banco Macro S.A. ⁽¹⁾	58	-	-	(7)	-	-	(39,323)	(416)
	<u>785</u>	<u>38</u>	<u>50,000</u>	<u>(285)</u>	<u>318</u>	<u>507</u>	<u>(40,108)</u>	<u>(430)</u>

(1) Company related to shareholders Delfin Jorge Ezequiel Carballo, Jorge Pablo Brito and Jorge Horacio Brito.

(2) See Note 9.2.1

Additionally, the Company has hired insurance policies to grant an indemnity to its Directors in the exercise of their duties.

NOTE 7 - FINANCIAL INSTRUMENTS

7.1 - Capital management

GENNEIA manages its capital to ensure its ability to continue as a going concern, managing investment projects, while maximizing the return to its shareholders through the optimization of debt and equity balance.

The Company takes part in operations which involves financial instruments, stated in statement of financial position, and intended to attend operative requirements and to reduce the exposure to risks of markets, currency and interest rate. The management of these risks, as well as their respective instruments, is performed through defined strategies, establishment of control systems and determination of exposure limits.

The Company is not subject to any externally imposed capital requirements.

The relation of net debt (loans, net of cash and cash equivalents) and the Company's equity is disclosed below:

	December 31, 2018	December 31, 2017
Debt ⁽¹⁾	922,886	526,568
Cash and cash equivalents	(154,090)	(98,154)
Net debt	768,796	428,414
Equity	258,144	258,445
Debt to equity ratio	2.98	1.66

(1) The debt is defined as current and non-current loans, as detailed in note 5.h).

7.2 - Financial instruments by category and fair value measurements

Company's Financial instruments were classified according to IFRS 7 in the following categories:

	December 31, 2018	December 31, 2017
Financial assets		
Amortized cost:		
Cash and cash equivalents	150,145	29,523
Loans and trade receivables	65,657	71,613
At fair value through profit or loss	15,293	108,771
Financial liabilities		
Amortized cost:		
Loans	922,886	526,568
Account payables and other liabilities	143,527	71,209

7.2.1 - Fair Value Measurements

This note provides information about how the Company determines fair values of various financial assets and financial liabilities.

7.2.1.1 - Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Company's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)
	December 31, 2018	December 31, 2017		
Financial assets				
Investments in financial assets:				
- Mutual funds	3,945	68,631	Level 1	Quoted bid prices in the markets where these financial instruments trade
Other receivables				
- Account for future investments	11,348	40,140	Level 2	(1)

(1) Correspond to funds deposited in the account for future investments with CAMMESA as detailed in Notes 5.d and 11.12, which are invested in mutual funds and bonds, which were valued using quoted bid prices in the markets where these financial instruments trade.

7.2.1.2 - Fair value of financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required)

Except as detailed in the following table, Management considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

	December 31, 2018		December 31, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets				
Held at amortized cost				
Loans and trade receivables	1,216	263	2,471	1,142
Financial liabilities				
Held at amortized cost				
Loans	922,886	872,365	526,568	541,405

	Fair value		Fair value hierarchy (1)
	December 31, 2018	December 31, 2017	
Financial assets			
Held at amortized cost			
Loans and trade receivables	263	1,142	Level 3
Financial liabilities			
Held at amortized cost			
Loans	872,365	541,405	Level 3

(1) The fair value of financial assets and liabilities included in the Level 2 and 3 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties and prices derived from quoted bid prices in the markets where these financial instruments trade.

7.3 - Risk Management

The Company's financial management coordinates access to domestic and international financial markets and monitors and manages associated financial risks. According to the nature, financial instruments may involve known or unknown risks, being important the better possible analysis of the potential of those risks. Among the major risks that could affect the business of the Company are: market risk (which includes foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk.

7.3.1 – Market risk

7.3.1.1 - Currency risk management

GENNEIA undertakes transactions denominated in currencies different to its functional currency, as described in Note 3.2 (“foreign currency”), consequently, exposures to exchange rate fluctuations arise. Since the functional currency of the Company is the U.S. Dollar, the Argentine peso is the currency which implies the largest exposure in terms of income impact.

The carrying amounts at each balance sheet date of financial assets and liabilities denominated in Argentine pesos are as follows:

	December 31, 2018	December 31, 2017
Assets	67,995	156,410
Liabilities	28,155	13,474
Net currency exposure	<u>39,840</u>	<u>142,936</u>

Foreign currencies sensitivity analysis

The following table details the sensitivity of GENNEIA to a devaluation of the Argentine peso in respect to its functional currency. Sensitivity analysis only includes outstanding foreign currency denominated monetary items and adjusts their conversion at the end of the period for a 10% variation in the exchange rate, before any tax effect.

	Profit (Loss) December 31, 2018
Effect for a 10% devaluation	<u>(3,984)</u>

In Management’s opinion, the sensitivity analysis is not representative of the inherent foreign exchange risk because the exposure at the end of the reporting period does not reflect the exposure during the period or year. Additionally, the Company’s Management considers that a substantial part of the assets recorded in foreign currency on the consolidated financial statements related with CAMMESA and ENARSA will not be exposed to the negative impact of the devaluation as the PPA signed include a provision for adjustment due to foreign exchange variations.

7.3.1.2 - Management of the interest rates risk

GENNEIA and its subsidiaries perform borrowing transactions at both fixed and variable interest rates. Risk is managed in the Company by maintaining an appropriate mix between fixed and variable rate borrowings. The Company does not use derivative financial instruments to cover risks on interest rates.

Changes in interest rates may affect income or expenses related to interest on financial assets and liabilities based on a floating rate; furthermore, they may modify the fair value of financial assets and liabilities that accrue a fixed interest rate.

At the end of each year, the Company's exposure to interest rates over financial assets and liabilities, net is as follows:

	Financial Assets - (Liabilities), net	
Features	December 31, 2018	December 31, 2017
Non-interest bear	86,352	137,153
Lease liabilities	(3,495)	(3,230)
Variable-rate financial instruments	(85,350)	(109,606)
Fixed-rate financial instruments	(832,825)	(421,186)
	<u>(835,318)</u>	<u>(387,869)</u>

The portion of variable interest rate debt is mainly subject to fluctuations of BADLAR rate.

Sensitivity analysis of the interest rates

The following sensitivity analysis has been prepared on basis of the exposure to the interest rates for financial instruments at the end of the year. For variable-rate liabilities, the analysis was prepared assuming that the outstanding balance at the end of the year was outstanding for the whole year. As of December 31, 2018, if BADLAR/LIBOR market interest rate for borrowings in Argentine pesos would have been 100 basis points higher than the real basis points of the Company, the net interest expense for the year ended December 31, 2018 would have increased by approximately 854.

7.3.1.3 - Management of price risk

The Company does not have a significant exposure to the price risk, mainly as a result of the PPA described in Note 1, whereby the prices are not materially affected by market price fluctuations in the short-term.

7.3.2 - Management of credit risk

Credit risk refers to the risk arising from the possibility that a financial institution receiving funds or financial investment or a counterparty in contracts default in its obligations resulting in losses to the Company. To mitigate these risks related to the transactions other than with the public sector, the Company adopted as practice, to only perform transactions with financial entities with good credit rating. Concerning counterparties in contracts, the Company evaluates its financial position, establishing credit limits and performs a constant follow-up of balances.

As regards to transactions with entities related to the public sector, the sale of energy produced by the Company is made, mainly, to companies dependent upon the financing of the public sector. Consequently, the financial results depend on public sector spending on energy, transportation and infrastructure facilities and on its ability to bid for and be awarded such contracts. In turn, public sector spending has depended, and is likely to continue depending, on the economic conditions of the country.

Government and public sector entities have considerable power to force renegotiation of contract terms with the other contracting parties. Forced renegotiation of contracts with public sector entities, and delay or default in payment by public sector agencies may have a substantial adverse effect not only on the Company's financial situation and results of operations, but also on its ability to repay its debts. Management periodically assesses the recoverability of receivables based on aging, payment capacity of the counterparty, nature of the client, guarantees received, its legal rights, among others, and forecasts the estimated recoverable value of such receivables.

Almost all of the sales from electric power generation from conventional and renewable sources are carried out with entities with government participation, or dependent on funds from the public sector. For the years ended December 31, 2018 and 2017, 92% and 93% of sales were made to CAMMESA and ENARSA, respectively.

As detailed in Notes 11.11 and 11.12 the Company has significant amounts of uncollected trade receivables for energy sold to the province of Chubut and in addition has amounts invested in the Account for future investments in relation with the energy supply agreements with CAMMESA.

Note 7.3.3 includes a breakdown of financial assets past due as of December 31, 2018.

7.3.3 - Management of liquidity risk

Liquidity risk is associated to a potential mismatch between cash requirements (related to operating and financial expenses, investments, debt maturities, and dividends) and the financing sources (net income, divestitures, and capacity for new financing).

The Company's Management has ultimate responsibility on management liquidity risk, having established an appropriate liquidity risk policy for the Company's management of short, medium and long term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. In this regard, the credit facilities offered to clients are assessed on an ongoing and consolidated basis; to the extent such facilities are offset against liabilities owed by the same client, considering similar amounts and terms, regardless of their respective aging. In connection with the payment compensation transactions of past due assets and liabilities with ENARSA, see Note 11.8.

The following table details the aging of the Company's financial assets and liabilities as of December 31, 2018.

	Past due	To be due						Without term
		Current				Non-current		
		0-3 months	3-6 months	6-9 months	9-12 months	1 a 5 years	+ de 5 years	
Investments	-	3,945	-	-	-	-	-	-
Trade receivables	17,498 ⁽¹⁾	39,622	-	-	-	-	-	-
Other receivables	38	43	43	43	15,461	3,061	884	312
Total assets	17,536	43,610	43	43	15,461	3,061	884	312
Accounts payable	45,700 ⁽¹⁾	73,182	10,054	-	-	-	-	-
Loans	-	70,218	8,685	6,334	6,558	689,686	141,405	-
Other Liabilities	458	56	-	-	6,498	6,627	-	952
Total liabilities	46,158	143,456	18,739	6,334	13,056	696,313	141,405	952

(1) Mainly corresponds to account receivables with CAMMESA, ENARSA and the General Direction of Public Services of the Province of Chubut for the activities of the Company and accounts payable with ENARSA for natural gas purchases for energy generation. See Note 11.8 and 11.11.

NOTE 8 - CAPITAL STOCK

On January 6, 2017, the General Extraordinary Shareholders Meeting approved a capital increase of the Company in the amount of 1,115, by issuing 8,586,708 common Class "A" shares and 8,586,708 common Class "B" shares, with a face value of AR\$ 1 per share and one voting right per share, with a share premium of 48,561.

On September 20, 2017, the General Extraordinary Shareholders Meeting approved a capital increase of the Company in the amount of 959, by issuing 8,586,708 common Class "A" shares and 8,586,708 common Class "B" shares, with a face value of AR\$ 1 per share and one voting right per share, with a share premium of 68,650.

On September 20, 2017, 6,133,363 common Class "A" shares and 6,133,363 common Class "B" shares were subscribed and paid in and on March 28, 2018 2,453,345 common Class "A" shares and 2,453,345 common Class "B" shares were subscribed and paid in.

On February 7, 2018, the Ordinary and Extraordinary General Shareholders' Meeting, among other matters, resolved (i) to request authorization from the National Securities Commission ("Comisión Nacional de Valores") for the Company's entry into the public share offering regime and (ii) an offer of stock options for a total of 858,671 shares (less than 1% of the total shares of the Company) to key management of the Company, subject to compliance with certain conditions to be set by the Board of Directors of the Company in exercise of the faculties delegated by the Shareholders.

On April 24, 2018, the Ordinary and Extraordinary General Shareholders' Meeting approved the proposal made by the Board of Directors to allocate the positive result for the year ended December 31, 2017, which amounted to AR\$ 640,993 as follows: AR\$ 157,196 thousands to the total absorption of accumulated losses at the beginning of the year 2017, AR\$ 18,630 thousands (USD 919 thousands) to integrate the legal reserve and AR\$ 465,167 thousands (USD 22,960 thousands) to the constitution of an optional reserve to face investments of the Company and its subsidiaries in power generation projects.

As of December 31, 2018, capital stock of GENNEIA amounts to 19,491 (AR\$ 103,040,496) and is composed of (a) 51,520,248 Class A common registrable shares of AR\$ 1 par value each, entitled to one vote per share; and (b) 51,520,248 Class B common registrable shares, of AR\$ 1 par value each, entitled to one vote per share. GENNEIA's capital stock is fully subscribed and paid in.

The capital increases approved during 2017 are pending of registration as of the date of issuance of these consolidated financial statements.

NOTA 9 - FINANCING

9.1. NEGOTIABLE OBLIGATIONS

9.1.1. Global Negotiable Obligation Program

The Company maintains in effect a Global Note Program for the issuance of Negotiable Obligations ("NO"), non-convertible into shares, at short, medium or long term, for a maximum amount of up to USD 800 million or equivalent amount in other currencies (the "Global Program"). The Program was approved by resolutions of the Extraordinary General Meeting of Shareholders of the Company on July 2, 2008, April 17, 2013 and May 31, 2016 and January 4, 2018 and by Resolutions of the Board of Directors of the Company. National Securities Commission (the "CNV") No. 15,987 dated September 25, 2008, No. 17,245 dated December 12, 2013 and No. 18,345 dated November 10, 2016 and Disposition of the Issuer Management of the CNV DI-2018-52-APN-GE # CNV dated October 26, 2018.

Below is a description of the main features of the issues outstanding as of December 31, 2018 in the framework of the Global Program:

	Series XVIII	International Notes (Series XX)	International Notes (Retap Series XX)	Series XXI
Issuance date	11/20/2015	01/20/2017	01/30/2018	11/23/2018
Nominal amount (USD)	USD 20,000,000	USD 350,000,000	USD 150,000,000	USD 51,503,944
Annual nominal interest rate	2%	8,75%	8,75%	12%
Use of proceeds	Partially finance the execution of project Wind Farm Madryn I.	Payment and/or prepayment of some Company's liabilities. Partially finance productive projects or infrastructure for electric power generation in Argentina	Partially finance productive projects or infrastructure for electric power generation in Argentina	Payment and/or prepayment of some Company's liabilities. Finance productive projects for electric power generation in Argentina
Maturity date	11/20/2020	01/20/2022	01/20/2022	11/23/2020
Additional Information	Unsecured	Unsecured	Unsecured	Unsecured

On January 20, 2017, the Company carried out its first debt issue in the international market under the Global Notes Program (International Notes) for a total amount of USD 350,000,000, without guarantee, with maturity in a single payment in 5 years term and interests at a rate equivalent to 8.75% per annum, payable semi-annually (Series XX). The proceeds from this issuance were used to cancel liabilities (mainly to the payment of NO II and III, the syndicated loan granted by the banks Banco Itaú S.A., Industrial and Commercial Bank of China (Argentina) S.A. and Banco Macro S.A., the two loans granted by Banco Hipotecario S.A., and the payment of NO XVII and XIX), for investments in expansion projects of the Company and working capital. As part of the terms of this issuance, the Company has entered into certain commitments including, but not limited to: a) the repurchase of securities in the event of a change of control of the Company, b) cross-default provisions for amounts greater than USD 20 million, c) compliance with certain financial ratios as a requirement for new indebtedness, and d) limitations on the payment of dividends in certain circumstances, the creation of liens on assets, revenues or obligations of the Company, the disposal of its assets, mergers and divisions, certain transactions with related parties and certain types of investments.

On January 30, 2018, the Company made a further issuance of Senior Notes due 2022 (the “International Notes”) for an amount of USD150,000,000. The Notes consolidate with, and form a single series with, the USD 350,000,000 principal amount of Series XX.” The Notes have become fully fungible with the Series XX initial notes and have the same terms and conditions (except for the date of issuance, the issue price and the initial interest payment date). The proceeds from this issuance were used to finance investments in expansion projects of the Company and working capital. The Issue Price was 109% plus accrued interest from January 20,2018, implying a yield to call of 5.967% anual. Gross Proceeds reached USD163,500,000.

On November 23, 2018, the Class XXI Negotiable Obligations were issued within the framework of the Global Program for USD 51,503,944, at an annual nominal fixed rate of 12%, whose interest will be payable quarterly. Class XXI expires 24 months after the date of issue. The funds from the Class XXI NO will be used to refinance short-term liabilities and finance the productive investment plan for the electric power generation process.

9.2. OTHER FINANCING ARRANGEMENTS

9.2.1. Simple Negotiable Obligations

On December 21, 2018, the Company issued Simple Negotiable Obligations, non-convertible into shares and unsecured, for a face value of US\$ 50,000,000 due on January 22, 2022, in compliance with the resolutions of the shareholders' meetings of October 9, 2018 and December 3, 2018. The Negotiable Obligations were placed privately and subscribed by certain shareholders of the Company. The notes include a retribution fee and have an initial coupon of 13% with annual step-ups, payable in kind (PIK) at the Company’s option. The destination of the funds of the issuance will be destined to productive investments of the Company and / or its subsidiaries and / or to the cancellation and / or pre-cancellation of the Company's short-term debt.

9.2.2. Banco Macro S.A.

On September 27, 2018, the Company obtained a line of credit granted by Banco Macro SA, for a maximum amount of principal of up to US \$ 20 million, which, as of the date, has been fully disbursed and whose expiration operates at 60 calendar days from September 27, 2018.

All outstanding principal and accrued interest were fully prepaid on December 31, 2018.

9.2.3. Banco Provincia S.A. loan

On August 10, 2017 Genneia entered into a Loan Agreement for the amount of 4,000 with Banco Provincia for working capital expenditures. The principal owed under this loan was paid in a single payment on February 6, 2018. The interest rate on the financing is equivalent to 1.9% per annum, payable at maturity. The loan has been granted to the Company without guarantees.

On July 19, 2018 Genneia entered into a Loan Agreement in the amount of 5,500 with Banco Provincia S.A. for working capital and/or refinancing of liabilities. The principal owed under this loan was paid in a single payment on January 19, 2019. The interest rate on the financing is equivalent to 5.5% payable monthly.

On November 2, 2018 Genneia entered into a Loan Agreement in the amount of 4,350 with Banco Provincia S.A. for working capital and/or refinancing of liabilities. The principal owed under this loan must be paid in a single payment on April 1, 2019. The interest rate on the financing is equivalent to 5.5% payable monthly.

9.2.4. Banco Ciudad loan

On December 7, 2016, the Company entered into a Loan Agreement in the amount of 10,000 with Banco Ciudad, for working capital and/or refinancing of liabilities. The principal owed under this loan must be paid in 10 consecutive quarterly installments as from the ninth month, with the final payment being on December 7, 2019. The interest rate on the financing is equivalent to Libor +6%, payable quarterly.

On September 25, 2017 Genneia entered into a Loan Agreement for the amount of 6,000 with Banco Ciudad for working capital expenditures. The principal owed under this loan was paid in a single payment on March 25, 2018. The interest rate on the financing is equivalent to 4.5% per annum, payable at maturity. The loan has been granted to the Company without guarantees.

On July 5, 2018 Genneia entered into a Loan Agreement for the amount of 5,850 with Banco Ciudad for working capital and/or refinancing of liabilities. The principal owed under this loan was paid in a single payment on October 2, 2018. The interest rate on the financing was equivalent to 6% per annum, payable at maturity.

On October 5, 2018 Genneia entered into a Loan Agreement for the amount of 5,500 with Banco Ciudad for working capital and/or refinancing of liabilities. The principal owed under this loan will be paid in a single payment on April 3, 2019. The interest rate on the financing is equivalent to 8% per annum, payable at maturity.

9.2.5. Banco Itau S.A. loan

On August 2, 2018 Genneia entered into a Loan Agreement in the amount of 7,000 with Banco Itau S.A. for working capital and/or refinancing of liabilities, with maturity in a single payment on January 30, 2019 and interest rate equivalent to 5.75% per annum, payable at maturity. On December 2018, an addenda was signed and the new interest rate is equivalent to 7.5% per annum.

On August 22, 2018 Genneia entered into a Loan Agreement in the amount of 10,000 with Banco Itau S.A. for working capital and/or refinancing of liabilities, with maturity in a single payment on March 3, 2019 and interest rate equivalent to 5.85% per annum, payable at maturity. On December 2018, an addenda was signed and the new interest rate is equivalent to 8.25% per annum.

9.2.6. Industrial and Comercial Bank of China loan

On December 21, 2018 Genneia entered into a Loan Agreement in the amount of 10,000 with the Industrial and Comercial Bank of China (Argentina) for working capital and/or refinancing of liabilities, with maturity in a single payment on March 21, 2019 and interest rate equivalent to 6.85% per annum, payable at maturity.

9.2.7. Banco Chubut S.A. loan

On December 12, 2018 Genneia entered into a Loan Agreement in the amount of 10,000 with Banco Chubut S.A. for working capital and/or refinancing of liabilities, with maturity in a single payment on June 18, 2019 and interest rate equivalent to 8.5% per annum, payable monthly.

9.2.8. Banco de Servicios y Transacciones S.A. loan

On September 20, 2018 Genneia entered into a Loan Agreement in the amount of 2,000 with Banco de Servicios y Transacciones S.A. for working capital and/or refinancing of liabilities, with maturity in a single payment on December 19, 2018 and interest rate equivalent to 7.5% per annum, payable at maturity.

9.2.9. Banco Hipotecario S.A. loan

On September 14, 2018 Genneia entered into a Loan Agreement in the amount of 10,000 with Banco Hipotecario S.A. for working capital and/or refinancing of liabilities, was paid in a single payment on December 13, 2018 and interest rate equivalent to 13.5% per annum, payable monthly.

9.2.10. GETSA / GDSA Credit Facility

On November 22, 2017, GETSA/GDSA entered into a Credit Facility Agreement for an amount 45,000 with Industrial and Commercial Bank of China (Argentina) S.A. Dubai Branch ("ICBC Dubai"), Banco Itaú Unibanco S.A. Nassau Branch ("Itau Nassau"), Banco Hipotecario S.A. ("BH") and BACS Banco de Crédito y Securitización S.A. ("BACS"), to finance the acquisition of GETSA. The principal outstanding amount is payable in 12 quarterly and consecutive installments. The first one due on February 22, 2018 and the last one, on February 22, 2020. The financing interest rate is equivalent to Libor rate plus 5.5%, to be paid quarterly. The loan has been granted to GETSA/GDSA without guarantees.

9.2.11. Financial Trust Loma Blanca Serie I

In order to obtain the necessary financing for Loma Blanca wind farm project, on December 2011 ICERSA decided:

- (i) the issuance of negotiable bonds (hereinafter "NB"), which have been fully subscribed by Isolux Corsán Argentina S.A. and Isolux Ingeniería S.A. (hereinafter "The trustors");
- (ii) the creation of the financial trust "Loma Blanca Serie I" (hereinafter "The trust"); and the fiduciary securities issuance (VRDs) amounting to 103,000, by public offering. The trust assets correspond to the NB, assigned by the trustors.

The detail of the VRDs is as follows:

- (a) Class A Debt Securities for a nominal value in Pesos equivalent to 29,890 ("VDRA") ; and
- (b) Class B Debt Securities for a nominal value of 73,110. ("VDRB")

At December 31, 2018 and 2017, VRDA are fully paid off. The VRDB, accrues interest at a nominal reference rate (30-day LIBOR) plus margin the nominal 8% per year. The VDRB and their interests are payable monthly. The final due date for payments is December 31, 2026.

On December 22, 2011, Parque Eólico Loma Blanca IV, S.A. and the Trustors have signed an underwriting contract with Banco de la Nación Argentina, where the bank accepts the conditions established therein, to subscribe and integrate the VRDB that are not subscribed by third parties at the end of the Subscription Period, up to a nominal value equivalent to 73,110.

As a consequence of the shareholders' change, the new shareholders of the Company, assumed the contractual position of the sellers under the Pledge of Shares Agreement and article 11 (ix) of the Trust Agreement in order to implement the change of shareholder, replacing Grupo Isolux Corsan S.A. by Sideli S.A., and then Genneia S.A.

As of December 31, 2018, the liability related to VRDB amounts to 49,145, being 16,071 classified as current and 33,074 as non-current.

9.3. PROJECT FINANCE NON RECOURSE

9.3.1. Financing of the Pomona Project

On June 8, 2018, Genneia Vientos del Sudoeste S.A. ("GVSO"), a subsidiary totally controlled by the Company, entered into financing agreements for the Pomona I wind farm. This financing agreement comprises up to USD 142 million that will be used for the construction and start-up costs of the project.

The financing agreements include a 16-year guaranteed non-recourse loan granted by Kreditanstalt Für Wiederaufbau, KfW Ipx-Bank GmbH (KfW) and a 15-year non-guaranteed and non-recourse loan granted by DEG - Deutsche Investitionsk - Und Entwicklungsgesellschaft MbH (DEG). The KfW loan is guaranteed by the Export Credit Agency of Germany Euler Hermes through a comprehensive commercial and political credit insurance agreement for export.

On August 31, 2018, all of the preceding conditions for disbursement established in the financing agreements were satisfactorily fulfilled. As of that date, the disbursements of funds have been received according to financial documentation.

The financing agreements contain clauses that limit the ability of GVSO to pay dividends and provide for the granting of various guarantees in favor of the creditors, among which are the transfer of the real rights of usufruct over the buildings of the Project, direct, fiduciary or guarantee transfers, total or partial, of certain rights of GVSO, including the collection rights under the Renewable Electricity Supply Contract entered into with CAMMESA, insurance and other documents related to the Farm; pledge on shares representing 100% of the capital stock of GVSO, all features of traditional Project Finance Non Recourse.

9.3.2. Financing of the Villalonga and Chubut Norte Projects

On June 19, 2018, Genneia Vientos Argentinos S.A. ("GVA") and Genneia Vientos del Sur S.A. ("GVS"), subsidiaries wholly owned by the Company, entered into financing agreements for the Villalonga and Chubut Norte I wind farms. Through these financing agreements, GVA and GVS entered into financing agreements for up to USD 130.7 million that will be used for the construction and start-up costs of said projects.

The financing agreements include Guaranteed Tranches and Uncovered Tranches. A first Tranche is granted directly by the Export Credit Agency of Denmark (EKF), and second Tranche is lent by Sumitomo Mitsui Banking Corporation (SMBC). The Tranche granted by SMBC is guaranteed by EKF through a comprehensive political and commercial export credit guarantee agreement.

Additionally, the financing includes two uncovered tranches. A 15-year uncovered and non-recourse loan granted by the Andean Development Corporation (CAF) and a 15-year uncovered and non-recourse loan granted by Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden NV (FMO). Disbursement funds are subject to the satisfaction of certain precedent conditions agreed upon.

On October 26, all the conditions precedent to disbursement established in the financing agreements were met. As of that date, the disbursements of funds have been received according to financial documentation. First Disbursement includes the reimbursement of certain advances to the projects funded by Genneia S.A..

The financing agreements contain clauses that limit the ability of GVA and GVS to pay dividends and provide for the granting of various guarantees in favor of the creditors, among which are mortgages on the buildings of the Projects, direct assignments, fiduciary or in guarantee, total or partial, of certain rights of GVA and GVS, including the collection rights under the Renewable Electricity Supply Contracts entered into with CAMMESA, insurance and other documents related to the Farms; pledge on shares representing 100% of the capital stock of GVA and GVS, guarantees on bank accounts and pledge on the main assets of the Project.

As of the date of these financial statements, the contracts related to the abovementioned guarantees were celebrated.

9.4. CONTRACTUAL LIMITATIONS ON DIVIDEND PAYMENTS

Some of the projects in our portfolio are subject to project financings that contain certain financial covenants and distribution tests, including debt service coverage ratios. In general, these project financings contain covenants customary for these types of financings, including limitations on investments and restricted payments. Each of these projects is permitted to pay distributions out of available cash once certain conditions are satisfied, including that reserves are funded with cash or credit support, no default or event of default under the applicable financings has occurred and is continuing at the time of such distribution or would result therefrom, and each project is otherwise in compliance with the project financing's covenants and the applicable minimum debt service coverage ratio is satisfied. Finally, under the Shareholders' Agreement, approval to distribute dividends to the shareholders requires a vote of a qualified majority of the Company's capital stock.

NOTE 10 - KEY MANAGEMENT COMPENSATION

For the years ended December 31, 2018 and 2017, directors' fees and key management's compensations were stated as "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income. Fees and compensation for directors and key executives of the Company for the years ended December 31, 2018 and 2017 amounted to 1,789 and 1,975, respectively, being them short-term benefits and the only benefits granted to directors and key management.

On February 7, 2018, the General Extraordinary Shareholders' Meeting approved the possibility of issuing a total of 858,671 shares (less than 1% of the total shares of the Company) to the key management and other senior management of the Company, subject to the fulfillment of certain conditions.

The Company has no long-term employees' benefits, nor share-based payments.

NOTE 11 - PRINCIPAL CONTINGENCIES, CLAIMS, AND CONTINGENT ASSETS

11.1 Turnover tax claim regarding Gasoducto Patagónico

The Tax Agency of the Province of Chubut (Dirección General de Rentas, “DGR”) made a turnover tax adjustment in connection with certain revenues accrued by the Company related to the construction of the Gasoducto Patagónico, plus applicable interest. The principal amount and penalty claimed amount to approximately ARS 5.3 million plus interest. After several objections filed by the Company that were dismissed by the administrative and judicial authorities, the DGR filed a claim for collection (apremio) of the tax plus interest and penalty, in a total amount of ARS 18.4 million plus court costs. Notice of the claim for collection was served on the Company, and the Company filed various defenses requesting its dismissal. The court hearing the case dismissed the claim for collection in 2016, and on that same year, the DGR filed a new claim for collection in which the Company filed the defenses of expiration of the statute of limitations term and unconstitutionality. In the docket of the claim for collection, the Company spontaneously filed a bond for the total amount plus 20% as interest and court costs (amounting to ARS 18.4 million) in replacement of a temporary attachment for an identical amount ordered by the court. Based on its external counsel’s opinion, the Company estimates that there are high chances that the claim for collection be dismissed again on the grounds of constructive abandonment or the court allowing the statute of limitations defense.

The Company has recognized no provision related to this claim as of December 31, 2018.

11.2 Administrative claims filed by DGR Chubut for payment of turnover tax on power generation

11.2.1 In November 2016, the DGR filed an administrative claim against the Company for payment of turnover tax in connection with its business as power generator for the following fiscal periods (i) 3 and 4 of 2011, (ii) 3, 5 to 12 of 2012; (iii) 1 to 12 of 2013; (iv) 1 to 12 of 2014; (v) 1 to 12 of 2015; and (vi) 1 to 9 of 2016 for the sum of \$ 35.7 million as principal and \$ 14.6 million as liquidated interest as of November 29, 2016, and the Company filed its defenses in due course. The subject matter of the claim is that the DGR objects to the exemption applied by the Company based on the fiscal stability regulations applicable to renewable energy generation works and activities in the Province of Chubut and Law No. 15,336 on protection of electricity infrastructure works and free circulation of electric power.

In January 2017, the Company was served notice of the commencement of an administrative investigation by the DGR for alleged violation of the provisions of Section 43 of the Tax Code. In February 2017, the Company filed its defense, and as of the date hereof, no resolution has been adopted in such regard.

11.2.2 In September 2017, the DGR filed an administrative claim against the Company for payment of turnover tax in connection with its business as thermal power generator for fiscal periods 10 2016 to 5 of 2017 for the sum of \$ 5.4 million as principal and \$ 500,000 as liquidated interest as of July 19, 2017, and the Company filed its defenses in due course. The subject matter of the claim is that the DGR objects to the exemption applied by the Company based on Law No. 15,336 on protection of electricity infrastructure works and free circulation of electric power.

11.2.3 In December 2017, the DGR filed an administrative claim against the Company for payment of turnover tax in connection with its business as thermal power generator for fiscal periods 6 to 10 of 2017 for the sum of \$ 8 million as principal and \$ 800,000 as liquidated interest as of December 29, 2017, and the Company filed its defenses in due course. The subject matter of the claim is that the DGR objects to the exemption applied by the Company based on Law No. 15,336 on protection of electricity infrastructure works and free circulation of electric power. In May 2018, the Company was served notice of the commencement of an administrative investigation by the DGR for alleged violation of the provisions of Section 43 of the Tax Code. In May 2018, the Company filed its defense, and as of the date hereof, no resolution has been adopted in such regard.

Based on its external counsel’s opinion, the Company estimates that if these claims were finally settled in court, there are high chances that the DGR’s claims be dismissed.

The Company has recognized no provision related to this claim as of December 31, 2018.

11.3 Administrative claim filed by ARBA for payment of turnover tax on power generation

By Resolution 892/2017, ARBA started sua sponte a proceeding for assessment of alleged turnover tax differences outstanding payment by the Company in connection with its business as thermal power generator with respect to advance payments 1 to 12 of 2011 for an amount of \$ 2 million as principal, and the Company filed its defenses in due course. The subject matter of the claim is that ARBA argues that the Company should not have applied a zero tax rate on the “Conventional thermal power generation” business during the fiscal period under review. In November 2017, ARBA served notice of its sua sponte assessment resolution whereby: (i) it assessed the Company’s tax liability for turnover tax for fiscal period 2011 in a total amount of \$ 3.5 million; (ii) it determined that the outstanding differences amounted to \$ 2 million plus interest; and (iii) it imposed a default penalty equal to 20% of the unpaid tax. In January 2018, the Company filed an appeal with the Tax Court of Appeals of the Province of Buenos Aires.

Based on its external counsel’s opinion, the Company considers that there are high chances that ARBA’s claim be dismissed in court.

The Company has recognized no provision related to this claim as of December 31, 2018.

11.4 Claim filed by the Federal Revenue Authority (“AFIP”)

On February 6, 2014, the AFIP determined that the Company had failed to apply the 21% differential tax rate on social security contributions related to its conventional electric power generation business for the periods 05/2010 to 12/2010, as it understood that such business qualifies as a service subject to such 21% tax rate rather than as an industrial business subject to a 17% tax rate, as applied by the Company. The principal amount claimed is \$ 433,000, plus a penalty of \$ 293,000 plus interest.

On April 16, 2014, GENNEIA filed an appeal with the Federal Social Security Court of Appeals challenging the debt and the imposition of the penalty as confirmed by AFIP. On November 19, 2014, the AFIP gave notice to GENNEIA that the appeal lodged with the Federal Social Security Court of Appeals had been denied, and on December 12, 2014 a complaint (recurso de queja) was filed against such denial before the Federal Social Security Court of Appeals. On June 21, 2017, the Company was given notice that the Federal Social Security Court of Appeals had allowed the complaint and had ordered AFIP to refer the administrative case record.

Based on its external counsel’s opinion, the Company considers that there are sound arguments in support of the treatment given by it to its social security contributions and thus to revert AFIP’s determination through the above mentioned appeal.

The Company has recognized no provision related to this claim as of December 31, 2018.

11.5 Proceedings with the Secretary of Industry

On February 25, 2014, the Company was notified of Resolution No. 23 (the “Resolution”) issued on February 14, 2014 by the Argentine Secretary of Industry and Services (the “Secretary of Industry”). This Resolution (i) declared that the Company, as a contractor of ENARSA, had breached the so called “buy Argentine work” legal regime (régimen de compra trabajo argentino) (the “Buy Argentine Work Legal Regime”) by acquiring a power transformer for its Bragado power plant from a foreign company; (ii) determined that such acquisition was null and void; and (iii) established to serve notice to the Secretary of Territorial Planning and Public Works Coordination (the “Secretary of Planning,” which at the date of such notice was named Ministry of Federal Planning, Public Investments and Services) for it to impose additional sanctions. In June 2014, it filed a complaint with the National First Instance Court in Administrative Contentious Matters No. 5 claiming that the Resolution be annulled. As of the date of these financial statements, the case is at the discovery stage.

The Company is also party to another proceeding with the Secretary of Industry in connection with alleged infringements of the Buy Argentine Work Legal Regime. As of the date of these individual financial statements, the Secretary of Industry has not issued a decision with respect to this proceeding.

The Buy Argentine Work Legal Regime provides that, in case of breach thereunder, among other actions, the relevant Ministry shall temporarily prevent the breaching company for a certain period of time (three to 10 years) from being awarded with future agreements, concessions, permits or licenses by the Argentine Government, its agencies, decentralized entities and state enterprises.

In connection with the proceedings with the Argentine Secretary of Industry described above, on July 4, 2014, the Company requested from the Secretary of Planning suspension of Resolution No. 23 and any administrative proceedings aimed to penalize us on the same grounds as Resolution No. 23, until the federal court provides a final judgment. As of the date of these financial statements, the Secretary of Planning has not issued a decision with respect to our petition.

Based on its external counsel's opinion, the Company believes that (i) it has reasonable legal and factual grounds to obtain the judicial annulment of Resolution No. 23 or other resolutions declaring us in violation of the Buy Argentine Work Legal Regime and reject a disqualification penalty, if any, that may be imposed by the Secretary of Planning; and (ii) an adverse result in the proceedings would not impact our existing PPAs or the PPAs that we expect to enter into in connection with our expansion projects.

The Company has recognized no provision related to this claim as of December 31, 2018.

11.6 Administrative claim by the Municipality of Paraná (Entre Ríos) regarding payment of the Rate on Sanitary Inspection, Health, Prophylaxis and Safety (Tasa por Inspección Sanitaria, Higiene, Profilaxis y Seguridad, "TISeH")

On December 29, 2014, the Company was served notice of a sua sponte assessment proceeding whereby the taxable bases reported by the Company for settling the TISeH were adjusted and the criterion used by the Company was objected to. The Company had been calculating the taxable base considering the direct revenues from the sale of energy generated by the Paraná Thermal Plant without including in such base the revenues from capacity made available or applying the provisions of the Multilateral Agreement. Due to such adjustment, the Company has been claimed payment of approximately \$ 3.2 million as principal and \$ 5.4 million as interest as of December 31, 2018. On January 20, 2015, the Company filed its defenses against the adjustment notified to it.

In connection with this claim, on April 6, 2015, the Company filed a declaratory action for unconstitutionality, including a request for injunction seeking to suspend the administrative proceedings, with the Federal Courts of Paraná, aimed at avoiding the previous payment in the administrative proceedings and open an independent legal action challenging the legality of the required tax. The first and second instance Federal Courts ruled that they lacked jurisdiction over the matter, against which the Company filed a new declaratory action for unconstitutionality on June 30, 2017, based on several grounds and for different periods. The Federal Court again ruled that it lacked jurisdiction over the matter, against which the Company filed a new appeal, and the Federal Court of Appeals of Paraná ratified the former decisions. Therefore, the Company filed a federal extraordinary appeal against such decision with the Argentine Supreme Court.

Although there are low chances of succeeding in the administrative action, considering that the claim is being heard by the Federal Justice, the Company and its external counsel understand that the Company's global defense strategy has reasonable chances of avoiding payment of the sums claimed and having the tax claimed dismissed by the courts.

The Company has recognized no provision related to this claim as of December 31, 2018.

11.7 Declaratory actions for certainty against the Argentine Government-AFIP-DGI

11.7.1 In April 2014, the Company filed a declaratory action for certainty against the Argentine Government-AFIP-DGI with the Federal Administrative Contentious Court No. 2 of the City of Buenos Aires, seeking that the court declare the application on the Company of the Minimum Presumed Income Tax (Impuesto a la Ganancia Mínima Presunta, "IGMP") for fiscal periods 2013, 2014 and 2015 unconstitutional until the Company finally offsets its tax losses.

The complaint was answered by the AFIP in due course, the discovery stage was concluded. On February 21, 2019 the court rendered a judgment rejecting the Company's action. On February 27, 2019 the Company filed an Appeal against such judgement.

11.7.2 In November 2018, the Company filed a declaratory action for certainty against the Argentine Government-AFIP-DGI with the Federal First Instance Civil and Commercial and Administrative Contentious Court No. 1 of San Martín, seeking that the court declare the application on the Company of the IGMP for fiscal periods 2016 and 2017 unconstitutional until the Company finally offsets its tax losses. As of the date of these financial statements, notice of process by the court is pending.

11.7.3 In November 2018, Parque Eólico Loma Blanca IV S.A. ("PELBIV"), a subsidiary of the Company, filed a declaratory action for certainty against the Argentine Government-AFIP-DGI with the National Federal Administrative Contentious Court No. 4, seeking that the court declare the application on PELBIV of the IGMP for fiscal period 2017 unconstitutional in light of PELBIV's financial condition. As of the date of these financial statements, notice of process by the court is pending.

Based on the Company's external counsel, the Company believes that there are sound arguments in support of the declarations of unconstitutionality requested and to expect a ruling favorable to its interests.

The Company has recognized no provision related to this claim as of December 31, 2018.

11.8 Situation with ENARSA

ENARSA receivables and payables

Since 2011, the Company and ENERSUD started to accumulate debts vis-à-vis ENARSA for purchases of natural gas, as a result of the extensive delay by the Argentine Government in implementing the process for replacing the power supply agreements with ENARSA under the Energía Distribuida Program with new agreements with CAMMESA under Resolution SE 220/07, which delay had a materially adverse financial impact on the Company. On the other hand, several balances receivable from ENARSA started to accrue for generation invoices and unrecorded accrued amounts for exchange rate differences between the invoicing date and the date of effective payment. After such replacement procedure started to be implemented in December 2012, in various opportunities the Company attempted to reach a mutual settlement with ENARSA regarding the mutual accounts referred to above. Such efforts proved to be unsuccessful, and between December 10 and 16, 2015, the Company made the following payments to ENARSA:

- (i) Invoices issued by ENARSA to ENERSUD under certain natural gas purchase agreements signed between them for an equivalent amount of USD 21,373,852;
- (ii) Invoices issued by ENARSA to the Company for an equivalent amount of USD 14,043,922 under certain natural gas purchase agreements entered into between them; and
- (iii) Invoices for ARS 1,693,231 and ARS 675,535 issued by ENARSA to the Company and ENERSUD, respectively, for the Trust Fund art. 75 of Law N° 25,565.

Simultaneously with such payments, the Company gave notice to ENARSA that the balance of other invoices issued by ENARSA to the Company for an amount equivalent to USD 38,205,515 under the above mentioned natural gas sale agreements was deemed discharged due to the satisfaction of the requirements for legally offsetting them against liabilities due and payable by ENARSA to the Company as outstanding balances of certain invoices and differences from exchange rate fluctuations accrued under electric power supply agreements executed between the Company and ENARSA, to the extent of an amount equivalent to USD 38,205,515 as stated above, from each moment as of which the liabilities of both parties subject to legal set-off coexisted.

In a notice sent by ENARSA to the Company on October 11, 2017, ENARSA continued to claim a liability for the sale of natural gas, thus impliedly ignoring the set-off established by the Company, and invited the Company to settle accounts.

Based on its external counsel's opinion, the Company considers that the set-off made by it is legal and that it has sound legal and factual bases to revoke any potential claim by ENARSA challenging the discharge of the mutual liabilities, including any potential claim for interest in connection with ENARSA's invoices.

The Company has recognized no provision related to this claim as of December 31, 2018.

Claim for PUI and GUI

On the other hand, by demand letters received in November 2015, ENARSA demanded payment by the Company and its subsidiary ENERSUD of invoices for natural gas sold by ENARSA as "Ultimate Supplier" (Proveedor de Ultima Instancia "PUI") and "Ultimate Gas" (Gas de Ultima Instancia, "GUI") pursuant to the provisions of Note ENARGAS GT/GD/GDyE/GAL/I No. 10414 dated September 7, 2011, Note SE No. 6177/2011, Note S.E. No. 8183/2013 and Notes ENARGAS GT/GD/GDyE/GAL/I No. D 3976/2013 and 4624/2013, for an aggregate amount claimed to the Company of USD 14,836,446, and an aggregate amount invoiced to ENERSUD of USD 1,870,747. Genneia and ENERSUD have objected to those invoices and the related collection rights, as Genneia and ENERSUD believe, among other arguments in support of their objection, that equitable treatment should be applied to the invoicing and payment of the invoiced natural gas and the regulated price of natural gas for generation, as the volumes so invoiced are used for consumption by GENNEIA's thermal plants located in the districts of Río Mayo and Gobernador Costa (Province of Chubut) and Las Armas, Pinamar and Bragado (Province of Buenos Aires).

Based on its external counsel's opinion, the Company considers that it has sound legal and factual arguments to revoke any potential claim by ENARSA regarding the invoices issued for GUI and PUI prices plus applicable interest, in excess of a price which, although still undetermined, should be determined in court based on the regulated price for generation (USD MMBTU 2.68).

The Company has recognized a provision related to this claim as of December 31, 2018.

11.9 Situation with CAMMESA

Under the WEM Agreements executed under Resolution SE No. 220/2007 (Concepción del Uruguay, Concepción del Uruguay II, Las Armas, Las Armas II, Matheu, Olavarría, Paraná and Pinamar plants), CAMMESA has been paying the invoices issued by the Company only in part, as it did not include in such payments the sums arising from the difference between the exchange rate as of the settlement date and that as of the date of effective payment. In the opportunities that CAMMESA has recognized exchange rate differences, it has done so between the settlement date and a date unilaterally determined by it to be the “maturity” date, which in CAMMESA’s opinion (not shared by the Company), would be 41 days after the settlement date.

In 2014, Genneia filed a first claim with CAMMESA demanding to it the exchange rate differences accrued with respect to all the referred plants between December 2012 and November 2013, for a claimed amount of USD 6,291,144. CAMMESA rejected Genneia’s claim and forwarded it to the Secretary for resolution. As of the date of these financial statements, the Secretary has not rendered a decision in this regard.

The Company filed a second claim against CAMMESA on February 3, 2016, extending its first claim for adjustment and payment of exchange rate differences under the WEM Supply Agreements, as follows:

(i) on the one hand, in connection with the transactions made between the months of April 2014 and September 2015, for an aggregate amount (net of exchange rate differences settled by CAMMESA and credited against the total amount accrued) of USD 4,898,826 during the referred period; and

(ii) on the other hand, in connection with the economic transactions for October 2015, as exchange rate differences for an additional approximate amount of USD 1,710,000.

In September 2018, the Company requested that the Secretary of Energy adopt an expedited resolution in respect of CAMMESA’s claim. As of the date of these financial statements, the Secretary of Energy has not resolved the claim yet.

The Company will recognize such amounts and other amounts accrued subsequently for the same reason when there is substantial certainty that it will receive the referred disbursements from CAMMESA.

The Company has recognized no provision related to this claim as of December 31, 2018.

11.10 Bragado II Penalty

The Bragado II power plant achieved commercial operation in February 2017. CAMMESA alleged a delay incurred by the Company in achieving the commercial authorization agreed in the PPA and consequently imposed a contractual fine and issued a AR\$37 million invoice. On March 20, 2017, the Company challenged the fine and rejected the invoice. On May 23, 2017, CAMMESA rejected the grounds for such challenge and invited the Company to initiate an arbitration process. As of the date hereof, CAMMESA has not initiated such proceeding.

In September 2018 CAMMESA rejected the impugnement of the fine based on a resolution issued by the Secretary of Energy. On December 19, 2018 Genneia filed an Appeal for Reconsideration and an Appeal before the higher administrative authority (Jerárquico) -in the alternative- from the resolution issued by the Secretary of Energy. As of the date of these financial statements the Secretariat of Energy has not issued a resolution. In November 2018 CAMMESA started deducing the fine from the monthly billing Genneia’s, in 48 equal dues in Dollars, with a 1.7% annual interest rate over the balance. The total amount of the fine is approximately USD 2.3 million.

Based on our external legal advisors’ opinion, the Company believes that the fine imposed by CAMMESA is groundless and should not be applied against the Company, for which reason there are conclusive arguments leading the Company to expect a favorable outcome in its favor in view of a potential legal action. Notwithstanding the foregoing, given that the fine is being currently deducted from monthly collections, the Company made a provision for its current estimated amount.

11.11 Province of Chubut

On June 12, 2007 Genneia entered into the “Agreement for installation, operation and maintenance of equipment for thermal power generation in Río Mayo and Gobernador Costa” with the Province of Chubut. Following construction of the power plants, on a partial basis as from 2011 and wholly after August 2013, the Province ceased to pay the invoices issued for the energy supplied and the power made available to both power plants. Genneia made several demands for payment before the General Office of Utilities (Dirección General de Servicios Públicos, “DGSP”).

Additionally, on July 10, 2014 Genneia filed a first claim for redress before the Secretary of Infrastructure of the Province, which is a mandatory prerequisite that must be complied with prior to initiating legal proceedings for collection. In addition to the unpaid invoices, a demand was made for urgent payment of amounts essential to keep the plants running. On December 30, 2014 an amended claim was filed, including subsequent overdue amounts. In turn, formal demands for payment were submitted on April 28, 2014, September 24, 2014, May 20, 2015, June 29, 2015 and February 8, 2017.

Due to non-payment of overdue amounts, on August 22, 2017, the Company notified the Province that it had terminated the contract for reasons solely attributable to the Province of Chubut, and that that it would continue operating such plants until the Province took possession of the assets comprising them within the contract term of no more than 12 months set forth in the Agreement for such purposes, without prejudice to the Company's right to claim and demand collection of amounts due against the Company, on the same payment terms established in the Agreement. Such termination was decided by the Company after giving the Province several opportunities to cure the extended breach and, therefore, providing the Province, to the extent possible, with a chance to preserve an Agreement in which the public interest was concerned.

On November 7, 2017, the Company filed a complaint against the Province of Chubut before the Superior Court of Justice (Superior Tribunal de Justicia) of the Province in relation to certain unpaid invoices due as of November 30, 2014 for an aggregate amount of AR\$ 76.8 million plus interest accrued from the due date of each invoice at the interest rate charged by Banco de la Nación Argentina for commercial paper discount transactions (AR\$ 18.1 million). The complaint encompasses certain unpaid invoices from July 2011 to July 2013, together with all overdue invoices from August 2013 to November 2014. The proceedings have not been set for the production of evidence yet. On December 29, 2017, the Company filed an administrative claim with regard to the remaining unpaid invoices under the PPA and with respect to a fine owed to the Company under the PPA for early termination. The Company has a right to initiate further proceedings with respect to such fine due under the PPA.

On March 6, 2018, the Province of Chubut passed Provincial Law No. VII-82 on emergency and consolidation of the entire provincial debt enforceable prior to February 28, 2018, which was published in the Official Gazette of the Province of Chubut on March 9, 2018. Pursuant to such law, for the Company to be able to collect the amounts owed by the Province under the PPA, it was required to file a proof of claim before the Provincial Ministry of Economy and Public Credit in accordance with a procedure governed by Resolution No. 102/18 issued by such ministry and published on July 26, 2018 in the Official Gazette of the Province. Pursuant to the emergency law, the consolidated balances as of February 28, 2018 will be discharged by delivery of Peso-denominated government notes (TICADEP, Series II), payable in 4 biannual and equal installments subject to a one-year grace period, with interest accrued at the BADLAR rate and payable on a quarterly basis. Provincial Law No. VII-82 establishes that as a condition to collection thereof the legal proceedings should be abandoned and the right to the claims for which a proof of claim was filed and/or any other claim against the Province should be waived. The Company filed a proof of claim against the Province of Chubut in due course (except for the fine due to the Company under the PPA for early termination of the agreement attributable to the Province) in the total amount of \$ 503,867,025. As of the date of these financial statements, the Provincial Ministry of Economy and Public Credit has not rendered any opinion or decision on the proof of claim filed by the Company.

On October 24, 2018, the Company and the Province of Chubut executed an agreement whereby the Parties agreed to the following without any acknowledgement of facts or rights in relation to the amounts enforceable under the PPA until February 28, 2018 or in relation to the fine due under the PPA: (i) a prompt payment scheme for the amounts owed by the Province under the Agreement and enforceable as from March 1, 2018 until the date of delivery of the Power Plants to the Province; (ii) consummation of return of the Power Plants and transfer of personnel assigned to such plants to the Province of Chubut on February 28, 2019 subject to compliance by the Province with the payment scheme as agreed upon; and (iii) negotiation of the amount and form of payment by the Province of Chubut of the fine for termination set forth in the PPA.

On February 22 2019, the Company was notified of Resolution 02/2019 issued by Ente Regulador de Servicios Públicos del Chubut, by means of which such regulatory body suspended the consummation of the return of the Power Plants for a term of 60 days. As of the date of this financial statements the Company is analyzing the strategy to consummate the return of the Power Plants to the Province of Chubut.

Based on the Company's external counsel, the Company believes that it has strong arguments for a ruling favorable to its interests if it initiates a judicial claim. The total claimable amount of this receivable as of December 31, 2018, and 2017 nominated in Argentine pesos, is 18,866 (8,247 corresponds to interests) and 26,513 (9,083 corresponds to interests), respectively.

11.12 Framework Agreement between the Secretary of Energy and GENNEIA. Investment Fund

On April 18, 2012 the Company entered into a framework agreement with the Secretary of Energy for renewal of the agreements in relation to Energía Distribuida I and Energía Distribuida II whereby it agreed to execute the project for installation of one or more thermal power plants for Generation of Electric Power at 200 MW in the aggregate within 7 years (the “Framework Agreement”). In such regard, GENNEIA agreed to create an “Investment Fund” to guarantee and contribute a portion of the funding required for the new Power Plants. The fund will be monthly funded as from October 1, 2012 from a monthly and incremental deduction scheme out of payments from CAMMESA to GENNEIA under each WEM supply agreement referred to above (“CARFON”).

On November 9, 2015, the Company and the Secretary of Energy entered into an addendum to the “Framework Agreement,” so that the Company’s commitment referred to above may be honored by means of installation of new thermal plants or, in the alternative (in whole or in part), by means of installation of one or more wind power plants, for which purposes the Company may use the amounts accumulated in the “Investment Fund” created under the Framework Agreement.

On November 7, 2016, the Company filed a formal appeal for reconsideration before the Ministry of Energy requesting it to review the resolution issued by the Secretary of Energy which rejected the Company’s petition to release certain funds accumulated in the CARFON fund to be used in the project for expansion of the Bragado II Thermal Power Plant. Pursuant to such appeal, the Company requested that such funds be released for payments related to the Bragado II Thermal Power Plant or, instead, for the Company’s wind power projects. On December 21, 2016, the Company received a request for submission of additional documents from the Secretary of Energy in relation to the project for expansion of the Bragado II Thermal Power Plant. On January 3, 2017, the Company filed a letter in compliance with such request. As of the date hereof, the Secretary of Energy has not issued any decision in such respect.

On July 19, 2017, the Company supplemented the filing made in January 2017 and requested the Ministry of Energy to release the funds accumulated in the CARFON fund for payments related the Rawson III wind farm.

On August 9, 2018, the Company entered into an addendum to the Framework Agreement (the “Addendum”) with the Under-Secretary of Electric Energy, the terms and conditions of which are as follows: (I) funds accumulated in the CARFON under the Framework Agreement until the date the Addendum is executed shall be used: (i) first for reimbursements of the investments made by the Company for construction of the Rawson III Wind Farm which shall be duly evidenced to CAMMESA and (ii) second, for disbursements made by the Company for development of new renewable power plants for the “MATER” (Renewable Source Electric Power Term Market Regime): Villalonga II, Pomona II, Chubut Norte II Wind Farms and/or any other project for generation of electric power to be sold on the “MATER” or the “Spot” Market (the “New Power Plants for the MATER”); and (II) upon attainment of commercial operation at 200 MW within the period of time agreed upon, the CARFON will be closed on the earlier of (i) the expiration date in June 2021 of the effective term of the WEM supply agreement executed under the Framework Agreement in relation to Bragado I, or (ii) such earlier date on which the Company may provide evidence, and obtain approval from CAMMESA, that the investments made in the Rawson III Wind Farm and the New Power Plants for the MATER reached an amount equivalent to the maximum amount of funds that may be withheld in the CARFON. On September 26, 2018, October 25, 2018 and November 26, 2018, the Company received three reimbursements of funds withheld in the CARFON in the approximate amount of US\$ 24 million, US\$ 8.1 million and US\$ 6.5 million, respectively. In addition, on January 2, 2019 the Company received a new reimbursement for US\$ 2.1 million. On January 10, 2019, the Company gave notice to CAMMESA of achievement of commercial operation of the new power plants for 200 MW as undertaken under the Framework Agreement

NOTE 12 - NEW PROJECTS

Wind projects Puerto Madryn

With regard to the PPAs relative to the projects of Wind Farms PEM I (50 MW), PEM II (50 MW), PEM Norte (50 MW), PEM Sur (50 MW) and PEM Oeste (20 MW) (jointly “the PEM Projects”) and their respective supporting PPA entered into between ENARSA and CAMMESA, which were awarded to the subsidiaries Genneia Desarrollos S.A. (“GEDSA”) and Patagonia Wind Energy S.A. (“PWE” and, together with GEDSA, the “Subsidiaries”), on October 29, 2015, ENARSA sent the proposed addenda to PPAs to the Subsidiaries and the Company (the “Offers”), which were accepted by them on November 5, 2015. Upon acceptance, ENARSA notified the Secretariat to secure the relevant authorization and to have the Secretariat order CAMMESA to sign together with ENARSA an addendum to the respective above mentioned PPAs entered into between ENARSA and CAMMESA. On December 1, 2015, ENARSA notified GENNEIA of the ruling issued by the Secretariat on November 25, 2015 ordering CAMMESA to sign the respective addendas to the PPAs entered into between ENARSA and CAMMESA.

The Offers mainly established the following: (i) a reduction in the price originally agreed upon in the PPAs to a new average price of approximately 110 USD/MWh; (II) the Company’s commitment to raise the total original amount of all the performance bonds under the PPAs (surety bonds) to a new total amount equal to approximately 54,300 (surety bonds which have already been issued and submitted to ENARSA within the term provided for in the Offers), and to furnish ENARSA with evidence on compliance with the capitalization commitment assumed by the Company for an amount of 50,000; and (III) new work schedules for the PEM Projects in the form of a program that will help secure the commercial authorization for such projects in stages; such a program will weigh the time spans required for the necessary works to be developed by the Company within an estimated period of 28 months for the installation of a new 500-kV connection substation and other related changes required in the connection node of Puerto Madryn.

In addition, the Subsidiaries requested ENARSA to authorize the transfer of PPAs to the Company. On December 19, 2015, ENARSA was formally notified with respect to the capitalization commitment assumed in the PPAs.

On September 28, 2016, the Ministry of Energy issued Resolution No. 202-E/2016 (the “Resolution 202”), through which, among other measures: (i) repealed Resolutions SE 712/2009 and 108/2011; and (ii) provided for the terms and conditions under which the owners of renewable projects with PPAs executed with ENARSA under Resolution SE 712/2009, in respect of which the addenda of the PPAs were not yet been subscribed, such as the PEM I, PEM II, PEM North, PEM South and PEM West wind farms, may execute new PPAs with CAMMESA whenever they required their connection to the NIS to carry out 500 kV transmission works and that they had not yet started.

Resolution 202 established a period of 45 working days for the signing of the new PPAs with CAMMESA. This term was extended by Resolution No. 301-E/2016 and subsequently by Resolution No. 40-E/2017 until March 31, 2017.

On October 31, 2016, the Company requested the Ministry of Energy to readjust the GENREN PPAs entered into by its Subsidiaries for new PPAs to be entered into by the Company with CAMMESA, in accordance with Resolution 202, under The following conditions: (i) the Company will commit 220 MW of capacity in two stages: a first stage of 70 MW with a transitory connection in 132 kV and a definitive one in 500 kV, with a maximum period of commercial operation of 24 months from the signature of the PPA, and a second stage of 150 MW with a connection in 500 kV, with a maximum period of commercial operation of 30 months from the signing of the PPA; (Ii) shall have a twenty years term from the date on which CAMMESA grants the respective commercial operation; (Iii) the Company will be entitled to receive (a) a payment for energy actually dispatched for USD 72.33 per MWh, (b) an additional amount to be determined by the Ministry of Energy and Mining as an additional charge for the execution of the works of expansion of the transport capacity in the node Puerto Madryn for the connection of the projects at 500kV and 600 MVA, and (iii) an additional annual adjustment foreseen in the model of PPA as a percentage of the price for energy actually dispatched.

On May 31, 2017 GEDSA and ENARSA terminated the PPAs entered into in connection with the PEM Projects, and the Company entered into two 20-year U.S. dollar-denominated PPAs with CAMMESA in May 2017 with respect to the entire installed capacity of the Madryn wind farm based on the relevant form of PPA included in Resolution No. 202-E/2016 and 168-E/2017, respectively. The PPAs will expire 20 years after the date in which CAMMESA granted the commercial authorization to operate the project in the WEM (commercial operation date). The main terms and conditions are as follows: (i) the Company has the obligation to build, operate and maintain the wind farm subject to such agreements and sell the

electricity to CAMMESA (acting in representation of the WEM agents); (ii) the Company committed 220 MW of power capacity; (iii) the Company will be entitled to receive a payment for electricity effectively dispatched of USD 76.23 per MWh, and an additional annual adjustment set forth in the PPAs as a percentage of the price for electricity effectively dispatched; (iv) amounts payable to the Company under the PPAs will be denominated in U.S. dollars and payable in pesos at the prevailing exchange rate of the immediately preceding business day of the payment date; and (v) CAMMESA's obligations under the PPAs will be guaranteed by the FODER in which the Argentine government is the trustor.

As required by Resolution 202, the Company provided CAMMESA with performance bonds for a total amount of USD55 million for the Company's Madryn wind farm project.

Wind project Pomona

On November 25, 2016, the Ministry of Energy issued Resolution No. 281 awarding the Company the right to develop the Pomona wind farm project of 100MW, located in the Province of Rio Negro. The Company expects this project to reach commercial operation in September 2019. As required by Resolution No. 252 issued by the Ministry of Energy, Genneia Vientos del Sudoeste S.A. ("Genneia Vientos del Sudoeste") provided performance bonds to CAMMESA for a total amount of USD 25 million to guarantee the obligations that will assume under the PPA.

On May 26, 2017, Genneia Vientos del Sudoeste S.A entered into a 20-year U.S. dollar denominated PPA with CAMMESA for the entire installed capacity of the Pomona wind farm based on the relevant form of PPA included in Resolution No. 252. The PPA will expire 20 years after the date in which CAMMESA granted the commercial authorization to operate the project in the WEM (commercial operation date). The main terms and conditions are as follows: (i) Genneia Vientos del Sudoeste has the obligation to build, operate and maintain the wind farm subject to such agreements and sell the electricity to CAMMESA (acting in representation of the WEM agents); (ii) Genneia Vientos del Sudoeste committed 100 MW of power capacity; (iii) Genneia Vientos del Sudoeste will be entitled to receive a payment for electricity effectively dispatched of USD 54.88 per MWh, and an additional annual adjustment set forth in the PPAs as a percentage of the price for electricity effectively dispatched; (iv) amounts payable to Genneia Vientos del Sudoeste under the PPAs will be denominated in U.S. dollars and payable in pesos at the prevailing exchange rate of the immediately preceding business day of the payment date; and (v) CAMMESA's obligations under the PPAs will be guaranteed by the FODER in which the Argentine government is the trustor.

As required in the bidding process and the PPA, as Financial Strategic Partner, Genneia shall keep, directly or indirectly, the ownership of at least twenty-five per cent (25 %) of Genneia Vientos del Sudoeste S.A.'s share capital with right to vote until the commercial operation date.

On September 26, 2017 Genneia Vientos del Sudoeste S.A., Nordex Energy GmbH and Nordex Windpower S.A., signed the respective agreements for the provision and installation under a "Full EPC" scheme, and for maintenance and guarantee of availability of wind turbines for this project.

Wind project Vientos de Necochea

On November 21, 2016, the Company entered into an agreement with Centrales de la Costa Atlántica S.A. ("Centrales de la Costa") to jointly develop and finance the Vientos de Necochea 1 wind farm project of 37.95 MW (the "Necochea Joint Venture Agreement"), subject to the award of the Vientos de Necochea 1 wind farm project to Centrales de la Costa. On November 25, 2016, the Ministry of Energy issued Resolution No. 281 awarding Centrales de la Costa the right to develop the Vientos de Necochea 1 wind farm project. The Company expects this project to reach commercial operation in December 2019. As required by Resolution No. 281 issued by the Ministry of Energy, Vientos de Necochea S.A. ("Vientos de Necochea") provided performance bonds to CAMMESA for a total amount of USD 9.5 million to guarantee the obligations to be assumed under the PPA.

On November 21, 2017, Vientos de Necochea S.A entered into a 20-year U.S. dollar denominated PPA with CAMMESA for the entire installed capacity of the Vientos de Necochea 1 wind farm based on the relevant form of PPA included in Resolution No. 252. The PPA will expire 20 years after the date in which CAMMESA granted the commercial authorization to operate the project in the WEM (commercial operation date). The main terms and conditions are as follows: (i) Vientos de Necochea has the obligation to build, operate and maintain the wind farm subject to such agreements and sell the electricity to CAMMESA (acting in representation of the WEM agents); (ii) Vientos de Necochea committed 37.95 MW of power

capacity; (iii) Vientos de Necochea will be entitled to receive a payment for electricity effectively dispatched of USD 55.5 per MWh, and an additional annual adjustment set forth in the PPAs as a percentage of the price for electricity effectively dispatched; (iv) amounts payable to Vientos de Necochea under the PPAs will be denominated in U.S. dollars and payable in pesos at the prevailing exchange rate of the immediately preceding business day of the payment date; and (v) CAMMESA's obligations under the PPAs will be guaranteed by the FODER in which the Argentine government is the trustor.

As required in the bidding process and the PPA, as Financial Strategic Partner, Centrales de la Costa shall keep, directly or indirectly, the ownership of at least twenty-five per cent (25 %) of Vientos de Necochea S.A.'s share capital with right to vote until the commercial operation date.

On May 2018, Vientos de Necochea S.A. celebrated (i) an agreement with Vestas Mediterranean S.A. and Vestas Argentinas S.A. for the provision and installation under a "Full EPC" scheme Vientos de Necochea 1 wind farm, including all the required works in relation to the design, engineering, supply of wind turbines, construction (civil and electrical works), commissioning, testing, start-up and completion of said park; and (ii) an agreement for the provision of maintenance and guarantee of availability of wind turbines for this project

As of the date of these financial statements, the Management of Vientos de Necochea S.A. is actively negotiating an amendment to the construction agreement of the wind farm, so that Vestas Mediterranean S.A. and Vestas Argentinas S.A. immediately resume the execution of the works under that agreement, which are temporarily suspended. As the new terms and conditions are not yet defined, it is not possible to estimate the accounting impacts.

Wind Project Chubut Norte III y IV

On November 30, 2017, the Ministry of Energy issued Resolution No. 473 granting the Company the right to develop the Chubut Norte III and IV wind farm project of 57.60 MW and 82.80 MW respectively, located in the Province of Chubut.

On June 26, 2018 the respective PPAs (Power Purchase Agreement) for 20 years denominated in US dollars with CAMMESA were signed for the entire installed capacity of the Chubut Norte III and Chubut Norte IV wind farms, and we expect that this project will reach its operations commercial in March 2020. As required by Resolution No. 281 issued by the Ministry of Energy, Vientos Sudamericanos S.A. and Vientos Patagónicos S.A., provided performance bonds to CAMMESA for a total amount of USD 20.7 million and USD 14.4 million to guarantee the obligations to be assumed under the PPA, respectively.

Biomass Project La Florida

On December 19, 2017, the Ministry of Energy issued Resolution No. 488-E / 2017 granting the Company the right to develop La Florida Biomass Project.

On June 26, 2018, the respective 20-year Power Purchase Agreement (PPA) denominated in US dollars with CAMMESA was signed for the total installed capacity of La Florida Biomass Plant and we expect this project to reach its commercial operations in January 2021.

The project will be located within the land of Ingenio La Florida, owned by Compañía Azucarera Los Balcanes S.A., in the community of La Florida, department of Cruz Alta, province of Tucumán. Compañía Azucarera Los Balcanes S.A. granted Genneia La Florida S.A. an exclusive and irrevocable usufruct right of 30 years of approximately 3 hectares. The plant will use the direct combustion of industrial type steam boilers, which will be specifically designed and manufactured to burn the biomass fuel resulting from the manufacture of ethanol and sugar cane. The project is expected to have an estimated capacity of 19 MW net. We celebrated a 20-year supply contract with Compañía Azucarera Los Balcanes S.A. for the acquisition of all the biomass required for the projected energy production.

Thermal Power Bragado II y III

Under the framework of the bid process to install new thermal generation units called by Resolution N° 21/2016 of the Secretary of Electric Energy, the Company has been awarded two new projects to expand the generation capacity at the Bragado thermal power plant already existing (Bragado Thermal Power plant II and III). Each one of such projects will add a nominal capacity of 59.4 MW on average, totaling 118 MW on average once the expansions are in operation. The Company

signed two 10-year U.S. dollar-denominated PPAs with CAMMESA for the entire additional installed capacity. These PPAs will expire after ten years as of the commercial authorization is issued by CAMMESA.

The most salient terms of these PPAs are the following: (i) the Company has the obligation to make available to CAMMESA up to 60.40 MW of power capacity from May to October of each year and 58 MW of power capacity from November to April of each year and deliver the electricity produced by the Company's generation units pursuant to the requests of CAMMESA, (ii) in both PPAs the Company has the obligation to satisfy a guaranteed fuel consumption of 2,500.00 Kcal/KWh for the generation units, (iii) in both PPAs the Company has the obligation to hold enough natural gas and gas oil consumption capacity, capacity to access to the electricity transmission system and fuel storage capacity, (iv) the Company is entitled to receive firm capacity rates of USD25,000 per MW-Month for making the Company's generation assets available to the NIS, with respect to Bragado II, and USD19,000 per MW-Month, with respect to Bragado III, (v) under the Company's PPAs, CAMMESA is not obliged to provide the Company with natural gas or diesel fuel, but has the option to do so or reimburse the Company for the cost of diesel fuel and natural gas actually used, provided that the amount of fuel used matches the specific fuel consumption guaranteed by us. Nonetheless, pursuant to Resolutions No. 95/2013 and 529/2014 issued by the Secretary of Energy, CAMMESA is in charge of managing and supplying all fuel required to fire the Company's thermal plants; and (vi) amounts payable to the Company under these PPAs are denominated in U.S. dollars and payable in pesos at the wholesale reference exchange rate (tipo de cambio de referencia mayorista) quoted by the Central Bank pursuant to Communication "A" 3,500.

The Bragado II power plant achieved commercial operation in February 2017. CAMMESA alleged a delay by the Company in achieving the commercial authorization agreed in the PPA and consequently applied a contractual fine and issue a AR\$ 37,000,000 invoice. On March 20 2017, the Company impugned the fine and rejected the invoice. On May 23 2017, CAMMESA rejected the grounds for such challenge and invited the Company to initiate an arbitration process. As of the date hereof CAMMESA has not initiated such process. See Note 11.10 for more detail on the fine.

The Bragado III obtained commercial authorization to operate as from May 5, 2017, in advance of the term established in the agreement.

Contracts with Vestas

On May 23, 2017, the Company and its subsidiaries Genneia Vientos Argentinos S.A. And Genneia Vientos del Sur S.A. Entered into respective contracts with Vestas Mediterranean A / S and Vestas Argentina S.A. For the provision and installation, maintenance and guarantee of availability of wind turbines for the wind farms Madryn I, Madryn II, Villalonga and Chubut Norte. Also, the unified contract of maintenance services of guarantee of availability of wind turbines corresponding to the PER I, II and III wind farms was signed.

Connection works in 500 kV in the Puerto Madryn Transformer Station

On September 15, 2017, Parque Eólico Loma Blanca I S.A., Parque Eólico Loma Blanca II S.A. and Parque Eólico Loma Blanca III S.A. (together, "Loma Blanca") and the Company, entered into an associative agreement in order to regulate in detail the terms and conditions for the financing and joint execution of the expansion works in the Puerto Madryn Transformation Station, owned by Transener, which are required for the connection to the SADI in 500Kv of the wind farms PEM I, PEM II, Loma Blanca I, Loma Blanca II and Loma Blanca III (the "Connection Works in 500 kV").

Also, on that date the Company, Loma Blanca and Siemens S.A. concluded an agreement so that Siemens S.A. carry out the engineering, supply, construction and commissioning under the modality "turnkey" of the Connection Works in 500 Kv.

Performance bonds

In accordance with the terms of the PPAs, the Company and its subsidiaries are required to contract and maintain performance bonds, consisting in insurance policies contracted with insurance companies, to guarantee compliance with their obligations under the PPAs throughout their term.

As of December 31, 2018, the Company maintains performance bonds contracted with insurance companies for an aggregate coverage amount of approximately USD 239 million.

NOTE 13 - CONSOLIDATED BUSINESS SEGMENT INFORMATION

The different segments in which the Company is organized have in consideration the different activities from which the Company obtains income and incurs expenses. The mentioned organizational structure is based on the way in which the highest authority in the decision-making process analyzes the main financial and operating magnitudes on the basis of internal reports regarding components of the Company while making decisions about resource allocation and performance assessment considering the Company's business strategy.

The Company develops its activities in three business segments: (i) electrical power generation from conventional sources; (ii) electrical power generation from renewable sources; (iii) trading on its own, on behalf of third parties or associated with third parties, of natural gas and/or its transportation capacity and of electric power, through the Company and its subsidiary ENERSUD. Costs and assets related to corporate administration and other income (expenses) are allocated into the segment "Corporate and others".

All the sales and the non-current assets of the Company are generated and are located in Argentina.

Below is disclosed the information for each business segment as defined by the Company:

	Electrical power generation from conventional sources	Electrical Power generation from renewable sources	Trading of natural gas and gas transportation	Corporate and others	Consolidation adjustments	Total
Year ended December 31, 2018						
Net sales to third parties	126,939	69,560	5,090	802	-	202,391
Net inter-segment sales	-	-	-	-	-	-
Net sales	126,939	69,560	5,090	802	-	202,391
Net profit (loss) before financial expense, net and income tax ⁽²⁾	65,005	37,216	3,166	(26,584) ⁽¹⁾	-	78,803
Fixed and concessioned assets depreciation and intangible assets amortization	41,109	16,300	121	1,338	-	58,868
Impairment loss on intangible assets and goodwill	-	8,303	-	-	-	8,303
Fixed and concessioned assets investments ⁽⁴⁾	2,236	446,248 ⁽³⁾	-	737	-	449,221
Assets	326,429	917,412	6,709	276,383	(107,168)	1,419,765
Year ended December 31, 2017						
Net sales to third parties	111,622	40,106	4,653	424	-	156,805
Net inter-segment sales	-	-	-	-	-	-
Net sales	111,622	40,106	4,653	424	-	156,805
Net profit (loss) before financial expense, net and income tax ⁽²⁾	53,894	28,334	3,330	(18,140) ⁽¹⁾	-	67,418
Fixed and concessioned assets depreciation and amortization	37,722	8,821	195	1,084	-	47,822
Fixed and concessioned assets investments ⁽⁴⁾	28,820 ⁽⁵⁾	61,075 ⁽⁵⁾	-	688	-	90,583
Assets ⁽³⁾	419,411	420,963	5,862	152,137	(64,682)	933,691

(1) Includes (4,633) and (4,527) of other expenses, net for the year ended December 31, 2018 and 2017, respectively.

(2) Financial expense, net and income tax are allocated to the corporate and others segment. Loss on long term investments has been allocated to Electrical Power generation from renewable sources.

(3) Does not include fixed asset that were incorporated from the acquisition of the Ullum Companies (Note 14.1)

(4) In addition, the company has made advanced payments to fixed assets suppliers for an amount of 119,534 and 89,939 for the year ended December 31, 2018 and 2017, respectively, included in other non-current receivables.

(5) Does not include fixed assets that were incorporated from the acquisition of Generadora Eléctrica de Tucumán S.A. and Isolux Corsán Energías Renovables S.A. (Notes 14.2 and 14.3).

NOTE 14 – BUSINESS COMBINATION

14.1 Business combination - acquisition of Ullum I Solar S.A., Ullum II Solar S.A. y Ullum III Solar S.A.

On April 9, 2018, the Company accepted the sale offer made by 360 Energy S.A. and Energías Sustentables S.A., as sellers, of the shares representing 100% of the share capital and votes of the Ullum I Solar S.A., Ullum II Solar S.A. and Ullum III Solar S.A. ("The Ullum Companies").

The main characteristics of the transaction are described below:

Name and description of the acquired entity:	Ullum I Solar S.A., Ullum II Solar S.A. and Ullum III Solar S.A. are companies whose main purpose and activity are the generation of energy from renewable sources and commercialization of renewable energy (photovoltaic solar energy projects located in the Province of San Juan) and its commercialization.
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The Ullum Companies are the owners of three solar plant projects located in the Province of San Juan, Argentina with a combined installed capacity of 82 MW. The Ullum Companies have PPAs signed with CAMMESA for 20 years denominated in Dollars, awarded under round 1 of the RENOVAR tender. The projects are in the initial stage of their construction.

On December 19, 2018, with the authorization of CAMMESA, the Ullum I Solar Photovoltaic Plant and the Ullum II Solar Photovoltaic Plant entered into commercial operation.

On December 22, 2018, with the authorization of CAMMESA, the Ullum III Solar Photovoltaic Plant entered into commercial operation.

The acquisition date, the percentage acquired and primary reasons for the acquisition:	The Company made the effective payment of the price corresponding to the 75% of the share capital of the Ullum Companies on April 9, 2018 (the acquisition date). While on July 31, 2018 the company has made the effective payment of the remaining 25% of the capital stock of Ullum Companies.
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The reason for the acquisition is linked to the Company's strong investment plan in energy generation assets.

The acquisition-date fair value of the total consideration transferred and the acquisition-date fair value of each main assets:	The price of the transaction for the acquisition of 100% of the shares mentioned above, including all items, amounts to approximately ARS 157.2 million (USD 7.8 million). The consideration transferred at the date of this financial statements, net of cash and equivalents at the date of acquisition amounts to ARS 30,195,000 (approximately USD 1,496,283). The acquisition of the shares was stipulated in two stages, transferring 75% of the shares in the first closing together with the payment of USD 1,125,000, and the remaining 25% with the payment of USD 375,000 to the second consummated closure on July 31, 2018. Additionally, a complementary contingent price of USD 6,290,000 is established at the time of commercial authorization, subject to compliance with certain conditions. As of the date of issuance of these consolidated financial statements, the payments corresponding to the contingent additional price have not yet been made.
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Furthermore, in addition to both the price and complementary contingent price, the company undertook to pay the seller the amount corresponding to the valued added tax balances for an amount of ARS 7.831.075 (USD 388.061).

The following table summarizes allocation of the purchase price:

	Ullum I Solar S.A.	Ullum II Solar S.A.	Ullum III Solar S.A.	Total
Current and Non Current Assets				
Cash and equivalents	1	1	1	3
Other receivables	582	410	352	1,344
Fixed assets	535	523	11	1,069
Intangible assets	1,649	1,636	2,507	5,792
Current and Non Current Liabilities				
Accounts payable	462	291	340	1,093
Deferred income tax liability	412	409	627	1,448
Net identifiable assets	1,893	1,870	1,904	5,667

Based on what is mentioned in note 2.5, as of December 31, 2018, the Company has made a provisional determination of the measurements of identifiable assets and liabilities at the date of acquisition.

In relation with these acquisitions, the Company recognized intangible assets for an amount of 5,792, corresponding to the estimated fair value allocated at the acquisition date to the Power Purchase Agreements (“PPA”) with CAMMESA.

The Company has made a preliminary determination of the measurements of identifiable assets and liabilities at the date of acquisition, and accordingly allocating the difference between the cost of the acquisition corresponding to the value agreed for the purchase of the company and the amount of net identifiable assets (including the intangible assets mentioned above) at the date of acquisition to a goodwill calculated in such way, for a value of USD 2,5 million.

Goodwill arose in the acquisition because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development of the Companies. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The goodwill arising on the acquisition is not deductible for tax purposes.

Income and expenses
from ordinary activities
of the Companies since
the acquisition date
included in the financial
statements of the
Company for the year
ended December 31,
2018:

	Ullum I Solar S.A.	Ullum II Solar S.A.	Ullum III Solar S.A.	Total
Net sales	129	134	146	409
Cost of sales	(65)	(65)	(80)	(210)
Selling expenses	(1)	-	-	(1)
Administrative expenses	(172)	(171)	(172)	(515)
Financial income (expense), net	(1,423)	(1,008)	(313)	(2,744)
Other income (expenses), net	(105)	(151)	(210)	(466)
Income tax	435	272	202	909
Net loss for the period	(1,202)	(989)	(427)	(2,618)

Additional information

Had this business combination been effected at January 1, 2018, the revenues and net loss of the Company would have been 409 and 2,689, respectively.

14.2 Business combination - acquisition of Generadora Eléctrica de Tucumán S.A.

On August 11, 2017 the Company, through its subsidiary Genneia Desarrollos S.A. ("GEDSA"), acquired the shares representing 100% of the capital stock of Generadora Eléctrica de Tucumán S.A. ("GETSA"), from Pluspetrol Resources Corporation B.V. and Pluspetrol Resources Corporation as sellers.

On November 16, 2017, GETSA and GEDSA, as borrowers, entered into a USD 45 million credit facility agreement with Itaú Unibanco S.A. Nassau Branch, Industrial and Commercial Bank of China Limited, Dubai (DIFC) Branch, Banco Hipotecario S.A. and Banco de Crédito y Securitización S.A., as lenders (Note 9.2.10).

On December 2, 2017, according to local regulations GEDSA and GETSA entered into a Definitive Merger Agreement, by means of which GEDSA absorbed GETSA (is dissolved without being liquidated). The effective date of the merger was set forth on September 1, 2017.

GETSA is the owner of the El Bracho Thermal Power Plant, located 30 kilometers south of San Miguel de Tucumán, which has an installed capacity of 245 MW, (two General Electric 9171 E units of 122.5 MW each), fueled by natural gas and connected to an electrical substation of 132 Kv.

The main characteristics of the transaction, as well as information to enable users of the financial statements to assess the nature and financial effects of the business combination resulting from the aforementioned operation, as IFRS requires are described below.

Name and description of the acquired entity:	Generadora Eléctrica de Tucumán S.A. is a company whose corporate purpose and activity is the generation and commercialization of energy through two thermal power stations located in the province of Tucumán.
The acquisition date, the percentage acquired and primary reasons for the acquisition:	The Company has fulfilled with the obligations arising from the purchase agreement, which corresponded to the payment of the balance of the purchase price, on August 11, 2017 and undertook to pay the sellers the amount corresponding to certain credits with CAMMESA in the case that the Company could receive the effective collection of them. As a result of the transaction, the Company indirectly controls, through GDSA, 100% of GETSA. The reason for the operation is linked to the strong plan of investment in energy generation assets of the Company.
The acquisition-date fair value of the total consideration transferred and the acquisition-date fair value of each main assets:	The transaction price for the acquisition of 100% of the aforementioned shares amounted to US\$ 69.1 million plus the commitment to pay sellers the amount corresponding to certain credits with CAMMESA in the event that the Company could receive the cash collection of them, whose book value at the date of acquisition amounted to approximately AR\$ 35.1 million (approximately US\$ 2 million), plus the corresponding interests that could be received in relation to them. The consideration transferred at the date of acquisition, net of the cash and equivalents at the date of acquisition amounts to US\$ 65.6 million.

The following table summarizes allocation of the purchase price:

Current and Non Current Assets	
Cash and equivalents	3,506
Trade receivables	6,700
Other receivables	374
Inventories	1,632
Fixed assets	68,715
Current and Non Current Liabilities	
Accounts payable	853
Salaries and social security payable	156
Taxes payable	26,366
Total assets, net	53,552

The Company has made a determination of the measurements of identifiable assets and liabilities at the date of acquisition, and accordingly allocating the difference between the cost of the acquisition corresponding to the value agreed for the purchase of the company and the amount of net identifiable assets at the date of acquisition to a goodwill calculated in such way, for a value of US\$ 17.6 million.

Goodwill arose in the acquisition of GETSA because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of GETSA. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The goodwill arising on the acquisition is not deductible for tax purposes.

Income and expenses from ordinary activities of GETSA were incorporated into Genneia Desarrollos S.A. as a result of the merger with such company as of September 1, 2017, as mentioned in this note.

Income and expenses from ordinary activities of the Companies since the acquisition date included in the financial statements of the Company for the year ended December 31, 2017:	Net sales	6,292
	Cost of sales	(4,016)
	Gross profit	2,276
	Other operating costs	(19)
	Other income (expenses), net	(41)
	Financial income (expense), net	(1,077)
	Income tax	6,845
	Net profit for the period	7,984

14.3 Acquisition of Isolux Corsán Energías Renovables S.A. ("ICERSA", now Parque Eólico Loma Blanca IV S.A.)

On August 29, 2017, the Company entered into a stock purchase agreement with SIDELI S.A. with respect to 100% of the capital stock of Isolux Corsán Energías Renovables S.A. ("ICERSA"). The effective transfer of shares and payment of the purchase took place on November 29, 2017.

ICERSA is the owner of the 51 MW Loma Blanca IV Wind Farm located in Puerto Madryn, Province of Chubut.

The ICERSA's shareholding's meeting performed on November 30, 2017 approved the modification of the current company name from Isolux Corsán Energías Renovables S.A. to Parque Eólico Loma Blanca IV S.A. This process is pending of registration on the IGJ.

The main characteristics of the transaction are described below:

Name and description of the acquired entity: Isolux Corsán Energías Renovables S.A. is a company whose corporate purpose and activity is the construction, operation and maintenance of a Wind Farm for the generation of wind power.

The acquisition date, the percentage acquired and primary reasons for the acquisition: The Company has complied with the obligations arising from the stock purchase agreement, including the payment of the purchase price, on November 29, 2017. As a result of consummation of the transaction, the Company directly owns 100% of the shares of ICERSA.

The acquisition-date fair value of the total consideration transferred and the acquisition-date fair value of each main assets: The transaction price for the acquisition of 100% of the aforementioned shares amounted to US\$ 40 million plus the commitment to cancel the mutual contract between ICERSA and the seller at that date of US\$ 1,9 million. Genneia assumed the debt related to that contract. The consideration transferred at the date of acquisition, net of the cash and equivalents at the date of acquisition amounts to US\$ 39,7 million.

Additionally, the acquired company has a balance of financial loans at the date of acquisition of approximately US\$ 59.7 million.

The following table summarizes allocation of the purchase price:

Current and Non Current Assets	
Cash and equivalents	286
Trade receivables	3,437
Other receivables	7,202
Intangible Assets	31,904
Fixed assets	77,210
Current and Non Current Liabilities	
Accounts payable	570
Salaries and social security payable	9
Loans	59,710
Taxes payable	17,874
Total assets, net	41,876

In relation with the acquisition of ICERSA, the Company recognized and intangible assets for an amount of 31,904, corresponding to the estimated fair value allocated at the acquisition date to the Power Purchase Agreements ("PPA") with ENARSA and CAMMESA executed by ICERSA in December 2010 as detailed in Note 1.

Income and expenses from ordinary activities of the Companies since the acquisition date included in the financial statements of the Company for the year ended December 31, 2017:	Net sales	2,037
	Cost of sales	(730)
	Gross profit	1,307
	Other operating costs	(122)
	Other income (expenses), net	(5)
	Financial income (expense), net	(798)
	Income tax	4,750
	Net profit for the period	5,132

Additional information

Had the business combinations of GETSA and ICERSA been effected at January 1, 2017, the revenues and net profit of the Company for the year ended December 31, 2017 would have been 188,717 and 40,976, respectively.

NOTE 15 - IMPAIRMENT LOSSES RECOGNISED IN THE YEAR

During the year, the Company carried out a review of the recoverable amount of the Goodwill and Intangible Assets related to Ullum 1, Ullum 2 and Ullum 3 acquisitions ("Ullum projects"). The review led to the recognition of a net impairment loss of 6.855 (net of deferred income tax for an amount of 1,448), which has been recognized in profit or loss statement. As of December 31, 2018, those assets have been impaired in full and they belong to the Company's "electrical power generation from renewable sources" segment.

Determination as to whether, and by how much, an asset is impaired involves management estimates on highly uncertain matters such as the effects of inflation and deflation on operating expenses, discount rates, production profiles, and future prices. The actual cash flows and the values may differ significantly from the expected future cash flows and the related values obtained through discount techniques and could result in a material change to the carrying values of the assets.

Discount rates represent the current market assessment of the risks specific to the Company, taking into consideration both the time value of money and individual risks of the underlying assets. The discount rate used is the weighted average cost of capital (WACC).

The WACC represents the Weighted Average Cost of Capital of a firm. The cost of capital is defined by the cost of debt and the cost of equity. The cost of debt is defined using the following inputs: 1) The risk-free interest rate (as measured by the UST 10y); 2) Argentina's country risk index (as measured by the EMBI +); 3) Genneia's cost of debt spread over the Sovereign. The cost of equity is defined using an adjusted version of the CAPM. Inputs used to determine the cost of equity are: 1) The risk-free interest rate (as measured by the UST 10y); 2) Levered Beta; 3) Equity Risk Premium ;4) Argentina's country risk index (as measured by the EMBI +).

Net impairment losses on the Ullum projects are mainly attributable to an increase in the discount rate used to determine the assets value. This increase in the discount rate is mainly due to the worsening of Argentina's macroeconomic conditions, reflected in Argentina's country risk, and the increase in the Equity Risk Premium.

As a consequence of the deteriorated macroeconomic conditions, Argentina's country risk increased significantly during the last fiscal year. When the Ullum projects were acquired in April 2018, Argentina's country risk was approximately 400 bps and the Equity Risk Premium was approximately 500 bps. As of December 31, 2018, Argentina's country risk was approximately 800 bps while the Equity Risk Premium was approximately 600 bps.

Although the current macroeconomic conditions (both Local and international) generated impairment losses in the Ullum projects during the last fiscal year, this does not mean these losses are necessarily permanent. In subsequent years, if macroeconomic conditions improve, losses due to deterioration in intangible assets can be reversed.

NOTE 16 - SUBSEQUENTS EVENTS

Relevant subsequent events to the year ended December 31, 2018 until the date of the approval of these consolidated financial statements affecting the activities of the Company were detailed in the preceding notes.

NOTE 17 - APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors of GENNEIA and authorized for issue on March 1, 2019.

Carlos Palazón
Authorized Director

Annex A – OTHER SUPPLEMENTAL INFORMATION (Not covered by the Report of Independent Public Accountants)

As part of the terms of issuance of the International Notes (Series XX), the Company has to comply with certain financial ratios as a requirement for new indebtedness.

The following tables present the financial position and results of operations of Genneia S.A. on a standalone basis and its subsidiaries, which are grouped by the Company's Management as Subsidiaries A and Subsidiaries B, and Consolidation Adjustments as of December 31, 2018 and for the year ended on such date, to arrive to Genneia on a consolidated basis. The information provided in this table has been derived from the Company and its subsidiaries accounting records and provides supplementary information that is useful for the holders of the Negotiable Obligations to better evaluate the Company's compliance with certain financial ratios under the covenants included in the indenture of the International Notes (Series XX).

Subsidiaries A comprise the following companies: Enersud Energy S.A.U., Ingentis II Esquel S.A., Parque Eólico Loma Blanca IV S.A., Nor Aldyl San Lorenzo S.A., Nor Aldyl Bragado S.A., Patagonia Wind Energy S.A., MyC Energía S.A., Genneia La Florida S.A., Genneia Vientos Patagónicos S.A., Ullum I Solar S.A., Ullum II Solar S.A. y Ullum III Solar S.A..

Subsidiaries B comprise the following companies: Genneia Vientos Argentinos S.A., Genneia Vientos del Sur S.A., Genneia Vientos Sudoeste S.A., Genneia Desarrollos S.A. y Genneia Vientos Sudamericanos S.A.

SUPPLEMENTAL CONSOLIDATING BALANCE SHEET AS OF DECEMBER 31, 2018

(amounts expressed in thousands of United States dollars)

	Genneia S.A. (Standalone)	Subsidiaries A	Subsidiaries B	Consolidation adjustments	Genneia S.A. (Consolidated)
Current Assets					
Cash	124,215	1,067	24,863	-	150,145
Investments	1,129	671	2,145	-	3,945
Trade receivables	34,557	6,004	6,268	(350)	46,479
Other receivables ⁽¹⁾	33,157	19,502	20,839	(17,730)	55,768
Inventories	771	-	305	-	1,076
Total current assets	193,829	27,244	54,420	(18,080)	257,413
Non-current assets					
Tradere ceivables	10,094	-	547	-	10,641
Other receivables	175,620	9,668	64,207	(120,069)	129,426
Investments	167,379	47	7	(156,190)	11,243
Inventories	8,827	-	564	-	9,391
Goodwill	-	-	17,587	-	17,587
Fixed assets	538,423	157,531	251,434	4,058	951,446
Assets under concession	-	-	-	-	-
Intangible assets	4,252	28,366	-	-	32,618
Total non-currents assets	904,595	195,612	334,346	(272,201)	1,162,352
Total assets	1,098,424	222,856	388,766	(290,281)	1,419,765
Current liabilities					
Accounts payable	102,830	15,290	28,033	(17,217)	128,936
Loans	67,677	16,267	8,865	(1,014)	91,795
Salaries and social security payable	4,556	7	318	-	4,881
Taxes payable	350	431	403	-	1,184
Other liabilities	7,052	3,772	21,430	(24,696)	7,558
Provisions	2,083	1,880	-	-	3,963
Total current liabilities	184,548	37,647	59,049	(42,927)	238,317

	Genneia S.A. (Standalone)	Subsidiaries A	Subsidiaries B	Consolidation adjustments	Genneia S.A. (Consolidated)
Non-current liabilities					
Taxes payable	-	-	115	-	115
Other liabilities	6,627	-	406	-	7,033
Loans	626,818	99,518 ^(a)	199,852	(95,097)	831,091
Deferred income tax liability	27,887	22,826	30,676	3,676	85,065
Total non-current liabilities	661,332	122,344	231,049	(91,421)	923,304
Total liabilities	845,880	159,991	290,098	(134,348)	1,161,621

(a) Includes USD 64.8 million, of intercompany loans between Genneia and Ullums.

SUPPLEMENTAL CONSOLIDATING STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2018

(amounts expressed in thousands of United States dollars)

	GenneiaS.A. (Standalone)	Subsidiaries A	Subsidiaries B	Consolidation adjustments	GenneiaS.A. (Consolidated)
Net sales	164,250	22,292	23,344	(7,495)	202,391
Cost of sales ⁽²⁾	(67,747)	(11,036)	(9,943)	2,250	(86,476)
Gross profit	96,503	11,256	13,401	(5,245)	115,915
Selling expenses ⁽³⁾	(1,720)	(125)	(43)	196	(1,692)
Administrative expenses ⁽⁴⁾	(19,787)	(1,038)	(1,127)	891	(21,061)
Other expenses, net	(5,698)	(661)	(783)	(5,794)	(12,936)
Loss on long term investment	(12,128)	-	-	10,705	(1,423)
Financial expense, net ⁽⁵⁾	(71,200)	(12,731)	(11,475)	8,249	(87,157)
Net (loss) profit before income tax	(14,030)	(3,299)	(27)	9,002	(8,354)
Income tax	(13,718)	(4,351)	5,353	(1,077)	(13,793)
Net (loss) profit for the year	(27,748)	(7,650)	5,326	7,925	(22,147)
Other comprehensive (loss) income					
Translation differences from investments in companies	1,846	-	-	-	1,846
Total other comprehensive loss	1,846	-	-	-	1,846
Total comprehensive (loss) income for the year	(25,902)	(7,650)	5,326	7,925	(20,301)

	<u>Genneia S.A. (Standalone)</u>	<u>Subsidiaries A</u>	<u>Subsidiaries B</u>	<u>Consolidation adjustments</u>	<u>Genneia S.A. (Consolidated)</u>
(1) Other receivables					
Includes Account for future investments	14,335	-	-	-	14,335
(2) Cost of sales					
Includes fixed and concessioned assets depreciation and intangible amortization	44,457	7,614	4,947	512	57,530
(3) Selling expenses					
Includes fixed assets depreciation	9	-	-	-	9
(4) Administrative expenses					
Includes fixed assets depreciation	1,329	-	-	-	1,329
(5) Financial expense, net					
Includes interest expense	(32,209)	(5,350)	(4,539)	11,737	(30,361)
Includes issuance costs and withholdings	(1,624)	-	(649)	-	(2,273)

Carlos Palazón
Authorized Director