



CAPEX S.A.

U.S.\$300,000,000

6.875% Notes due 2024

We are offering U.S.\$300,000,000 aggregate principal amount of our 6.875% % notes due 2024 (the “Notes”). The principal of the Notes will be payable on May 15, 2024. Interest on the Notes will accrue at a rate of 6.875 % per year and will be payable semi-annually in arrears on May 15 and November 15 of each year, commencing on November 15, 2017.

We may redeem the Notes, in whole but not in part, at any time prior to May 15, 2021, at a redemption price based on a “make-whole” premium, plus accrued and unpaid interest. We may also redeem the Notes, in whole or in part at any time after May 15, 2021 at the prices set forth elsewhere in this offering memorandum plus accrued and unpaid interest. At any time prior to May 15, 2021, we may redeem up to 35% of the original principal amount of the Notes with the proceeds of certain equity offerings at a redemption price of 106.875% of the principal amount of the Notes, plus accrued and unpaid interest. In addition, we may redeem the Notes, in whole but not in part, at a price equal to 100% of their outstanding principal amount plus accrued and unpaid interest and any additional amounts upon the occurrence of certain changes in Argentine tax law.

The Notes will constitute our direct, unsecured and unsubordinated obligations and will rank *pari passu* in right of payment with all our other unsecured and unsubordinated indebtedness, except as otherwise provided by law. The Notes will be effectively subordinated to any of our secured obligations to the extent of the value of the assets securing such obligations. The Notes will be structurally subordinated to the obligations of our subsidiaries.

Investing in the Notes involves risks. See “Risk Factors” commencing on page 31 of this offering memorandum for a discussion of certain risks that you should consider in connection with an investment in the Notes.

Issue Price: 100%, plus accrued interest, if any, from May 15, 2017

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”). The Notes may not be offered or sold within the U.S. or to U.S. persons, except to “qualified institutional buyers” (“QIBs”) in reliance on the exemption from registration provided by Rule 144A under the Securities Act (“Rule 144A”) and in offshore transactions in reliance on Regulation S under the Securities Act (“Regulation S”). Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. Because the Notes have not been registered, they are subject to the restrictions on resales and transfers described under “Transfer Restrictions” in this offering memorandum.

This offering memorandum does not constitute, and may not be used for the purpose of, and offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized to any person to whom it is unlawful to make such offer or solicitation, and no action is being taken to permit an offering of the Notes or the distribution of this offering memorandum in any jurisdiction where such action is required.

Any offer or sale of Notes in any member state of the European Economic Area which has implemented directive 2003/71/EC (as amended, the “Prospectus Directive”) must be addressed to Qualified Investors (as defined in the Prospectus Directive).

The Notes will constitute non-convertible notes (*obligaciones negociables simples no convertibles en acciones*) under the Argentine Negotiable Obligations Law No. 23,576, as amended (the “Argentine Negotiable Obligations Law”), will rank *pari passu* in right of payment with all of our unsecured and unsubordinated indebtedness, except as otherwise provided by law, will be issued and placed in accordance with such law, Law No. 26,831 on Capital Markets (the “Argentine Capital Markets Law”), Decree No. 1023/2013 implementing the Capital Markets Law, as amended and supplemented, rules issued by the Argentine securities commission (the Comisión Nacional de Valores, or “CNV”) according to General Resolution No. 622/2013, as amended and supplemented, and any other applicable law and/or regulation, and will have the benefits provided thereby and will be subject to the procedural requirements therein set forth.

The notes will be offered to the public in Argentina by means of an Argentine prospectus and an Argentine pricing supplement in the Spanish language implementing a program for the issue of notes thereunder (the “Program”). The Program was approved by our shareholders on March 15, 2017, and the issuance of the Notes was approved by our board of directors on April 18, 2017, by delegation of authority granted by our shareholders on March 15, 2017. The Program and the issue of the Notes have been authorized by the CNV pursuant to Resolutions No. 18,632, dated April 27, 2017 and No. 2,372/EMI, dated April 28, 2017. The CNV authorizations mean only that the information requirements of the CNV have been satisfied. The CNV has not rendered any opinion in respect of the accuracy of the information contained in the Argentine prospectus and pricing supplement or in this offering memorandum. This offering memorandum constitutes a prospectus for purposes of Part IV of the Luxembourg law on prospectus for securities dated July 10, 2005, as amended.

We have applied to have the notes listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market of such exchange. We have applied to have the Notes listed on Bolsas y Mercados Argentinos S.A. (“BYMA”), and for trading on the Mercado Abierto Electrónico S.A. (“MAE”).

Delivery of the Notes is expected to be made in book-entry form through the facilities of The Depository Trust Company (“DTC”) and its direct and indirect participants, including Euroclear Bank S.A./N.V. (“Euroclear”) and Clearstream Banking, *société anonyme* (“Clearstream, Luxembourg”), on or about May 15, 2017.

Global Coordinators and Joint Bookrunners**Deutsche Bank Securities****J.P. Morgan****Joint Bookrunners****BBVA****Itaú BBA**

The date of this offering memorandum is May 18, 2017.

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NOTICE TO INVESTORS

Unless otherwise indicated or the context otherwise requires, all references in this offering memorandum to "CAPEX", "the Company", "we", "our", "ours", "us" or similar terms refer to CAPEX S.A. together with its subsidiaries.

This offering memorandum has been prepared by us solely for use in connection with the proposed offering of the Notes described herein.

We reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of the Notes offered by this offering memorandum. Deutsche Bank Securities Inc., J.P. Morgan Securities LLC, BBVA Securities Inc. and Itau BBA USA Securities, Inc. (together, the "initial purchasers") will act as initial purchasers with respect to the offering of the Notes. This offering memorandum does not constitute an offer to any other person or to the public in general to subscribe for or otherwise acquire the Notes. Distribution of this offering memorandum by you to any person other than those persons retained to advise you is unauthorized, and any disclosure of any of the contents of this offering memorandum without our prior written consent is prohibited.

The initial purchasers make no representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this offering memorandum. Nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation by the initial purchasers as to the past, the present or future. We have furnished the information contained in this offering memorandum. The initial purchasers have not independently verified all of the information contained herein (financial, legal or otherwise) and assume no responsibility for the accuracy or completeness of all such information.

Neither we nor the initial purchasers have authorized anyone to provide you with any information other than that contained in this offering memorandum. We take no responsibility for, and can provide no assurance as to the reliability of, any information that others may provide you. The accuracy of the accounting, financial, statistical and all other information contained in this offering memorandum is the responsibility of our board of directors and of our syndics and auditors, regarding their reports to the financial statements.

Our board of directors hereby represents that, as of the date hereof, this offering memorandum contains true, accurate and complete information regarding any material fact that may affect our financial condition and results of operations as well as all other information that is required to be furnished to prospective investors in respect of the Notes in accordance with applicable law and that there are no other facts the omission of which would make this offering memorandum as a whole or any of such information or the expression of any opinions or intentions expressed herein to be misleading. Prospective investors should not assume that the information contained in this offering memorandum is accurate as of any date other than the date on the front of this offering memorandum.

We are not, and the initial purchasers are not, making an offer to sell the Notes in any jurisdiction where the offer is not permitted.

Neither the Securities Exchange Commission (the "SEC") nor any state securities commission has approved or disapproved the Notes or passed upon or endorsed the merits of this offering or the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.

In making a decision to invest in the Notes, prospective investors must rely on their own examination of our business and financial condition and the terms of the offering, including the merits and risks involved. Prospective investors should not construe anything in this offering memorandum as legal, business or tax advice. Each prospective investor should consult its own advisors as needed to make its investment decision and to determine whether it is legally permitted to purchase the Notes under applicable legal investment or similar laws or regulations. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

You must (i) comply with all applicable laws and regulations in force in any jurisdiction in connection with the possession or distribution of this offering memorandum and the purchase, offer or sale of the Notes and (ii) obtain any consent, approval or permission required to be obtained by you for the purchase, offer or sale by you of the Notes under the laws and regulations applicable to you in force in any jurisdiction to which

you are subject or in which you make such purchases, offers or sales. Neither we nor the initial purchasers shall have any responsibility therefor.

IN CONNECTION WITH THIS OFFERING, THE INITIAL PURCHASERS (OR PERSONS ACTING ON BEHALF OF THE INITIAL PURCHASERS) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE INITIAL PURCHASERS (OR PERSONS ACTING ON BEHALF OF THE INITIAL PURCHASERS) WILL UNDERTAKE STABILIZATION ACTIONS. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER WE RECEIVED THE PROCEEDS OF THE ISSUE AND 60 CALENDAR DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES.

AVAILABLE INFORMATION

To permit compliance with Rule 144A under the Securities Act in connection with resale of Notes, we will be required under the terms of the indenture under which the Notes are issued (the “Indenture”), upon the request of a holder of Rule 144A Notes or Regulation S Notes, to furnish to such holder and any prospective purchaser designated by such holder the information required to be delivered under Rule 144A(d)(4) under the Securities Act if at the time of the request we are neither a reporting company under Section 13 or Section 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”), nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act.

The Indenture further requires that we furnish to the Trustee (as defined herein) all notices of meetings of the holders of Notes and other reports and communications that are generally made available to holders of the Notes. At our request, the Trustee will be required under the Indenture to mail these notices, reports and communications received by it from us to all record holders of the Notes promptly upon receipt.

We will make available to the holders of the Notes, at the corporate trust office of the Trustee at no cost, copies of the Indenture as well as this offering memorandum.

We have applied to have the Notes listed on BYMA. We expect that the Notes will be eligible for trading on the MAE. The Argentine program prospectus and pricing supplement filed with the CNV and BYMA in relation to this offering contain substantially the same information as this offering memorandum, other than with respect to descriptions of U.S. securities and tax laws that are relevant to the Notes.

We have also applied to have the Notes listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market of such exchange. In Luxembourg, this offering memorandum will be distributed free of charge by the Luxembourg Listing Agent to anyone upon request.

ENFORCEMENT OF CIVIL LIABILITIES

We are a *sociedad anónima* organized under the laws of Argentina. Substantially all of our assets are located outside the United States and all of our directors, executive officers and controlling persons reside outside of the United States, and all of the experts named in this offering memorandum also reside outside of the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or to enforce against them or against us judgments predicated upon the civil liability provisions of the federal securities laws of the United States or the laws of other jurisdictions.

Enforcement of foreign judgments would be recognized and enforced by the courts in Argentina provided that the requirements of Articles 517 through 519 of the Law No. 17,454 (Argentine National Code of Civil and Commercial Procedure (if enforcement is sought before federal courts) are met, such as (i) the judgment, which must be final in the jurisdiction where rendered, was issued by a court competent in accordance with Argentine principles regarding international jurisdiction and resulted from a personal action, or an *in rem action* with respect to personal property if such was transferred to Argentine territory during or after the prosecution of the foreign action, (ii) the defendant against whom enforcement of the judgment is sought was personally served with the summons and, in accordance with due process of law, was given an opportunity to defend against such foreign action, (iii) the judgment must be valid in the jurisdiction where rendered and its authenticity must be established in accordance with the requirements of Argentine law, (iv) the judgment does not violate the principles of public policy of Argentine law and (v) the judgment is not contrary to a prior or simultaneous judgment of an Argentine court.

FORWARD-LOOKING STATEMENTS

This offering memorandum contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. Words such as "believe", "anticipate", "may", "will", "aim", "continue", "plan", "expect", "intend", "target", "estimate", "project", "predict", "forecast", "should" and similar expressions are intended to identify forward-looking statements, but are not the exclusive means of identifying these statements. We have based these forward-looking statements on our current beliefs, expectations and projections about future events, financial trends, business strategy, competitive position, business environment, potential growth, effects of regulations and competition, and other circumstances affecting our business. Many important factors, in addition to those discussed in this offering memorandum, could cause our results to differ substantially from those anticipated in our forward-looking statements, including:

- local, regional and national business, economic, political, social, legal or other conditions in Argentina and elsewhere in Latin America or changes in either developed or other emerging markets;
- inflation and interest rates fluctuations in Argentina;
- government regulations in Argentina;
- adverse legal or regulatory disputes or proceedings;
- uncertainty regarding our reserve estimates and our ability to discover or acquire, develop and exploit new hydrocarbon reserves;
- price for oil, gas, energy and other sources or means of power;
- volatility in the markets where we operate;
- exchange rate fluctuations, including a significant devaluation of the peso;
- exchange controls, restrictions on transfers abroad and restrictions on capital inflows and outflows;
- the availability of financing on reasonable terms, including as a result of conditions in regional and global markets;
- changes in capital markets which may affect the policies or attitudes regarding the granting of loans to or investment in Argentine companies;
- increases in the cost of funding or inability to obtain funding on acceptable terms;
- fluctuations in electricity demand and sales;
- an increase in our cost and expenses; and
- the risk factors discussed under "Risk Factors".

Examples of these forward-looking statements include:

- projections of capital expenditures, capital structure or other financial items or ratios;
- statements of our plans, objectives or goals, including those relating to exploratory activities and renewable energy projects as well as trends, competition, regulation and investments;
- statements about our future financial performance or economic conditions in Argentina; and
- statements of assumptions underlying these statements.

You should not place undue reliance on forward-looking statements, which are based on our current expectations. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Our future results may differ materially from those expressed in forward-looking statements. Many of the factors that will determine our performance are beyond our ability to control or predict. All forward-looking statements and risk factors included in this offering memorandum are made as of the date on the front cover of this offering memorandum, based on information available to us as of such date, and we assume no obligation to update publicly or to revise any forward-looking statement or risk factor

after we distribute this offering memorandum because of new information, future events or other factors. In light of the risk and uncertainties described above, the forward-looking events and circumstances discussed in this offering memorandum might not occur, which could result in a material adverse effect on our financial performance.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Information

Our fiscal year ends on April 30 of each year. This offering memorandum includes information extracted from our audited annual consolidated financial statements as of and for each fiscal years ended April 30, 2016, 2015, and 2014 (our “Audited Annual Financial Statements”), and our unaudited interim consolidated condensed financial statements as of January 31, 2017 and for the nine-month periods ended January 31, 2017 and 2016, (our “Unaudited Interim Financial Statements”, and together with our Audited Annual Financial Statements, the “Financial Statements”). Our Financial Statements are consolidated and reflect the financial information relating to our subsidiaries, Servicios Buproneu S.A. (“Servicios Buproneu”), and Hychico S.A. (“Hychico”). Our Financial Statements and other financial information included in this offering memorandum, unless otherwise specified, are stated in pesos.

Unless otherwise stated, the financial information in this offering memorandum reflects the operating results of our consolidated group of subsidiaries, including Hychico, which will constitute an unrestricted subsidiary and will therefore not be subject to the restrictive covenants of the Indenture governing the Notes. See “Risk Factors—Certain of our subsidiaries will constitute unrestricted subsidiaries under the Indenture governing the Notes, and will, therefore, not be subject to the restrictive covenants thereunder”.

Our Audited Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). Our Audited Annual Financial Statements have been audited by Price Waterhouse & Co. S.R.L. (“PwC”), Buenos Aires, Argentina, a member firm of PricewaterhouseCoopers global network, independent accountants, our independent auditors, whose report dated July 5, 2016 is included in this offering memorandum. Our Unaudited Interim Financial Statements have been prepared on with the same basis as our Audited Annual Financial Statements, in accordance with International Accounting Standard (IAS) 34 “Interim Financial Reporting”, as issued by the IASB the results for the nine-month period ended January 31, 2017 are not necessarily indicative of results to be expected for the entire year ending April 30, 2017. Our Audited Annual Financial Statements as well as our Unaudited Interim Financial Statements have been prepared on a manner consistent with International Accounting Standard (IAS) 29 “Financial Reporting in Hyperinflationary Economies” (for further information see Note 4 to our Unaudited Interim Financial Statements and Note 2.5 to our Audited Annual Financial Statements).

Currency Information

Unless otherwise specified, references to “U.S.” and “U.S. dollars” are to United States dollars. References to “Ps.” and “pesos” are to Argentine pesos. This offering memorandum contains translations of various peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. You should not consider these translations to be representations that the peso amounts actually represent these U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated. Unless otherwise indicated, we have translated U.S. dollar amounts in this offering memorandum at the exchange rate of Ps.15.897 to U.S.\$1.00, which was the selling rate published by Banco Nación (“Banco Nación”) on January 31, 2017. Income statement items have been translated at the average of the daily closing rates for each of the days of the relevant period and balance sheet items have been translated at the period-end closing rate. See “Exchange Rates and Exchange Controls” for information regarding the rates of exchange between the peso and the U.S. dollar.

Exploration Expenses

Oil and gas exploratory activity many times involves the drilling of multiple exploratory wells throughout the years in order to thoroughly assess the viability of exploration projects. As a consequence, certain exploratory wells may remain under evaluation for extended periods of time until all exploratory activity and evaluations have been concluded and allow for a determination of the quality and quantity of the reserves, if any, in that particular area under exploration. Therefore, the investments made in connection with these exploration areas are not included as finished assets but rather as works in progress in our balance sheet. As a consequence of such investments being recorded as works in progress and not as finished assets, if exploration of a particular area is not successful and the reserves in the area are not considered commercially

viable, those investments made in such areas are recorded as an expense (“Exploration Expenses”) in our income statement and not as an amortization.

Presentation of Non-IFRS Information

The measurements of Adjusted EBITDA contained herein may not be comparable to those used by other companies. For purposes hereof, we calculate Adjusted EBITDA as operating income, plus depreciation of property, plant and equipment plus Exploration Expenses, the latter to the extent included in operating income. Accordingly, the measurements of Adjusted EBITDA contained herein may not be calculated in the same manner as similarly titled measurements used by other companies which may limit their usefulness as a comparative measurement. Because of these limitations, the measurements of Adjusted EBITDA contained herein should not be considered a measurement of discretionary cash available to us to invest in the growth of our business or as a measurement of cash that will be available to us to meet our obligations. Adjusted EBITDA is not a recognized financial measurement under IFRS. Investors should, therefore, rely primarily on our results of operations contained in the Financial Statements prepared under IFRS and use the measurement of Adjusted EBITDA contained herein as a supplementary measurement only.

Reserves Estimates

Our oil and gas proved reserves are estimated using geological and engineering data to determine whether the crude oil or natural gas in known reservoirs is recoverable under existing economic and operating conditions.

The accuracy of proved reserves estimates depends on a number of factors, assumptions and variables, among which the most important are:

- the results of drilling, testing and production after the date of the estimates;
- the quality of available geological, technical and economic data and its interpretation and judgment;
- the production performance of reservoirs;
- developments such as acquisitions and dispositions, new discoveries and extensions of existing reservoirs and the application of improved recovery techniques; and
- changes in oil and natural gas prices, which could have an effect on the size of our proved reserves because the estimates of reserves are calculated under existing economic conditions when such estimates are made.

Many of the factors, assumptions and variables involved in estimating proved reserves are beyond our control and are subject to change from time to time. Consequently, measures of reserves are not precise and are subject to revision. See “Risk Factors—Risks Relating to the Oil and Gas Business—Our oil and natural gas reserves are estimates.”

The most recent estimates of our oil and gas reserves as of December 31, 2016 were prepared by us and certified by international reserves auditors DeGolyer and MacNaughton on March 31, 2017.

Industry and Market Data

Market data and other statistical information used throughout this offering is based on data collected by and available from the *Instituto Argentino del Petróleo y del Gas*, the former Secretariat of Energy (the “SE”), the Secretariat of Electric Energy (the “SEE”), the *Subsecretaría de Hidrocarburos, Energía y Minería de la Provincia de Neuquén* (the “Secretariat of Energy of Neuquén”), the *Secretaría de Minería e Hidrocarburos* of the provinces of Río Negro and Chubut and from *Compañía Administradora del Mercado Mayorista Eléctrico* (“CAMEESA”). Some data are also based on our estimates, which are derived from our review of internal surveys as well as independent sources. Although we believe these sources are reliable, we have not independently verified the information and cannot guarantee its accuracy or completeness.

Rounding

Certain figures included in this offering memorandum have been rounded for ease of presentation. Percentage figures included in this offering memorandum have in some cases been calculated on the basis of such figures prior to rounding. For this reason, certain percentage amounts in this offering memorandum may vary from those obtained by performing the same calculations using the figures in the financial statements. Certain numerical figures shown as totals in this offering memorandum, due to rounding, may not be an arithmetic aggregation of the figures that precede them.

TECHNICAL AND REGULATORY TERMS

In this offering memorandum, references to:

- “AFIP” are to the Administración Federal de Ingresos Públicos (Argentine Federal Tax Administration);
- “availability factor” are to the percentage of hours a power generation unit is available for generation of electricity in the relevant period, whether or not the unit is actually used for generating and delivering power;
- “CAMMESA” are to Compañía Administradora del Mercado Mayorista Eléctrico Sociedad Anónima, a nonprofit private stock corporation (sociedad anónima) created pursuant to Law No. 24,065 and Decree No. 1.192/1992, owned by the Argentine government and four other associations that represent the WEM agents with a 20% ownership interest each, which is in charge of the administration of the WEM and the dispatch of electricity into the NIS;
- “ENARGAS” are to the Ente Nacional Regulador del Gas (the Argentine National Gas Regulatory Agency);
- “ENARSA” are to Energía Argentina Sociedad Anónima, a private stock corporation (sociedad anónima) controlled and managed by the Argentine government for the exploration, exploitation and commercialization of petroleum and natural gas, as well as the generation, transmission and commercialization of electricity;
- “ENRE” are to the Ente Nacional Regulador de la Electricidad (the Argentine National Electricity Regulatory Agency);
- “FODER” are to the Fondo Fiduciario de Energía Eléctrica, a fund created to allocate its assets to granting loans, making capital contributions, and for the acquisition of all other financial instruments aimed at the execution and funding of eligible projects of electricity generation from renewable sources;
- “GW,” “GWM” and “GWh” are to gigawatts, gigawatt per month and gigawatt per hour, respectively;
- “installed capacity” are to the amount of MW a turbine is designed to produce upon installment (name-plate capacity);
- “km” are to kilometers;
- “kV” are to kilovolts;
- “kW” and “kWh” are to kilowatts and kilowatts per hour, respectively;
- “load factor” are to the ratio of actual output of energy over a period of time, to potential output if it were possible to operate at full installed capacity continuously over such period of time;
- “m3” and “m3d” are to cubic meters and cubic meters per day, respectively;
- “MEG” are to the Mercado Electrónico de Gas (MEG) Sociedad Anónima (the Argentine Electronic Gas Market);
- “Ministry of Economy” are to the Argentine Ministerio de Hacienda y Finanzas Públicas (Ministry of Treasury and Public Finance), formerly the Ministerio de Economía y Finanzas Públicas (Ministry of Economy and Finance);
- “Ministry of Energy” are to the Argentine Ministerio de Energía y Minería (Ministry of Energy and Mining);
- “Ministry of Planning” are to the Argentine Ministerio del Interior, Obras Públicas y Vivienda (Ministry of Interior, Public Works and Housing) formerly the Ministerio de Planificación Federal, Inversión Pública y Servicios (Ministry of Federal Planning, Public Investment and Services);
- “mmcfd” are to millions of cubic feet per day;

- “MULC” are to the foreign exchange market;
- “MW,” “MWm” and “MWh” are to megawatts, megawatts per month and megawatts per hour, respectively;
- “PPA” are to power purchase agreements;
- “Renewable Energy Program” are to the Regime for the Development of Renewable Energy Generation Sources introduced by the Renewable Energy Laws and the implementing regulations issued by the Ministry of Energy;
- “Renewable Energy Laws” are to Argentine Law No. 26,190, as amended by Law No. 27,191;
- “SADI” are to Argentine Interconnection System or grid (Sistema Argentino de Interconexión);
- “SEN” are to the Secretaría de Energía de la Nación (the Argentine National Secretariat of Energy);
- “TGS” are to Transportadora de Gas de Sur, S.A., the largest natural gas transporter in Argentina, in which Compañía de Inversiones de Energía S.A. has a controlling stake;
- “Thermal Energy Program” are to the Program for Development of New Distributed Power Generation Infrastructure introduced by SEN Resolution No. 220/2007 and No. 1,836/2007, and subsequently supplemented by SEN Resolution No. 21/2016;
- “UNIREN” are to the Unidad de Renegociación y Análisis de Contratos de Servicios Públicos (Unit for Renegotiation and Analysis of Public Services Contracts);
- “WEM” are to the Argentine wholesale electricity market administered by CAMMESA; and

Unless otherwise indicated, statistics provided throughout this offering memorandum with respect to power generation units are expressed in MW, in the case of the installed capacity of such power generation units, and in GWh, in the case of the aggregate electricity production of such power generation units. One GW is equal to 1,000 MW and one MW is equal to 1,000 kW. Statistics relating to aggregate annual electricity production are expressed in GWh and are based on a year of 8,760 hours.

SUMMARY

This summary highlights selected information contained elsewhere in this offering memorandum, but it does not contain all of the information that may be important to you. Before making a decision to invest in the Notes, you should carefully read this entire offering memorandum, including the information under the heading “Risk Factors” and in the financial statements and accompanying Notes in this offering memorandum.

Overview

We are a fully integrated energy generator in Argentina. Our energy generation operations are carried out in the province of Neuquén through a combined cycle plant with a maximum generation capacity of 672 MW (ISO). We source most of the natural gas used to generate energy at our *Agua del Cajón* Power Plant from our own gas field in the *Agua del Cajón* area, where our *Agua del Cajón* Power Plant is also located. In addition, we extract and sell oil from our *Agua del Cajón* and *Salitral* fields in our *Agua del Cajón* area and are currently conducting research over unconventional reserves contained in tight sand and shale formations in our fields. Gas extracted from our fields is processed in a natural gas liquefaction plant, (the “LPG Plant”), where it is dried prior to being used as fuel for energy generation. Through this process, in addition to the gas used to fire our *Agua del Cajón* Power Plant, we obtain propane and butane, which are sold separately, and stabilized gasoline which is mixed and sold with our oil production. Through our subsidiary, Hychico, we have developed new lines of business mainly related to renewable energies such as wind produced energy and hydrogen generation, as well as oxygen production and sales.

During the year ended April 30, 2016, our net sales, gross profit and Adjusted EBITDA were Ps.1,844.8 million (equivalent to U.S.\$165.3 million), Ps.1,255.3 million (equivalent to U.S.\$109.8 million) and Ps.1,113.4 million (equivalent to U.S.\$99.8 million), respectively. During the nine months ended January 31, 2017, our net sales, gross profit and Adjusted EBITDA were Ps.2,145.2 million (equivalent to U.S.\$142.7 million), Ps.1,462.9 million (equivalent to U.S.\$97.3) million and Ps.1,358.3 million (equivalent to U.S.\$90.4 million), respectively.

In January 1991, we acquired 100% of the rights to a concession for the *Agua del Cajón* area, in the *Neuquina* Basin (one of Argentina’s main hydrocarbons basins) for U.S.\$26.0 million. This concession was awarded to us for 25 years, with an option to extend it for an additional 10 years, subject to the approval of the government of the province of Neuquén. In 2009, through Decree No. 773/09, the province of Neuquén approved the 10-year extension of the *Agua del Cajón* concession through January 2026, subject to our undertaking to:

- pay the province of Neuquén a bonus of U.S.\$17.0 million, in 20 equal and consecutive installments from May 2009 through December 2010;
- effect investments and expenses totaling U.S.\$144.0 million through the expiration of the concession term;
- pay the province of Neuquén an additional extraordinary 3% of royalties, commencing in June 2009, which resulted in an increase of royalties from 12% to 15%; and
- pay the province of Neuquén an additional extraordinary rent of 1% to 3%, depending on the price of oil, commencing on June 2009.

As of the date of this offering memorandum, we have paid in full the U.S.\$17.0 million bonus and have complied with all other requirements to which the extension of the *Agua del Cajón* concession was subject to.

In April, 2017 we entered into a new agreement with the province of Neuquén, agreement which was ratified by the province of Neuquén’s executive branch in April, 2017, by means of Decree No. 556/17, pursuant to which a new unconventional exploitation concession over the *Agua del Cajón* area is granted to us for a 35-year period ending on 2052, subject to us undertaking to:

- pay the province of Neuquén a bonus of U.S.\$4.97 million, payable within five days of commencement of the new concession;

- make investments expenses totaling U.S.\$126.0 million within the first five years of the concession starting on January 1, 2017; and
- pay the province of Neuquén an additional extraordinary contribution for social development of U.S.\$3.15 million and stamp taxes totaling U.S.\$0.88 million within five days of commencement of the new concession.

Pursuant to such agreement we will (i) continue to pay the province of Neuquén the same percentage of royalties as we currently do under the 2009 agreement for all wells, except those with production from geological formations designated as “shale gas” or “shale oil” or “schist or slate rocks”, and as from the year 2026, royalties are set to increase to 18%; (ii) with respect to unconventional wells with production from geological formations designated as “shale gas” or shale oil” or “schist or slate rocks” completed after the commencement of the new concession, we will pay a 12% royalty to the province of Neuquén.

The *Agua del Cajón* area is located in the *Neuquina* Basin, in the southeastern region of the province of Neuquén (approximately 1,000 kilometers southwest of the City of Buenos Aires). Most of the reserves identified in this area are located in two fields: *El Salitral* and *Agua del Cajón*. As a result of prospecting and development efforts in the area, we have identified significant reserves of natural gas and oil, and increased production significantly.

In order to add value to our gas production, after considering alternative industrial uses, between 1992 and 1999, we initiated the construction of our *Agua del Cajón* Power Plant, a gas-fixed electric power generation plant, which we situated in the *Agua del Cajón* field, as part of our strategy to become an integrated electricity generator. The *Agua del Cajón* Power Plant was built in four stages. In 1999, we completed the necessary works to operate it as a combined cycle plant with a total capacity of 672 MW (ISO).

During 1998, we completed the construction of the LPG Plant owned by our subsidiary Servicios Buproneu, in furtherance of our vertical integration strategy.

During 2007 and 2008, we acquired oil and gas exploration rights for the *Loma de Kauffman*, *Lago Pellegrini*, *Villa Regina* and *Cerro Chato* areas, tendered by the province of Río Negro. After conducting intensive prospecting plans, complying with all of our investment commitments and fulfilling all exploratory work required, we concluded the reserves in these areas were not commercially viable and reverted the *Lago Pellegrini*, *Villa Regina* and *Cerro Chato* areas to the province of Río Negro. With respect to the *Loma de Kauffman* area, on May 12, 2016, through Decree No. 470/16, the province of Río Negro extended the third exploratory stage through May 12, 2017, date on which we will revert the area to the province of Río Negro as we also concluded the reserves in such area were not commercially viable.

In 2009 and 2011, respectively, our subsidiary Hychico inaugurated our hydrogen plant and our wind farm, both located in the province of Chubut and which form part of our efforts to expand into renewable energy.

Business Strategy

Our main strategic goals consist of exploiting the competitive advantages we derive from our status as a vertically-integrated energy producer while also tapping into potential opportunities to expand our generation capacity both in conventional and renewable energy.

The location of our *Agua del Cajón* Power Plant within our main gas field allows us to efficiently source and operate our plant. During the year ended April 30, 2016, approximately 50% of our *Agua del Cajón* Power Plant gas needs were met by our own gas production. We also remain committed to continuing to operate our plant efficiently and sustainably, through environmentally friendly practices and “best in class” health and safety policies.

In addition, Argentina is in the midst of substantial changes to its energy sector with the current administration implementing a number of measures aimed at encouraging investments in new generation capacity. As a result, we intend to pursue one or more of the following initiatives: (i) increasing our thermal energy generation capacity if we can ensure the availability of natural gas to source it; (ii) adding hydrocarbon resources through the exploitation of unconventional resources in our *Agua del Cajón* area and

the acquisition of active production areas if they meet our strict investment criteria, and (iii) taking advantage of our experience as developers of one of the first wind farms installed in Argentina and our pioneer work in hydrogen production to expand our generation capacity from renewable energy sources.

Competitive Strengths

Vertical Integration. By generating electricity and LPG from our own hydrocarbons and developing our own sources of renewable energy, we are able to take advantage of the synergies between our various lines of business and reduce our operational costs.

Operational Efficiency. With our *Agua del Cajón* Power Plant and LPG Plant located within the *Agua del Cajón* area, we reduce our transportation, compression, and storage costs significantly, allowing for a more efficient and profitable operation.

Tight Sand and Shale Gas Reserves in Agua del Cajón. We have drilled exploratory wells and made other investments in the *Agua del Cajón* area to assess and evaluate tight sand gas reserves productivity. Our *Agua del Cajón* area also includes unconventional (shale oil and gas) hydrocarbon reserves in the *FM Los Molles* and *FM Las Lajas* reservoirs. We plan on extracting these in order to maintain the efficiency of our energy generating facilities and benefit from the Argentine government's plan to support the use of these unconventional hydrocarbon reserves.

Renewable Energy Development. Through our subsidiary, Hychico, we have developed and started operating the *Diadema* Wind Farm in 2011, and in 2009 commenced operations of an oxygen and hydrogen separation plant. These assets have allowed us to acquire experience in new areas of energy generation that are becoming increasingly significant globally and in which Argentina may become an important market participant.

Social and Environmental Best Practices. We are committed to the promotion of social and economic development in the communities in which we are present, the preservation of the environment and the health and safety of all the personnel involved in our operations. We have developed and implemented best practices on these matters and our oil extraction. Our *Agua del Cajón* Power Plant, our LPG Plant and Hychico's *Diadema* Wind Farm have obtained 14001 certification by the International Organization for Standardization ("ISO").

Committed and Qualified Management. Our team of directors, senior officers and managers is highly experienced and our directors have been with us for more than 20 years, on average. This has allowed us to continue operating successfully even under very difficult economic and market conditions.

Energy Generation

Following our acquisition of the gas reserves in the *Agua del Cajón* area in 1991, we considered alternative industrial uses for our gas production and undertook the construction of our *Agua del Cajón* Power Plant which we completed in November 1999 by conversion of the plant into a combined cycle operation. See "—Property, Plant and Equipment—Energy Generation and Transmission Facilities."

As of January 31, 2017, our *Agua del Cajón* Power Plant had an installed capacity of 672 MW, which represented 2.0% of Argentina's total installed energy generation capacity and 3.5% of its installed thermal energy generation capacity.

During the fiscal years ended April 30, 2016, 2015 and 2014 and the nine months ended January 31, 2017 and 2016, we produced 2.5%, 2.6%, 2.2%, 3% and 2.3%, respectively, of Argentina's total energy generation for those periods.

The following table shows the volumes of energy we generated and our load factors for the periods indicated:

	Unaudited				
	For the Years Ended April 30,			For the Nine-Months Period Ended January 31,	
	2016	2015	2014	2017	2016
Energy Production (in GWh).....	3,672	3,636	3,066	3,278	2,515
Load factor ⁽¹⁾	62%	62%	52%	74%	56%

Note:—

(1) Load factors were calculated based on gross capacity of 672MW(ISO).

Approximately 4.5% of the energy generated by our *Agua del Cajón* Power Plant is used in our energy generation activities.

We had total energy net sales (the result of deducting energy used by our *Agua del Cajón* Power Plant, power losses during transmission and purchases in the wholesale market from our total energy generation) for the fiscal years ended April 30, 2016, 2015 and 2014 of 3,381 GWh, 3,403 GWh and 2,839 GWh, respectively. These sales totaled Ps.968.1 million, Ps.679.6 million and Ps.457.1 million, respectively, representing 52.5%, 53.9% and 56.0% of our total net sales for the corresponding periods. In the nine-month periods ended January 31, 2017 and 2016, we had total energy net sales (as defined above) of 3,129 GWh and 2,318 GWh, respectively; our total energy sales totaled Ps.1,642.3 million and Ps.599.5 million, respectively, representing 76.6% and 49.9% of our total net sales, respectively, for such periods.

Revenues from our *Agua del Cajón* Power Plant are comprised of (i) revenues derived from our energy generation activities, and (ii) revenues derived from the payments made to us by CAMMESA for the gas we produce in our *Agua del Cajón* area, and which we use in our energy production activities. Revenues derived from generation amounted to Ps.448.6 million, Ps.296.2 million, and Ps.174.2 million for the years ended April 30, 2016, 2015 and 2014, respectively, and to Ps.515.9 million and Ps.282.0 million for the nine-month period ended January 31, 2017 and 2016, respectively. Payments from CAMMESA for use of our own gas amounted to Ps.519.4 million, Ps.383.4 million, and Ps.282.9 million for the years ended April 30, 2016, 2015 and 2014, respectively, and to Ps.1,126.3 million and Ps.317.5 million for the nine-month period ended January 31, 2017 and 2016, respectively.

The table below shows our thermal *Agua del Cajón* Power Plant's energy sales for the periods indicated:

	Unaudited				
	For the Years Ended April 30,			For the Nine-Month Periods Ended January 31,	
	2016	2015	2014	2017	2016
Energy net sales (in thousands of Ps.)	968,069	679,571	457,077	1,642,284	599,508
Revenue from energy generation (in thousands of Ps.).....	448,619	296,177	174,188	515,941	282,010
Revenues from own gas used for energy production (in thousands of Ps.) ⁽¹⁾	519,450	383,394	282,889	1,126,343	317,498
Energy sales (in GWh)	3,381	3,403	2,839	3,129	2,318
Average prices for energy sales (in Ps.per MWh)	132.7	87.0	61.4	164.9	121.7
Average prices for energy sales (in U.S.\$ per MWh) ⁽²⁾	11.6	10.2	9.4	10.8	11.9

Notes:—

(1) Already included as income generated by the *Agua del Cajón* Power Plant (we receive payments from CAMMESA for the use of our own gas, which we record as sales of energy on account of such payment being received as part of the compensation we receive for the sale of energy; however, as required by IFRS 8 “Operating Segment”, we then allocate such revenue derived from the use of our own gas to the oil and gas segment).

(2) Calculated using the average of the daily closing exchange rates for each of the relevant periods.

Oil and Gas

We have significantly increased our daily oil and gas production since the *Agua del Cajón* area was acquired, mainly due to the increase of condensate flows associated with the gas and the discovery and development of various production fields.

When we acquired the area in 1991, gas production totaled 87,000 m³ per day and oil production reached 35 m³ per day. The table below shows our oil and gas production for the periods indicated:

Oil and Gas Production	For the Years Ended April 30,			Unaudited For the Nine-Month Periods Ended January 31,	
	2016	2015	2014	2017	2016
Average daily oil production (bbl/day).....	719.3	613.9	702.2	784.7	727.6
Average daily gas production (Mm ³ /day).....	1,528.8	1,515.9	1,500.9	1,551.6	1,527.4
Total oil production (Mbbl).....	262.6	224.1	256.3	216.6	200.8
Total gas production (MMm ³).....	558.0	553.3	547.8	428.2	421.6

For the years ended April 30, 2016, 2015 and 2014, our gas production was 558.0 MMm³, 553.3 MMm³ and 547.8 MMm³, respectively, representing 1.3%, 1.3% and 1.3% of Argentina's total production for each period. For the nine month periods ended January 31, 2017 and 2016, our gas production was 428.2 MMm³ and 421.6 MMm³ representing 1.3% and 1.2% of Argentina's total production for each such period

For the years ended April 30, 2016, 2015 and 2014, our oil production was 41,743 m³, 35,623 m³ and 40,747 m³, respectively; representing 0.14%, 0.12% and 0.13% of Argentina's total oil production for each period. For the nine months ended January 31, 2017 and 2016 our oil production was 34,433 m³ and 31,929 m³, or 216.6 mbbl and 200.8 mbbl representing 0.16% and 0.14% of Argentina's total production for each such period.

The table below shows our oil sales for the periods indicated.

Oil Sales	For the Years Ended April 30,			Unaudited For the Nine-Month Periods Ended January 31,	
	2016	2015	2014	2017	2016
Oil net sales (including <i>Programa Estímulo de Petróleo</i>) (in thousands of Ps.).....	386,375	293,275	221,679	340,350	263,670
Oil net sales (in thousands of Ps.)	383,155	292,631	221,679	340,350	260,450
<i>Programa Estímulo de Petróleo</i> (in thousands of Ps.).....	3,220	644	—	—	3,220
Oil net sales (in Mbbl) ⁽¹⁾	467.9	426.4	445.9	357.9	345.4
Average oil sales price, net (<i>Programa Estímulo de Petróleo</i>) (in Ps. Per bbl)	825.7	687.8	497.2	951.0	763.3
Average oil sales price, net (<i>Programa Estímulo de Petróleo</i>) (in U.S.\$ per bbl) ..	72.3	81.0	76.4	62.4	74.5
Average oil sales price, net (in Ps. per bbl) ..	818.8	686.3	497.2	951.0	754.0
Average oil sales price, net (in U.S.\$ per bbl)	71.7	80.8	76.4	62.4	73.6

Note:—

(1) Including sales of stabilized gasoline sold together with crude oil production of 28,022 m³, 27,644 m³ and 26,729 m³ for the fiscal years ended April 30, 2016, 2015 and 2014, respectively. See "Business—Gas Liquid Sub-products (LPG)".

Oil net sales (including *Programa Estímulo de Petróleo*) for the fiscal years ended April 30, 2016, 2015 and 2014 amounted to Ps.386.4 million, Ps.293.3 million and Ps.221.7 million, which represented 20.9%, 23.3% and 27.2% of our total net sales, respectively, and Ps.340.3 million and Ps.263.7 million for the nine-month periods ended January 31, 2017 and 2016, which represented 15.9% and 21.9% of our total net sales.

Oil sales are made at the prices negotiated between us and the oil refineries to which we sell our oil, mainly Shell C.A.P.S.A. Such prices are established taking into consideration the prevailing international price of Brent oil, the prices paid by the general public for fuel and derived products at retail price, and taking into account forecasts for changes in price, and the guidelines and requirements established by the federal government.

The table below shows our gas sales for the periods indicated.

Gas Sales	For the Years Ended April 30,			Unaudited For the Nine-Month Periods Ended January 31,	
	2016	2015	2014	2017	2016
Gas net sales (including <i>Programa Estímulo de gas</i> (in thousands of Ps.))	365,262	159,581	34,826	11,525	251,259
Gas net sales (in thousands of Ps.).....	108,729	43,511	31,866	11,525	72,632
<i>Programa Estímulo de Gas</i> (in thousands of Ps.)	256,533	116,071	2,959	-	178,627
Recognition for our own gas used for energy generation (in thousands of Ps.) ⁽¹⁾	519,450	383,394	282,889	1,126,343	317,498
Gas sales (in Mm3).....	61,632	28,837	29,598	4,186	44,548
Own gas injected in the <i>Agua del Cajón</i> Power Plant (in Mm3)	426,968	450,241	443,505	369,508	323,709
Average gas sales price, net (in Ps.per Mm3).....	1.8	1.5	1.1	2.8	1.6
Average gas sales price, net (in U.S.\$ per Mbtu).....	4.2	4.8	4.5	4.9	4.3
Average gas income price (in Ps.per Mm3).	1.8	1.1	0.7	3.0	1.5
Average gas income price (in U.S.\$ per Mbtu).....	4.3	3.6	2.8	5.4	4.1

Note:—

(1) Already included as income generated by the *Agua del Cajón* Power Plant (we receive payments from CAMMESA for the use of our own gas, which we record as sales of energy on account of such payment being received as part of the compensation we receive for the sale of energy; however, as required by IFRS 8 “Operating Segment”, we then allocate such revenue derived from the use of our own gas to the oil and gas segment).

Although almost all of our gas production is used to generate energy in our *Agua del Cajón* Power Plant after being processed for LPG extraction, we receive payments from CAMMESA for the use of our own gas, which we record as sales of energy on account of such payment being received as part of the compensation we receive for the sale of energy; however, as required by IFRS 8 “Operating Segment”, we then allocate such revenue derived from the use of our own gas to the oil and gas segment. Gas net sales (including *Programa Estímulo de Gas*) for the fiscal years ended April 30, 2016, 2015 and 2014 amounted to Ps.365.3 million, Ps.159.6 million, and Ps.34.8 million, which represented 19.8%, 12.7% and 4.3% of our total net sales, respectively, and Ps.11.5 million and Ps.251.3 million for the nine-month periods ended January 31, 2017 and 2016, which represented 0.5 % and 20.9% of our total net sales, respectively.

Further, compensation recognized by CAMMESA to us as generators for the gas produced in the *Agua del Cajón* area and utilized in the *Agua del Cajón* Power Plant during the years ended April 30, 2016, 2015 and 2014 amounted to Ps.519.4 million, Ps.383.4 million, and Ps.282.9 million, respectively, and Ps.1,126.3 million and Ps.317.5 million for the nine-month periods ended January 31, 2017 and 2016, respectively.

During 2007 and 2008, we acquired exploration rights for the *Loma de Kauffman*, *Lago Pellegrini*, *Villa Regina* and *Cerro Chato* areas, which were offered by the province of Río Negro. After conducting intensive prospecting plans, complying with all of our investment commitments and fulfilling all exploratory work required, in the *Lago Pellegrini*, *Villa Regina* and *Cerro Chato* areas, we determined the inexistence of commercially viable reserves. Accordingly, we reverted the *Lago Pellegrini*, *Villa Regina* and *Cerro Chato* areas to the province of Río Negro in 2015, 2013, and 2012, respectively and the *Loma de Kauffman* area will be reverted to the province on Neuquén on May 12, 2017 as the reserves in such area were not considered commercially viable either.

Oil and Gas Royalties

Oil royalties collected by provincial governments are calculated at a rate of (i) 12% of wellhead value, net of deductions for transport cost, plus (ii) 3% of wellhead value, net of deductions for transport cost as an extraordinary tax, plus (iii) a percentage of 0-3% of wellhead value, net of deductions for transport cost, depending on the actual prices received by us for the oil we produce. Royalties are calculated in U.S. dollars and payable either in cash, in pesos, at the prevailing exchange rate at that time, or in kind.

On March 29, 2009, we signed an agreement with the Secretariat of Natural Resources of Neuquén to establish the methodology for calculating the royalties on gas. Royalties paid on natural gas produced by us and used in the generation of energy of our *Agua del Cajón* Power Plant are calculated at the maximum price authorized by the Secretariat of Energy for the valuation of gas used as raw material at our *Agua del Cajón* Power Plant.

Pursuant to the agreement entered in April 2017 with the province of Neuquén we will (i) continue to pay the province of Neuquén the same percentage of royalties as we currently do under the 2009 agreement for all wells, except those with production from geological formations designated as “shale gas” or “shale oil” or “schist or slate rocks”, and as from the year 2026, royalties are set to increase to 18%; (ii) with respect to unconventional wells with production from geological formations designated as “shale gas” or shale oil” or “schist or slate rocks” completed after the commencement of the new concession, we will pay a 12% royalty to the province of Neuquén.

Gas Liquid Sub-products (LPG)

The gas we extract from the *Agua del Cajón* area is rich in components, such as butane and propane. To maximize the use of these liquefiable components, we process the gas in our LPG Plant, which is owned by our subsidiary Servicios Buproneu. The LPG Plant is designed to process up to 2.4 MMm³ of gas per day using a cryogenic turbo-expansion process. At the LPG Plant, we produce propane, butane and stabilized gasoline. We sell propane and butane separately, and the stabilized gasoline is blended and sold together with crude oil.

For the year ended December 31, 2016, we produced approximately 34,000 tons of LPG (60% propane, 40% butane), representing an estimated 1.6% of Argentina’s total LPG production.

Propane production for the years ended April 30, 2016, 2015 and 2014 totaled 18,873 tons, 22,015 tons and 21,718 tons, respectively. Propane sales for the fiscal years ended April 30, 2016, 2015 and 2014 totaled Ps.50.8 million, Ps.57.5 million and Ps.43.8 million, respectively, representing 2.8%, 4.6% and 5.4% of our total net sales for these periods. Propane production for the nine-month periods ended January 31, 2017 and 2016 totaled 15,937 tons and 14,614 tons, respectively. Propane sales for the nine-month periods ended January 31, 2017 and 2016 totaled Ps.68.7 million and Ps.35.6 million, respectively, representing 3.2% and 3.0% of our total sales for these periods.

Butane production for the years ended April 30, 2016, 2015 and 2014 totaled 13,882 tons, 15,114 tons and 16,285 tons, respectively, and butane sales for the fiscal years ended April 30, 2016, 2015 and 2014 totaled Ps.36.7 million, Ps.40.2 million and Ps.35.1 million, representing 2.0%, 3.2% and 4.3% of our total net sales for these periods. Butane sales for the nine-month periods ended January 31, 2017 and 2016 totaled Ps.46.7 million and Ps.24.9 million, representing 2.2% and 2.1% of our total net sales for these periods.

Gasoline production for the years ended April 30, 2016, 2015 and 2014 totaled 28,022 m³, 27,644 m³ and 26,729 m³, respectively. Gasoline production for the nine-month periods ended January 31, 2017 and

2016 totaled 20,582 m³ and 21,081 m³, respectively. Given that gasoline is blended and sold with crude oil, we do not record sales of gasoline separately from sales of oil.

Reserves

On March 31 2017, independent international reserves certifiers DeGolyer and MacNaughton produced a reserves certification of the *Agua del Cajón* area as of December 31, 2016.

The table below presents a summary of the results of such reserves audit:

	Reserves ⁽¹⁾⁽¹¹⁾						Contingent Resources ⁽⁷⁾	
	Proved ⁽²⁾			Probable ⁽⁵⁾	Possible ⁽⁶⁾	1C ⁽⁸⁾		
	Developed ⁽³⁾	Undeveloped ⁽⁴⁾	Total					
Gas (in MMm ³) ⁽⁹⁾	3,578	1,559	5,137	1,046	260	15,315		
Oil (in Mm ³) ⁽¹⁰⁾	253	147	400	110	91	332		

Notes:—

- (1) Reserves set forth in this table were calculated prior to the 2017 extension of our concession over the *Agua del Cajón* area and therefore use year 2026 rather than year 2052 as the end date of the concession.
- (2) Proved reserves are those quantities of petroleum, which by analysis of geosciences and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods and government regulations.
- (3) Developed reserves are expected quantities to be recovered from existing wells and facilities.
- (4) Undeveloped reserves are quantities expected to be recovered through future investments.
- (5) Probable reserves are those additional reserves which analysis of geosciences and engineering data indicate are less likely to be recovered than proved reserves but more certain to be recovered than possible reserves.
- (6) Possible reserves are those additional reserves which analysis of geosciences and engineering data indicate are less likely to be recoverable than probable reserves.
- (7) Contingent resources are quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies.
- (8) 1C denote those quantities associated with technically feasible projects that are either currently economic or projected to be economic under reasonably forecasted improvements in commercial conditions but are not committed for development because of one or more contingencies.
- (9) Volume of gas at separator expressed in 9,300 Kcal per m³.
- (10) Includes condensate.
- (11) The reserves depicted in this table were also audited by licensed reserves certifier Mr. Héctor López on March 31, 2017.

Estimates of proved reserves presented in the DeGolyer and MacNaughton report have been prepared in compliance with SEC regulations. Estimates of probable and possible reserves and contingent resources presented in the DeGolyer and MacNaughton report have been prepared in accordance with the Petroleum Resources Management System (PRMS) approved by the Society of Petroleum Engineers (SPE), the World Petroleum Council, the American Association of Petroleum Geologists, and the Society of Petroleum Evaluation Engineers.

Renewable Energy

Diadema Wind Farm

The Argentine Patagonia, with its availability of strong winds and large undeveloped areas, is a suitable location for wind farm projects. In 2006, Hychico began activities related to the installation of the *Diadema* Wind Farm close to the city of Comodoro Rivadavia, province of Chubut. In 2008, after satisfactory completion of wind studies, Hychico acquired certain rights to install windmills in an oil and gas field operated by our controlling shareholder, CAPSA. Electricity generated at Hychico's wind farm is supplied to the national electricity grid pursuant to a power purchase agreement entered with CAMMESA. This power purchase agreement came into force on April 1, 2012, pursuant to the terms of Resolution 108/11 of the SE,

and provides for a commitment by CAMMESA to purchase up to 361,755MWh from us and a 15-year term, (whichever first) and a price of US\$115.896 per MWh, payable in pesos at the applicable exchange rate published by the Central Bank.

The table below shows the energy net sales from our *Diadema* Wind Farm, the percentage that such net sales represent of our total sales, energy sales expressed in GWh, and the average price received from the sale of electricity sold from our *Diadema* Wind Farm.

	For the Years Ended April 30,			Unaudited For the Nine-Month Periods Ended January 31,	
	2016	2015	2014	2017	2016
Energy net sales (in thousands of Ps.)	33,597	27,885	22,057	30,747	23,984
Energy net sales (as percentage of our total net sales)	1.8%	2.2%	2.7%	1.4%	2.0%
Energy sales (in GWh)	25.6	28.1	28.8	15.0	20.0
Prices for energy sales (in Ps. per MWh)	1,312.4	992.4	765.9	2,049.8	1,199.2
Prices for energy sales (in U.S.\$ per MWh) ⁽¹⁾	115.9	115.9	115.9	115.9	115.9

Note:—

(1) Pursuant to Resolution 108/11 of the SE we receive a price of US\$115.896 per MWh, payable in pesos at the applicable exchange rate published by the Central Bank.

Hydrogen and Oxygen Production

Hychico operates a separation plant for the production of hydrogen and oxygen in the province of Chubut. In 2008, Hychico acquired two 325 KV electrolyzers, each with an aggregate production capacity of 120 m3/h for hydrogen and 60 m3/h for oxygen, an oxygen compressor, a 1.4 MW gas engine generator, as well as hydrogen and oxygen storage systems. This pilot plant for hydrogen and oxygen production through the electrolysis of water was inaugurated in December 2008, and is operating at maximum capacity since May 2010.

We currently conduct two main businesses using our oxygen-hydrogen producing plant (i) *façon* services and (ii) oxygen sales. However, we believe that there is great potential for other applications which we are currently studying and which could result in further business for our plant.

Façon Services

Since March 1, 2009, Hychico has provided *façon* services (i.e. the provision of processing or transformation services over a raw material provided by a third party) at a price calculated pursuant to a formula included in such agreement to our controlling stockholder, CAPSA, pursuant to a supply agreement under which CAPSA delivers to Hychico up to 7,000 m³ of natural gas per day at 9,300 Kcal/Mmbtu. The *façon* services rendered by Hychico consist of providing energy at 1 MW/hour for each 270 m³ of gas received from CAPSA. Energy delivered by Hychico to CAPSA is obtained by adding hydrogen produced in the separation plant to the gas received from CAPSA. Hychico has committed to use 100% of its separation plant capacity and 100% of its hydrogen production to provide *façon* services for an 18-year period pursuant to the agreement with CAPSA.

The table below shows our net sale of *façon* services, the percentage that such net sales represent of our total sales, energy sales expressed in MWh, and the average price received for such services.

	For the Years Ended April 30,			Unaudited For the Nine-Month Periods Ended January 31,	
	2016	2015	2014	2017	2016
Façon net sales (in thousands of Ps.)	3,078	2,068	1,111	3,288	2,056

	For the Years Ended April 30,			Unaudited For the Nine-Month Periods Ended January 31,	
	2016	2015	2014	2017	2016
Façon net sales (as percentage of our total net sales).....	0.2%	0.2%	0.1%	0.2%	0.2%
Façon sales (in MWh).....	8.3	6.7	5.2	5.7	5.0
Average prices for façon sales (in Ps. per MWh).....	370.8	308.6	213.7	576.8	411.2
Average prices for façon sales (in U.S.\$ per MWh) ⁽¹⁾	32.5	36.3	32.8	37.9	40.1

Note:—

(1) Calculated using the average of the daily closing exchange rates for each of the relevant periods.

Oxygen Sales

Hychico's separation plant produces 30m³ of oxygen per hour. On November 18, 2008, Hychico entered into an agreement with Air Liquide Argentina S.A., which originally expired in 2014 and has been renegotiated and extended through May 31, 2018. Pursuant to this agreement, Hychico has committed to deliver and Air Liquide Argentina S.A. has committed to purchase on a "take or pay" basis up to 10,500 Nm³ of oxygen per month at an average price of U.S.\$1/Nm³, to be adjusted on a monthly basis. Hychico is also given the priority for the sale of incremental volumes of oxygen in the province of Chubut.

Oxygen sales for the fiscal years ended April 30, 2016, 2015 and 2014 totaled Ps.1 million, Ps.0.8 million and Ps.0.6 million, respectively, representing 0.1% of our total net sales in each respective year. Oxygen sales for the nine-month periods ended January 31, 2017 and 2016 totaled Ps.1.5 million and Ps.0.7 million, respectively, representing 0.1% and 0.1% of our total sales for these periods.

The Green Methane Business

We believe that there is great potential in the renewable energy field and due to our research in connection with our Hychico hydrogen-oxygen plant, we consider we are well placed to take advantage of such opportunity. In particular, we are exploring the possibility of using hydrogen as an energy carrier. We are currently conducting research into how to store hydrogen into depleted hydrocarbon reservoirs as a means of storing energy. We are also studying the possibility of creating "green" methane by injecting hydrogen in depleted reservoirs and combining it with carbon dioxide through microbial action taking advantage of the big volumes and geothermic energy involved in the reservoirs. Such methane could then be used for a number of applications, such as fueling turbines and heating, among others.

We have partnered with the French Institute for Geologic and Mining Investigation through a scientific-technological contribution agreement, for the institute to advise on our "Green Methane" project.

Additional Wind Farm Business

We are also currently looking into expanding our wind farm business in order to supply more energy to the system. The Argentine energy sector must grow to cover unsatisfied demand at peak times, and significant investments are needed in order to meet that challenge. The energy market in Argentina is characterized by increasing demand for electric power, coupled with aging, inefficient generating capacity and high operating costs, which has created a very narrow demand and supply gap at peak times and the current administration has focused on the development of renewable sources, including wind generation, to address this gap.

THE OFFERING

The following is a brief summary of certain terms of this offering. It does not contain all the information that is important to you. For a more complete understanding of this offering, you should read the entire offering memorandum, including “Description of the Notes.”

Issuer	CAPEX S.A.
Notes Offered	U.S.\$300,000,000 of 6.875% Notes due 2024.
Offering Price	100.00%, plus accrued interest, if any, from May 15, 2017.
Maturity Date	May 15, 2024.
Interest Rate	The Notes will accrue interest at a rate of 6.875% per year, Interest will accrue from the issue date of the Notes.
Interest Payment Dates	May 15 and November 15 of each year, commencing on November 15, 2017.
Ranking	The Notes will constitute our direct, unsecured and unsubordinated obligations and will rank <i>pari passu</i> in right of payment with all of our unsecured and unsubordinated indebtedness, except as otherwise provided by law. The Notes will be effectively subordinated to any of our secured indebtedness to the extent of the value of the assets securing such obligations. The Notes will be structurally subordinated to the indebtedness of our subsidiaries. As of January 31, 2017, we had consolidated total indebtedness of Ps.3,573.7 million (U.S.\$224.7 million) of which Ps.126.1 million (U.S.\$7.7 million) were secured. In addition, as of January 31, 2017, our subsidiaries had total indebtedness in an aggregate principal amount of U.S.\$7.7 million. As adjusted to give effect to the issuance of the notes and the use of the net proceeds of this offering, we expect to have approximately Ps.5,107.6 million (U.S.\$321.3 million) of consolidated indebtedness, of which none is expected to be secured.
Additional Amounts	We will make payments in respect of the Notes without withholding or deduction for any taxes or other governmental charges imposed by Argentina, or any political subdivision or any taxing authority thereof. In the event that such withholdings or deductions are required by law, we will, subject to certain exceptions, pay such additional amounts to ensure that the holders receive the same amount as the holders would otherwise have received in respect of payments on the Notes in the absence of such withholdings or deductions. See “Description of the Notes—Additional Amounts.”
Optional Redemption Without a Make Whole Premium	We may redeem all or part of the Notes at any time and from time to time on or after May 15, 2021 at the redemption prices set forth in “Description of the Notes—Optional Redemption—Optional Redemption without a Make-Whole Premium,” plus accrued and unpaid interest thereon, if any, to the applicable redemption date. See “Description of the Notes—Optional Redemption—Optional Redemption without a Make-Whole Premium”.

Optional Make-Whole Redemption	We may redeem the Notes, in whole but not in part, at any time prior to May 15, 2021, in an amount equal to 100% of the principal amount thereof, plus accrued and unpaid interest to the redemption date and a Make-Whole Premium. See “Description of the Notes—Optional Redemption—Optional Redemption with Make-Whole Premium”.
Optional Redemption with Proceeds of Equity Offerings	At any time prior to May 15, 2021, we may redeem up to 35% of the original principal amount of the Notes with the proceeds of certain equity offerings at a redemption price of 106.875% of the principal amount of the Notes thereof, plus accrued and unpaid interest to the redemption. See “Description of the Notes—Optional Redemption—Optional Redemption with Proceeds of Equity Offerings.”
Optional Redemption Upon Tax Event.....	We may redeem the Notes, in whole but not in part, at a price equal to 100% of the principal amount plus accrued and unpaid interest and any additional amounts, upon the occurrence of certain changes in Argentine tax law. See “Description of the Notes—Optional Redemption—Optional Redemption upon Tax Event.”
Change of Control.....	Upon the occurrence of a Change of Control (as defined in “Description of the Notes”), we may be required to make an offer to purchase all or a portion of the Notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest thereon through the purchase date. See “Description of the Notes—Change of Control.”
Certain Covenants	The Indenture governing the Notes limits our and our restricted subsidiaries’ ability to, among other things: <ul style="list-style-type: none"> • incur additional indebtedness; • pay dividends and make other restricted payments; • place limitations on dividends and other payments by our restricted subsidiaries; • incur liens; • make certain investments; • sell assets outside the ordinary course of business; • engage in transactions with affiliates; and • merge, consolidate or transfer all or substantially all our assets. These covenants are subject to a number of important qualifications and exceptions. In addition, if the Notes obtain investment grade ratings by at least two rating agencies and no default has occurred and is continuing, certain of the foregoing covenants will cease to be in effect for so long as the Notes maintain such ratings. See “Description of the Notes—Certain Covenants.”
Use of Proceeds	We will apply the net proceeds from the sale of the Notes under this offering memorandum, in compliance with the requirements of Article 36 of the Negotiable Obligations

	Law, and other applicable Argentine regulations, (i) to invest in fixed assets in Argentina, (ii) as working capital in Argentina; (iii) to refinance our existing debt; (iv) to make capital contributions to our subsidiaries and affiliates, to be used for the purposes described in (i) to (iii). In particular, we will use the net proceeds of the offering to purchase and/or redeem our U.S.\$200,000,000 10% Class I Notes due 2018 (the “Class I Notes”), and for other general corporate purposes. See “Use of Proceeds” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Financial Liabilities.”
Book Entry; Form and Denominations; Minimum Subscription Amount	The Notes will be issued in the form of one or more global notes without coupons, registered in the name of a nominee of DTC, as depositary, for the accounts of its direct and indirect participants including Clearstream and Euroclear. The Notes will be issued in minimum denominations of U.S.\$1,000 and integral multiples thereof. See “Description of the Notes—Book-Entry; Delivery and Form.” This offering will require a minimum subscription amount of U.S.\$150,000.
Listing	We have applied to have the Notes listed on BYMA and on the Luxembourg Stock Exchange as well as to trading on the MAE and on the Euro MTF Market.
Transfer Restrictions	We have not registered the Notes under the Securities Act. The Notes are subject to restrictions on transfer and may only be offered in transactions exempt from or not subject to the registration requirements of the Securities Act. See “Transfer Restrictions.”
Governing Law	Each of the Notes and the Indenture shall be governed by, and construed in accordance with, the laws of the State of New York. Notwithstanding the foregoing, all matters relating to the issuance and initial delivery of the Notes, such as the capacity and corporate authorizations of the Company to execute and deliver the Notes, the authorization of the CNV for the establishment of the Program and the public offering of the Notes in Argentina, and the requirements to qualify the Notes as non-convertible <i>obligaciones negociables</i> are governed by, and shall be construed in accordance with, the Negotiable Obligations Law, together with Argentine Law No. 19,550, as amended, and other applicable Argentine laws and regulations.
Initial Purchasers	Deutsche Bank Securities Inc., J.P. Morgan Securities LLC, BBVA Securities Inc and Itau BBA USA Securities, Inc.
Argentine Placement Agents	BACS Banco de Crédito y Securitización S.A., Banco CMF S.A., and Banco Hipotecario S.A.
Trustee, Co-Registrar, Principal Paying Agent and Transfer Agent	The Bank of New York Mellon

Local Registrar, Local Paying Agent, Local Transfer Agent and Representative of the Trustee in Argentina.....	Banco Santander Río S.A.
Luxembourg Listing Agent.....	The Bank of New York Mellon SA/NV, Luxembourg Branch
Risk Factors.....	You should carefully consider all of the information in this offering memorandum. See “Risk Factors” in this offering memorandum for a description of the principal risks involved in making an investment in the Notes.

SUMMARY FINANCIAL DATA

The following tables present our summary financial information as of and for the periods indicated. Financial information as of and for the years ended April 30, 2016, 2015 and 2014 is derived from and should be read together with our Audited Annual Financial Statements included in this offering memorandum. Financial information as of and for the nine-month periods ended January 31, 2017 and 2016 is derived from and should be read together with our Unaudited Interim Financial Statements included in this offering memorandum.

Our Financial Statements and other financial information included in this offering memorandum, unless otherwise specified, are stated in pesos. The U.S. dollar amounts set forth below are conversions from the peso amounts, included solely for the convenience of the reader. These conversions should not be construed as representations that the peso amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated or at any other rate. Unless otherwise indicated, we have translated U.S. dollar amounts in this offering memorandum at the exchange rate of Ps.15.897 to U.S.\$1.00, which was the selling rate published by Banco Nación on January 31, 2017. Income statement items have been translated at the average of the daily closing rates for each of the days of the relevant period and balance sheet items have been translated at the period-end closing rate. See “Exchange Rates and Exchange Controls” for information regarding the rates of exchange between the peso and the U.S. dollar.

For additional information regarding financial information presented in this offering memorandum, see “Presentation of Financial and Other Information.”

Statement of Income	For the Years Ended April 30,				Unaudited For the Nine-Month Periods Ended January 31,		
	2016 ⁽¹⁾	2016	2015	2014	2017 ⁽²⁾	2017	2016
	(in thousands of U.S.\$)		(in thousands of Ps.)		(in thousands of U.S.\$)		(in thousands of Ps.)
Net sales.....	165,305.0	1,844,804.3	1,260,911.7	816,212.3	142,724.7	2,145,152.1	1,201,722.0
Cost of sales.....	(55,513.2)	(619,527.7)	(473,719.5)	(339,523.8)	(45,392.8)	(682,253.2)	(448,565.9)
Gross profit.....	109,791.8	1,225,276.6	787,192.1	476,688.5	97,331.9	1,462,898.9	753,156.1
Exploration Expenses.....	(6,873.7)	(76,710.6)	(174,860.3)	—	—	—	—
Selling expenses.....	(22,778.7)	(254,210.7)	(170,351.3)	(120,730.3)	(22,156.3)	(333,009.8)	(171,195.4)
Administrative expenses.....	(11,640.3)	(129,906.1)	(91,527.8)	(65,428.6)	(8,791.9)	(132,142.4)	(95,316.8)
Other operating (expenses)/income, net	(85.3)	(952.1)	1,298.7	13,633.9	115.1	1,730.6	102.0
Operating income.....	68,413.7	763,497.0	351,751.3	304,163.6	66,498.8	999,477.4	486,745.9
Financial income.....	35,865.3	400,256.3	127,500.4	151,905.3	14,448.5	217,160.9	358,280.7
Financial costs.....	(139,906.3)	(1,561,354.3)	(474,939.8)	(827,207.3)	(45,963.8)	(690,836.5)	(1,379,685.2)
Other financial income.....	40.9	456.9	69.5	1,492.9	(84.0)	(1,262.5)	546.7
Results before income tax.....	(35,586.4)	(397,144.1)	4,381.5	(369,645.5)	34,899.5	524,539.2	(534,112.0)
Tax on assets.....	—	—	(431.6)	3,801.3	—	—	—
Income tax expense.....	12,295.5	137,218.3	(3,562.0)	140,426.5	(12,395.0)	(186,297.2)	185,743.0
Net result for year/period.....	(23,290.8)	(259,925.8)	387.9	(225,417.8)	22,504.5	338,242.1	(348,369.0)
Items that will not be reclassified to profit or loss							
Other comprehensive results.....	94,085.6	1,049,995.8	743,518.1	—	83,300.8	1,252,011.6	—
Comprehensive Results for the year/period...	70,794.8	790,070.0	743,906.0	(225,417.8)	105,805.3	1,590,253.7	(348,369.0)
Adjusted EBITDA ⁽³⁾	99,767.9	1,113,410.0	732,592.2	441,755.5	90,374.4	1,358,326.5	697,166.0
Adjusted EBITDA margin ⁽⁴⁾	—	60.4%	58.1%	54.1%	—	63.3%	58%
Current liquidity ratio ⁽⁵⁾	—	2.30	1.51	0.77	—	3.55	1.53
Solvency ratio ⁽⁶⁾	—	0.37	0.33	0.12	—	0.59	0.16
Capital immobilization ratio ⁽⁷⁾	—	0.75	0.80	0.86	—	0.78	0.80

Notes:—

- (1) We have translated U.S. dollar amounts at the average of the daily closing exchange rates for the fiscal year ended April 30, 2016, of Ps.11.16 per U.S. dollar, published by Banco Nación.
- (2) We have translated U.S. dollar amounts at the average of the daily closing exchange rates for the nine-month period ended January 31, 2017, of Ps.15.03 per U.S. dollar, published by Banco Nación.
- (3) We calculate Adjusted EBITDA as operating income plus depreciation of property, plant and equipment plus Exploration Expenses, the latter to the extent included in operating income.
- (4) Adjusted EBITDA margin is the ratio of Adjusted EBITDA over net sales.
- (5) Current Assets/Current Liabilities
- (6) Shareholders' Equity/Total Liabilities
- (7) Non-Current Assets/Total Assets

The following table presents, for the periods indicated, our calculation of Adjusted EBITDA:

Statement of Income	For the Years Ended April 30,				Unaudited For the Nine-Month Periods Ended January 31,		
	2016 ⁽¹⁾	2016	2015	2014	2017 ⁽²⁾	2017	2016
	(in thousands of U.S.\$)	(in thousands of Ps.)			(in thousands of U.S.\$)	(in thousands of Ps.)	
Operating Income	68,413.7	763,497.0	351,751.3	304,163.6	66,498.8	999,477.4	486,745.9
Exploration Expenses	6,873.7	76,710.6	174,860.3	—	—	—	—
Depreciation of property, plant and equipment	24,480.5	273,202.4	205,980.5	137,591.9	23,875.5	358,849.1	210,420.2
Adjusted EBITDA	99,767.9	1,113,410.0	732,592.2	441,755.5	90,374.4	1,358,326.5	697,166.0

Notes:—

- (1) We have translated U.S. dollar amounts at the average of the daily closing exchange rates for the fiscal year ended April 30, 2016, of Ps.11.16 per U.S. dollar, published by Banco Nación.
- (2) We have translated U.S. dollar amounts at the average of the daily closing exchange rates for the nine-month period ended January 31, 2017, of Ps.15.03 per U.S. dollar, published by Banco Nación.

Balance Sheet	As of						
	April 30,				Unaudited January 31,		
	2016 ⁽¹⁾	2016	2015	2014	2017 ⁽²⁾	2017	2016
Non-current assets							
Property, plant and equipment	319,547.4	4,553,549.8	2,646,497.5	1,670,638.6	424,604.4	6,749,936.9	2,824,900.1
Financial instruments at amortized cost	—	—	354,415.9	319,741.9	4.7	75.0	555,642.8
Spare parts and materials	11,248.9	160,296.5	68,755.8	53,117.1	6,900.2	109,692.6	148,669.8
Net deferred income tax	1,699.3	24,214.7	14,984.3	17,221.2	1,456.6	23,155.5	
Other receivables.....	7,969.8	113,570.3	76,087.9	58,706.4	4,805.5	76,393.5	113,594.7
Trade receivables	7,048.8	100,444.9	54,988.6	16,587.4	9,241.1	146,906.5	90,189.3
Total non-current assets.....	347,514.1	4,952,076.2	3,215,730.0	2,136,012.5	447,012.7	7,106,160.1	3,732,996.7
Current assets							
Spare parts and materials.....	3,308.1	47,140.4	20,252.8	16,396.4	2,182.8	34,700.0	44,539.4
Inventories	229.8	3,274.5	566.3	911.2	147.4	2,342.6	2,119.3
Other receivables.....	7,288.2	103,856.7	71,104.9	48,086.8	5,689.5	90,446.0	80,269.8
Trade receivables	49,057.9	699,074.5	332,069.7	219,937.8	29,197.6	464,154.6	474,994.3

Balance Sheet	As of						
	April 30,				Unaudited January 31,		
	2016 ⁽¹⁾ (in thousands of U.S.\$)	2016 (in thousands of Ps.)	2015	2014	2017 ⁽²⁾ (in thousands of U.S.\$)	2017 (in thousands of Ps.)	2016
Financial instruments at amortized cost							
Financial instruments at amortized cost.....	39,915.8	568,800.0	—	—	7,529.0	119,688.0	—
Cash and cash equivalents	17,152.7	244,425.6	392,703.5	51,783.5	83,363.7	1,325,233.2	358,037.7
Total current assets	116,952.4	1,666,571.6	816,697.2	337,115.7	128,110.0	2,036,564.4	959,960.4
Total assets	464,466.5	6,618,647.8	4,032,427.1	2,473,128.2	575,122.6	9,142,724.5	4,692,957.1
Non-current liabilities							
Trade payables	2,328.2	33,176.2	20,010.6	16,713.7	2,415.3	38,395.8	30,471.9
Financial liabilities	221,234.6	3,152,592.9	1,988,232.8	1,675,878.2	215,466.0	3,425,262.4	3,103,007.6
Net deferred tax liabilities	63,706.0	907,810.8	475,298.0	75,032.5	107,209.7	1,704,312.0	271,350.9
Provisions and other charges	227.7	3,244.4	2,367.4	1,810.5	171.8	2,730.3	1,641.0
Total non-current liabilities	287,496.4	4,096,824.2	2,485,908.9	1,769,435.0	325,262.7	5,170,700.5	3,406,471.3
Current liabilities							
Trade payables	23,843.1	339,763.8	222,677.9	175,944.0	15,135.9	240,614.8	236,567.8
Derivative financial instruments.....	—	—	—	2,424.9	—	—	—
Financial liabilities	16,714.8	238,186.2	230,389.3	207,203.9	9,335.7	148,409.3	296,558.8
Salaries and social security contributions	3,569.2	50,861.3	40,094.5	30,017.0	2,806.0	44,607.2	32,003.6
Tax payables	2,796.7	39,852.6	25,926.1	16,979.6	5,780.4	91,891.0	26,035.1
Other liabilities.....	3,920.1	55,861.0	20,201.7	7,801.2	2,984.8	47,449.3	36,460.7
Total current liabilities	50,843.8	724,524.8	539,289.5	440,370.5	36,042.7	572,971.6	627,626.0
Total liabilities	338,340.3	4,821,349.0	3,025,198.4	2,209,805.5	361,305.4	5,743,672.0	4,034,097.3
Non-controlling interest	736.2	10,490.7	9,062.7	5,053.9	1,511.9	24,034.9	8,489.8
Total Shareholders' equity	126,126.2	1,797,298.8	1,007,228.7	263,322.7	213,817.2	3,399,052.5	658,859.8
Total Shareholder's equity and liabilities	464,466.5	6,618,647.8	4,032,427.1	2,473,128.2	575,122.6	9,142,724.5	4,692,957.1

Notes:—

- (1) We have translated U.S. dollar amounts at the exchange rate of Ps.14.25 to U.S.\$1.00, which was the selling rate published by Banco Nación on April 30, 2016.
- (2) We have translated U.S. dollar amounts at the exchange rate of Ps.15.897 to U.S.\$1.00, which was the selling rate published by Banco Nación on January 31, 2017.

RISK FACTORS

An investment in the Notes involves a high degree of risk. Prospective investors should carefully consider the risks described below before making an investment decision. Our business, financial condition and results of operations, including our ability to repay the Notes, could be materially and adversely affected by any of these risks. In particular, our operations and earnings are subject to risks as a result of changes in competitive, economic, political, legal, regulatory, social, industrial, business and financial conditions. The trading price of the Notes could decline due to any of these risks, and investors may lose all or part of their investment. The risks described below are those known to us and that we currently believe may materially affect us. Additional risks not presently known to us or that we currently consider immaterial may also impair our business.

This offering memorandum also contains forward-looking statements that involve risks and uncertainties. See “Forward-Looking Statements.” Our actual results could differ materially and adversely from those anticipated in these forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this offering memorandum.

Risks Relating to Argentina

We are highly dependent on macroeconomic conditions in Argentina

Our business and financial results depend to a significant degree on macroeconomic, political, regulatory and social conditions in Argentina. We are a corporation organized under the laws of Argentina and substantially all of our operations, assets and revenues are located in or derived from Argentina. The Argentine economy has experienced significant volatility in recent decades, characterized by periods of low or negative growth, high levels of inflation and currency devaluation, and may experience further volatility in the future.

During 2001 and 2002, Argentina experienced a period of severe political, economic and social crisis, which caused a significant economic contraction and led to radical changes in government policies. Among other consequences, the crisis resulted in Argentina defaulting on its sovereign foreign debt obligations, a significant devaluation of the peso and ensuing inflation, and the introduction of emergency measures that have affected many sectors of the economy, and the energy sector in particular. These emergency measures and other economic policies have included, among others, foreign exchange and capital controls, export duties and restrictions, price controls, and government intervention in the private sector and nationalizations. As a result of the crisis and the government’s response, many private sector debtors with foreign currency exposure defaulted on their outstanding debt.

Although Argentina has largely recovered from the 2001-2002 crisis, the pace of growth of Argentina’s economy diminished, suggesting uncertainty as to whether the growth experienced between 2003 and 2011 was sustainable, and the economy suffered a sustained erosion of capital investment. Economic growth was initially fueled by a significant devaluation of the peso, the availability of excess production capacity resulting from a long period of deep recession and high commodity prices. During 2008 and 2009, however, the Argentine economy suffered a slowdown attributed to local and external factors, including the effects of the global economic crisis and an extended drought affecting agricultural activities. Economic conditions in Argentina from 2012 to 2015 included a tightening of foreign exchange controls (beginning in the second half of 2011), increased inflation, a rising fiscal deficit and limitations on Argentina’s ability to service its sovereign debt in accordance with its terms due to its litigation with holdout creditors, which was settled in 2016. In addition, there is an increasing need for capital investment, with many sectors, particularly the energy sector, operating near full capacity. A decline in international demand for Argentine products, the loss of competitiveness of Argentine products and services vis à vis other markets, a decline in confidence among consumers and foreign and domestic investors, a higher rate of inflation and future political uncertainties, among other factors, may affect the development of the Argentine economy. More recently the economy has shown signs of a slowdown, primarily due to the decline in global commodity prices and adverse conditions in Brazil, a principal trading partner.

Volatility in the Argentine economy and measures taken by the Argentine government have had and are expected to continue to have a significant impact on us. As in the recent past, Argentina's economy may be adversely affected if political and social pressures inhibit the implementation by the present Argentine government of policies designed to control inflation, generate growth and enhance consumer and investor confidence, or if policies implemented by the Argentine government that are designed to achieve these goals are not successful. We cannot provide any assurance that future economic, social and political developments in Argentina, over which we have no control, will not impair our business, financial condition and results of operations.

Political developments in Argentina could adversely affect the Argentine economy and the energy sector in particular

Presidential and congressional elections in Argentina took place and a runoff election (*ballotage*) between the two leading presidential candidates was held on November 22, 2015, which resulted in Mr. Mauricio Macri being elected President of Argentina. The Macri administration assumed office on December 10, 2015.

Since assuming office, the Macri administration has announced and implemented several significant economic and policy reforms, including:

- *INDEC reforms.* On January 2016, based on its determination that the national statistics office (the “INDEC”) had failed to produce reliable statistical information, the Macri administration declared the national statistical system and the INDEC in a state of administrative emergency. INDEC is implementing certain methodological reforms and adjusting certain macroeconomic statistics on the basis of these reforms which enabled a readjustment of Argentine duties towards the International Monetary Fund (the “IMF”). On June 15, 2016, INDEC began publishing inflation rates. Using its new methodology for calculating the consumer price index (the “CPI”), inflation from May to December 2016 was 16.9%. On June 29, 2016, INDEC also published revised gross domestic product (the “GDP”) data for the years 2004 through 2015. On September 22, 2016, INDEC resumed publication of its essential goods and services basket assessment. See “—Continuing high inflation may have a negative effect on our financial performance.” On November 9, 2016, the Executive Board of the IMF lifted its censure on Argentina, noting that Argentina had resumed the publication of data in a manner consistent with its obligations under the Articles of Agreement of the IMF. See “—Risks Related to Argentina—The credibility of several Argentine economic indexes has been called into question, which may lead to a lack of confidence in the Argentine economy and may in turn limit our ability to access the credit and capital markets.”
- *Agreement with holdout creditors.* The Macri administration has settled the substantial majority of outstanding claims brought by holdout creditors and has issued sovereign bonds in the international financial markets. As of June 30, 2016 the outstanding debt with holdout creditors was approximately U.S.\$0.9 billion. See “—Risks Related to Argentina—Availability of funding alternatives from international markets could hamper the implementation of reforms and public policies to promote economic growth, which could adversely affect the Argentine economy and our business.”
- *Foreign exchange reforms.* The Macri administration eliminated substantially all of the foreign exchange restrictions, including certain currency controls, that were imposed by the previous administration; these reforms are expected to provide greater flexibility and easier access to the MULC. See “Exchange Rates and Exchange Controls.”
- *Foreign trade reforms.* The Macri administration has eliminated or reduced export duties on several agricultural products, eliminated export duties on most industrial and mining exports and reduced import duties on electronics such as laptop computers.
- *Fiscal policy.* The Macri administration took steps to anchor the fiscal policy looking to reduce the primary fiscal deficit through a series of tax and other measures, and has announced its intention to

reduce the primary deficit in 2017, in part by eliminating public services subsidies currently in place, such as those applying to electricity and gas services.

- *Correction of monetary imbalances.* The Macri administration has adopted an inflation targeting regime in parallel with the floating exchange rate regime and set inflation targets for the next four years. The Central Bank has increased stabilization efforts to reduce excess monetary imbalances and raised peso interest rates to offset inflationary pressure. In addition, since January 2017, the Central Bank no longer uses the 35-day Lebac interest rate as its main policy instrument, but, instead, uses the seven-day interbank lending rate as a reference rate, which the Central Bank is to determine weekly. See “—Continuing high inflation may have a negative effect on our financial performance.”
- *Tax Amnesty Law:* In July 2016, the *Régimen de Sinceramiento Fiscal* (the “Tax Amnesty Law”) was introduced to promote the voluntary declaration of assets by Argentine residents. The law allowed Argentine tax residents holding undeclared funds or assets located in Argentina or abroad to (i) declare such property until March 31, 2017 without facing prosecution for tax evasion or being required to pay outstanding tax liabilities on the assets, provided they can provide evidence that the assets were held by certain specified cut-off dates, and (ii) keep the declared property outside Argentina and not repatriate such property to Argentina. In the case of cash that was not deposited in bank accounts by the specified cut-off dates, such amounts had to be disclosed by October 31, 2016 and deposited by November 21, 2016 in special accounts opened at Argentine financial entities. As of December 31, 2016, assets totaling approximately, Ps.97.8 billion had been declared pursuant to which the Government raised Ps.106.8 billion in the special tax established by such law.
- *National electricity state of emergency and reforms.* The Macri administration declared a state of emergency with respect to the national electrical system, which will remain in effect until December 31, 2017. The state of emergency will allow the Argentine government to take actions designed to ensure the supply of electricity to the country, such as instructing the Ministry of Energy and Mining to design and implement, with the cooperation of all federal public entities, a coordinated program to guarantee the quality and security of the electricity system. In addition, the Macri administration announced the elimination of certain energy subsidies currently in effect and a substantial increase in electricity rates. By correcting tariffs, modifying the regulatory framework and reducing the Argentine government’s role as an active market participant, the Macri administration aims to correct distortions in the energy sector and stimulate investment. However, these measures have caused and may continue to cause unrest and result in judicial involvement, which may reduce the effectiveness of such measures. See “—Risks Factors Related to Power Generation—The Argentine government has intervened in the electricity sector in the past, and is likely to continue intervening”

Some of the measures proposed by the Macri administration may generate political and social opposition, which may in turn prevent the new government from adopting such measures as proposed. Political parties opposed to the Macri administration retained a majority of the seats in both chambers of the Argentine Congress in the recent elections, which will require the Macri administration to continue to seek political support from the opposition for its economic proposals. Additionally, legislative elections will be held in October 2017. Such circumstance creates further uncertainty in the ability of the Macri administration to pass legislation required to implement its proposals.

The fiscal, monetary and currency adjustments undertaken by the Macri administration may subdue growth in the short-term. For example, immediately after the foreign exchange controls were lifted on December 16, 2015, the dismantling of the multiple exchange regime resulted in the official peso exchange rate (available only for certain types of transactions) falling in value by 36.4%, as the peso-U.S. dollar exchange rate reached Ps.13.4 to U.S.\$1.00 on December 17, 2015. As of December 30, 2016, the peso-U.S. dollar exchange rate was Ps.15.89 to U.S.\$1.00.

As of the date of this offering memorandum, the impact that these measures and any future measures taken by the Macri administration will have on the Argentine economy as a whole and the energy sector in particular cannot be predicted. In particular, we have no control over the implementation, nor can predict the

outcome, of the reforms to the regulatory framework that governs our operations and cannot guarantee that these reforms will be implemented or implemented in a manner that will benefit our business. The failure of these measures to achieve their intended goals could adversely affect the Argentina economy and our ability to service our debt obligations, including the Notes.

Significant fluctuations in the value of the peso could negatively affect the Argentine economy and our financial performance

With the tightening of exchange controls beginning in late 2011, in particular with the introduction of measures that limited access to foreign currency by private companies and individuals (such as requiring an authorization of tax authorities to access the foreign currency exchange market), the implied exchange rate, as reflected in the quotations for Argentine securities that trade in foreign markets, compared to the corresponding quotations in the local market, increased significantly over the official exchange rate. Certain foreign exchange restrictions were lifted in December 2015 and, as a result, the substantial spread between the official exchange rate and the implicit exchange rate derived from securities transactions has substantially decreased. See “Exchange Rates and Exchange Controls.”

After several years of relatively moderate variations in the nominal exchange, the Argentine peso depreciated 14.3% against the U.S. dollar in 2012, 32.4% in 2013, and 30.6% in 2014, including a loss of 22.4% in the month of January, based on official exchange rates as reported by the Argentine Central Bank. In 2015, the peso depreciated 52.4% against the U.S. dollar primarily after the lifting of certain foreign exchange restrictions in the month of December. Since the devaluation in December 2015, the Argentine Central Bank has allowed the peso to float and significantly limited interventions to those needed to ensure the orderly functioning of the foreign exchange market. In 2016, the peso depreciated 20.4% against the U.S. dollar. As of April 28, 2017, the exchange rate was Ps.15.40 to U.S.\$1.00. We are unable to predict the future value of the peso against the U.S. dollar. If the peso continues to devalue, all or some of the negative effects on the Argentine economy related to such devaluation could reappear.

Conversely, a substantial increase in the value of the peso against the U.S. dollar also presents risks for the Argentine economy. A significant real appreciation of the peso would adversely affect exports, which could have a negative effect on GDP growth and employment, as well as reduce the Argentine public sector’s revenues by reducing tax collection in real terms, given its current heavy reliance on taxes on exports.

A substantial portion of our revenues are tied to the U.S. dollar, while a majority of our costs are denominated in pesos. Consequently, variations in the rate of exchange between the U.S. dollar and the peso that do not necessarily track the variations in our costs could have a negative effect on our financial condition and results of operations.

The credibility of several Argentine economic indexes has been called into question, which may lead to a lack of confidence in the Argentine economy and may in turn limit our ability to access the credit and capital markets

Since 2007, the INDEC has experienced a process of institutional and methodological reforms that have given rise to controversy with respect to the reliability of the information that it produces including inflation, GDP and unemployment data. As a result, the credibility of the CPI, as well as other indexes published by the INDEC has been affected, with allegations that the inflation rate in Argentina and the other rates calculated by INDEC could be substantially different than as indicated in official reports.

Reports published by the IMF state that their staff uses alternative measures of inflation for macroeconomic surveillance, including data produced by private sources, which have shown inflation rates considerably higher than those published by the INDEC since 2007. The IMF has also censured Argentina for failing to make sufficient progress, as required under the Articles of Agreement of the IMF, in adopting remedial measures to address the quality of official data, including inflation and GDP data.

In February 2014, the INDEC released a new inflation index, known as National Urban Consumer Price Index (*Índice de Precios al Consumidor Nacional Urbano*) that measures prices on goods across the country

and replaces the previous index that only measured inflation in the urban sprawl of the City of Buenos Aires. Even though the new methodology brought inflation statistics closer to those estimated by private sources, material differences between recent official inflation data and private estimates remained during 2015.

However, during December 2015 and January 2016, the new administration declared the national statistical system and the INDEC in state of administrative emergency through December 31, 2016, and announced that the INDEC will implement certain methodological reforms and adjust certain macroeconomic statistics on the basis of these reforms. Accordingly, the new head of the INDEC announced the decision to temporarily suspend the publication of official data on prices, poverty, unemployment and GDP until a full review of the institution was completed. In the meantime, the Macri administration released an alternative CPI index based on data from the City of Buenos Aires and the province of San Luis. In June 2016 the INDEC resumed its CPI publications and revised GDP data for the years 2006 through 2015. Among other adjustments, in calculating GDP for 2004, the INDEC made changes to the composition of GDP that resulted in a downward adjustment of approximately 12% for that year. In calculating real GDP for subsequent years based on the revised 2004 GDP, the INDEC used deflators that are consistent with its revised methodology to calculate inflation. By understating inflation in the past, the INDEC had overstated growth in real terms. The adjustments made by the INDEC result in a determination of real GDP growth for the period 2004-2015 of 48.6%, as opposed to a 63% growth in real terms for the same period resulting from the information used prior to June 2016. Despite these reforms that have been approved by the IMF, there remains uncertainty as to whether official data and measurement procedures sufficiently reflect inflation in the country, and what effect these reforms will have on the Argentine economy.

As of the date of this offering memorandum, the impact that these measures and other future measures taken by the Macri administration with respect to the INDEC could have on the Argentine economy and investors' perception of the country cannot be predicted.

Continuing high inflation may have a negative effect on the Argentine economy and on our financial performance

Inflation has, in the past, materially undermined the Argentine economy and the government's ability to foster conditions that would permit stable growth. In recent years, Argentina has confronted inflationary pressures, evidenced by significantly higher fuel, energy and food prices, among other factors. In response, the prior Argentine administration implemented programs to control inflation and monitor prices for essential goods and services, including freezing the prices of key products and services (including electricity tariffs), and price support arrangements agreed between the Argentine government and private sector companies in several industries and markets.

Inflation rates could escalate in the future, and there is uncertainty regarding the effects that the measures adopted, or that may be adopted in the future, by the Argentine government to control inflation may have. If inflation remains high or continues to rise, Argentina's economy may be negatively impacted and our results of operations could be materially affected.

Availability of funding alternatives from international markets could hamper the implementation of reforms and public policies to promote economic growth, which could adversely affect the Argentine economy and our business

Argentina's 2001 sovereign default and its failure to fully restructure its sovereign debt and negotiate with the holdout creditors has limited and may continue to limit Argentina's ability to access international financing. In 2005, Argentina completed the restructuring of a substantial portion of its indebtedness and settled all of its debt with the IMF. Additionally, in June 2010, Argentina completed the restructuring of a significant portion of the defaulted bonds that were not swapped in the 2005 restructuring. As a result of debt exchanges in 2005 and 2010, Argentina restructured approximately 91% of its defaulted debt that was eligible for restructuring. Holdout bondholders that declined to participate in the restructurings, however, filed lawsuits against Argentina in several countries, including the United States. Since late 2012, rulings from courts in the United States favorable to holdout bondholders exacerbated investors' concerns about investing in the country.

In November 2012, the United States District Court for the Southern District of New York ratified the injunction order issued on February 23, 2012, which held that Argentina had violated the *pari passu* clause with respect to the bondholders that had not participated in the sovereign debt swaps in 2005 and 2010, and as a consequence was required pursuant to the District Court's ruling to pay 100% of the amounts due to the plaintiffs together with the payment of the amounts due on the next maturity date to bondholders who had participated in the debt swaps. In June 2014, the U.S. Supreme Court denied Argentina's appeal for certiorari of the Second Circuit Court of Appeals' ruling affirming the District Court judgment. That same month, the District Court ruled that funds should not be delivered to the holders of restructured debt in the absence of a prior agreement with the holdout bondholders. In June 2015, the Second Circuit granted partial summary judgment to a group of "me-too" plaintiffs in 36 separate lawsuits, finding that, consistent with the previous ruling of such court, Argentina violated a *pari passu* clause in bonds issued to the "me-too" bondholders.

In February 2016, the new Argentine administration reached agreements in principle with certain holdout bondholders to settle these claims, which were subject to the approval of the Argentine Congress and the lifting of the *pari passu* injunctions. In March 2016, after the District Court agreed to vacate the *pari passu* injunctions subject to certain conditions, the Argentine Congress ratified these settlement agreements through Law No. 27,249 and repealed the so called Lock Law No. 26,017 and the Sovereign Payment Law No. 26,984, which prohibited Argentina to offer to holdout bondholders more favorable terms than those offered in the 2005 and 2010 debt swaps. The Argentine government has reached settlement agreements with holders of a significant portion of the defaulted bonds and has repaid the majority of the holdouts creditors with the proceeds from a U.S.\$16.5 billion international offering of 3-year, 5-year, 10-year and 30-year bonds on April 22, 2016. Through this offering, Argentina regained access to the international capital markets. Although the size of the claims involved has decreased significantly, litigation initiated by bondholders that have not accepted Argentina's settlement offer continues in several jurisdictions.

Additionally, foreign shareholders of several Argentine companies have filed claims with the International Centre for Settlement of Investment Disputes (the "ICSID") alleging that the emergency measures adopted by the Argentine government since the crisis in 2001 and 2002 differ from the fair and equitable treatment standards set forth in several bilateral investment treaties to which Argentina is a party. Many of these claims have been ruled against Argentina.

Holdout creditors litigation, as well as ICSID and other claims against the Argentine government, have resulted and may result in new material judgments against the government, lead to attachments of or injunctions relating to Argentina's assets, or could bring Argentina in default of its other obligations, and such event may prevent Argentina from obtaining favorable terms or interest rates when accessing international private or multilateral capital markets or from accessing international financing at all. The termination of the injunctions issued by the U.S. courts preventing bondholders from receiving their interest payments on the bonds issued pursuant to the 2005 and 2010 exchange offers and the related subsequent events have paved the way for the Argentine government to regain access to the international capital markets. Nonetheless, Argentina's ability to obtain international or multilateral private financing or direct foreign investment may be limited, which may in turn impair its ability to implement reforms and public policies to foster economic growth. In addition, Argentina's ongoing litigation with the remaining holdout creditors as well as ICSID and other claims against the Argentine government, or any future defaults by Argentina with its financial obligations, may prevent Argentine companies, such as us, from accessing the international capital markets or make the terms of any such transactions less favorable than those provided to companies in other countries in the region, potentially impacting our financial condition.

Government intervention in the Argentine economy could adversely affect the economy and our financial condition and results of operations

In the recent past, the Argentine government has directly intervened in the economy, including through the implementation of expropriations or nationalizations and price controls.

In December 2012 and August 2013, the Argentine Congress established new regulations relating to domestic capital markets. The new regulations generally provide for increased intervention in the capital

markets by the government, authorizing, for example, the CNV to appoint observers with the ability to veto the decisions of the board of directors of companies admitted to the public offering regime under certain circumstances and suspend the board of directors for a period of up to 180 days.

Although the current administration has not taken an interventionist approach, in the future, the level of intervention in the economy by the Argentine government may continue or increase. Substantially all of our assets are located in Argentina. We are engaged in the business of energy generation and, as such, our business or our assets may be considered by the government of public interest or essential for the provision of a public service. Therefore, it is subject to political uncertainties, including the risk of expropriation or nationalization of our business or assets, or subject to renegotiation or annulment of existing contracts and other similar risk. We cannot assure you that these or other measures that may be adopted by the Argentine government in the future in response to social unrest, such as nationalizations, intervention by the CNV, forced renegotiations or modifications of existing contracts, new tax policies, price fixing, regulations and reforms affecting foreign trade and investments, will not have a material adverse effect on the Argentine economy and, consequently, will not adversely affect our business, financial condition and results of operations.

The nationalization of Argentina's pension funds has adversely affected local capital markets and resulted in the Argentine government becoming our stockholder

In December 2008, the Argentine government transferred approximately Ps.80.2 billion (U.S.\$29.3 billion) in assets held by the country's private *Administradoras de Fondos de Jubilaciones y Pensiones* (pension fund management companies, or "AFJPs") to the government-run social security agency ("ANSES"). AFJPs were the largest participants in the country's local capital market. With the nationalization of their assets, the local capital market decreased in size and became substantially concentrated. In addition, the government became a significant shareholder in many of the country's public companies, including us. ANSES currently owns shares representing approximately 10.73% of our voting capital stock.

In April 2011, the Argentine government eliminated certain restrictions that did not allow ANSES to exercise more than 5% of its voting rights in any company listed in authorized markets (regardless of the percentage of shares owned by ANSES in companies). It is likely that the interests of ANSES will be different or contrary to those of the other shareholders investors of such companies. The shareholding of ANSES in the Company as of December 31, 2016 was not enough to appoint a director to the Company's board of directors pursuant to General Companies Law No. 19.550. We cannot guarantee that this will not change in the future.

In September 2015, Law No. 27,181 was passed, which prohibits the sale of shares of companies admitted to the public offer system held by the Argentine government or any other action that limits, alters or modifies the use, ownership or nature of such actions, without prior authorization by Congress. In turn, Law No. 27,181 created the National Agency of State Participations in Companies, a decentralized agency within the executive branch and is in charge of the implementation of policies and actions related to the exercise by part of the Argentine government of the rights emerging from the shares it holds. The impact of such measure was reduced by the enactment of Law No. 27,260 which provides for the investment of the Sustainability Guarantee Fund of the Integrated Social Security System (*Fondo de Garantía de Sustentabilidad* or FGS), for at least seven percent (7%) and up to a maximum of fifty percent (50%) of the total assets of the FGS, in shares of national, mixed or private corporations whose public offering is authorized by the CNV and which are listed in authorized markets whose purpose is to organize transactions involving publicly traded securities.

As a result, access to liquidity may be limited, funding costs are higher, may rise further and the government may have greater influence over the operations of public companies, including us. The nationalization of the AFJPs adversely affected investor confidence in Argentina. In addition, we cannot assure you that the government will not take similar measures in the future that interfere with private sector businesses and adversely affect the economy.

Exchange controls and restrictions on capital inflows and outflows could limit the availability of international credit, adversely affecting the Argentine economy, and, as a result, our financial condition and results of operations.

In 2001 and 2002, Argentina experienced a mass withdrawal of deposits from the financial system as a result of a lack of confidence in the Argentine government's ability to repay its debt and sustain the parity between the peso and the U.S. dollar. This caused a liquidity crisis in the Argentine financial system, which led the Argentine government to impose exchange controls and transfer restrictions, substantially limiting the ability of companies to retain foreign currency or make payments abroad. After 2002, these restrictions, including those requiring the Argentine Central Bank's prior authorization for the transfer of funds abroad to pay principal and interest on debt obligations, were substantially eased. In addition to the foreign exchange restrictions applicable to outflows, however, in June 2005 the Argentine government adopted various rules and regulations that established new restrictive controls on capital inflows into the country, including a requirement that, for certain funds remitted into Argentina, an amount equal to 30% of the funds must be deposited into an account with a local financial institution as a U.S. dollar deposit for a one-year period without any accrual of interest, benefit or other use as collateral for any transaction.

Moreover, since the last quarter of 2011 and through December 17, 2015, the Argentine government increased controls on the sale of foreign currency and the acquisition of foreign assets by local residents, limiting the possibility of transferring funds abroad. Regulations were also issued pursuant to which certain foreign exchange transactions were subject to prior approval by Argentine tax authorities. As a result, the Argentine authorities significantly curtailed access to the foreign exchange market by individuals and private-sector entities. In particular, during this period, the Central Bank exercised a *de facto* prior approval power for certain foreign exchange transactions otherwise authorized to be carried out under the applicable regulations by means of regulating the amount of foreign currency available to financial institutions to conduct such transactions.

The number of exchange controls introduced in the past and in particular after 2011 during the prior administration gave rise to an unofficial U.S. dollar trading market, and the peso—U.S. dollar exchange rate in such market substantially differed from the official peso-U.S. dollar exchange rate.

Since December 2015, the Macri administration lifted most exchange control restrictions, and in August 2016, the Central Bank issued new regulations which repealed most of the restrictions for the purchase of foreign currency and the inflow and outflow of funds from Argentina. Additionally, in order to increase the level of international reserves, the Central Bank has executed certain bond repurchase agreements with several Argentine and foreign entities.

Notwithstanding the measures adopted by the Macri administration, which lifted virtually all exchange and capital controls, in the future the Argentine government could reestablish exchange controls or restrictions on the movement of capital and/or take other measures in response to capital flight or a significant depreciation of the peso, which could limit our ability to access the international capital markets. Such measures could lead to political and social tensions and undermine the Argentine government's public finances, as has occurred in the past, which could adversely affect Argentina's economy and prospects for economic growth. For more information, see "Exchange Rates and Exchange Controls."

The Argentine economy could be adversely affected by economic events in other markets

Argentina's economy is vulnerable to external shocks that could be caused by adverse developments affecting its principal trading partners. A significant decline in the economic growth of any of Argentina's major trading partners (including Brazil, the European Union, China and the United States) could have a material adverse impact on Argentina's balance of trade and adversely affect Argentina's economic growth. Declining demand for Argentine exports could have a material adverse effect on Argentina's economic growth. In particular, the economy of Brazil, Argentina's largest export market and its principal source of imports, is currently experiencing heightened negative pressure due to the uncertainties stemming from ongoing political crisis, including the impeachment of Brazil's former president, Ms. Dilma Rousseff. The Brazilian economy contracted by 3.8% during 2015, and by 3.6% during 2016. A further deterioration of economic conditions in

Brazil may reduce demand for Argentine exports and create advantages for Brazilian imports. While the impact of Brazil's downturn on Argentina or our operations cannot be predicted, we cannot assure you that the Brazilian political and economic crisis will not have further negative impact on the Argentine economy or our operations.

In addition, financial and securities markets in Argentina have been influenced by economic and market conditions in other markets worldwide. Such was the case in 2008, when the global economic crisis led to a sudden economic decline in Argentina in 2009, accompanied by inflationary pressures, depreciation of the Argentine peso and a drop in consumer and investor confidence. Although economic conditions vary from country to country, investors' perception of the events occurring in one country may substantially affect capital flows into other countries. International investors' reactions to events occurring in one market sometimes demonstrate a "contagion" effect in which an entire region or class of investment is disfavored by international investors. Argentina could be adversely affected by negative economic or financial developments in other countries, which in turn may have an adverse effect on our financial condition and results of operations. Lower capital inflows and declining securities prices negatively affect the real economy of a country through higher interest rates or currency volatility. Moreover, Argentina may also be affected by other countries that have influence over world economic cycles.

The international economy is showing contradictory signals of global growth, leading to significant financial uncertainty. In addition, emerging market economies have been affected by the recent change in the U.S. monetary policy, resulting in the unwinding of investments and increased volatility in the value of their currencies. If interest rates rise significantly in developed economies, including the United States, emerging market economies, including Argentina, could find it more difficult and expensive to borrow capital and refinance existing debt, which would negatively affect their economic growth. There is also global uncertainty about the degree of economic recovery in the United States, with no substantial positive signals from other developed countries. Moreover, the challenges faced by the European Union to stabilize certain of its member economies have had and may continue to have international implications affecting the stability of global financial markets, which has hindered economies worldwide.

In a referendum on membership of the European Union held on June 23, 2016, the United Kingdom voted in favor of the British government taking the necessary action for the U.K. to leave the European Union (commonly known as "Brexit"). The British government has announced preliminary measures to be implemented in order to facilitate the U.K.'s exit from the European Union triggered the formal process to leave the European Union on March 29, 2017. That process is expected to conclude by mid-2019. The U.K.'s decision to leave the European Union has caused, and is anticipated to continue to cause, uncertainties and instability in the financial markets, which may affect us and the trading price of the Notes. These uncertainties could have a material adverse effect on our business, financial condition, results of operations and prospects.

On November 8, 2016, Donald J. Trump was elected as the president of the United States and he assumed office on January 20, 2017. Since President Trump's assumption of power, the United States appears to have shifted with a tendency towards greater restrictions on free trade generally and immigration. Changes in social, political, regulatory and economic conditions in the United States or in laws and policies governing foreign trade could create uncertainty in the international markets and could have a negative impact on emerging market economies, including the Argentine economy, which in turn could have a negative impact on our operations.

Government measures, as well as pressure from labor unions, could require salary increases or added worker benefits, all of which could increase companies' operating costs

Labor relations in Argentina are governed by specific legislation, such as Labor Law No. 20,744 and Collective Bargaining Law No. 14,250, which, among other things, dictate how salary and other labor negotiations are to be conducted. Most industrial or commercial activities are regulated by a specific collective bargaining agreement that groups together companies according to industry sectors and by trade unions. Argentine employers, both in the public and private sectors, have experienced significant pressure from their employees and labor organizations to significantly increase wages and to provide additional employee benefits.

Due to the high levels of inflation, employees and labor organizations are demanding significant wage increases. In the past, the Argentine government has passed laws, regulations and decrees requiring companies in the private sector to maintain minimum wage levels and provide specified benefits to employees.

In the future, the government could take new measures requiring salary increases or additional benefits for workers, and the labor force and labor unions may apply pressure for such measures. As of the date of this offering memorandum, the government and labor representatives were engaged in negotiations to set national guidelines for salary increases during 2017. Any such increase in wage or worker benefit could result in added costs and reduced results of operations for Argentine companies, including us.

A continued decline in the global prices for Argentina's main commodity exports could have an adverse effect on Argentina's economic growth

High commodity prices have contributed significantly to the increase in Argentine exports since 2002 as well as in governmental revenues from export taxes. However, this reliance on the export of certain commodities, such as soy, has made the Argentine economy more vulnerable to fluctuations in their prices. Since the beginning of 2015, international commodity prices for Argentina's primary commodity exports have tended to decline, which has had an adverse effect on Argentina's economic growth. If international commodity prices continue to decline, the Argentine economy could be adversely affected. In addition, adverse weather conditions can affect the production of commodities by the agricultural sector, which account for a significant portion of Argentina's export revenues.

These circumstances would have a negative impact on the levels of government revenues, available foreign exchange and the government's ability to service its sovereign debt, and could either generate recessionary or inflationary pressures, depending on the government's reaction. Either of these results would adversely impact Argentina's economic growth and, therefore, our financial condition and results of operations.

High public expenditure could result in long-lasting adverse consequences for the Argentine economy

In recent years, the Argentine government has substantially increased public expenditures. In 2015 and 2016, respectively, public sector expenditures increased by 38.1% and 38.2% respectively year over year and the government reported a primary fiscal deficit of 5.4% and 4.6% of GDP, respectively according to the Ministry of Economy. During the past administration, the Argentine government has resorted to the Central Bank and to the ANSES to source part of its funding requirements. The Macri administration, in contrast, has resorted to debt financings to source funding requirements. Moreover, the primary fiscal balance could be negatively affected in the future if public expenditures continue to increase at a rate higher than revenues due to, for example, social security benefits, debt servicing, financial assistance to provinces with financial problems and increased spending on public works and subsidies, including subsidies to the energy and transportation sectors. A further deterioration in fiscal accounts could negatively affect the government's ability to access the long-term financial markets and could in turn result in more limited access to such markets by Argentine companies such as ourselves.

The actions taken by the prior Argentine administration to reduce imports may adversely affect our ability to access capital goods that are necessary for our operations

In 2012, the Argentine government adopted an import procedure pursuant to which local authorities must pre-approve any import of products and services to Argentina as a precondition to allowing importers access to the foreign exchange market for the payment of such imported products and services. In the same year, the European Union, the United States and Japan filed claims with the World Trade Organization (the "WTO") against certain import-related requirements maintained by Argentina. Recently, the WTO found that those measures are not consistent with Argentina's obligations under the WTO and requested their removal. On December 22, 2015, through Resolution No. 3,823, the AFIP removed the import authorization system in place since 2012 denominated affidavit advance import (*declaraciones juradas anticipadas de importación* or "DJAI") and replaced it with the new comprehensive import monitoring system (*sistema integral de monitoreo*

de importaciones or “SIMI”). Among other changes, local authorities must now respond to any request for approval within a 10-day period from the date on which the request is filed.

We cannot assure you that the Argentine government will not modify current import regulations, and we cannot predict the impact that any such changes may have on our results of operations and financial condition.

Risk Factors Related to Energy Generation

Energy generators, distributors and transmitters have been materially and adversely affected by emergency measures adopted in response to Argentina’s economic crisis of 2001 and 2002, many of which remain in effect

Since the Argentine economic crisis of 2001 and 2002, Argentina’s energy sector has been characterized by government regulations and policies that have resulted in significant distortions in the energy market, particularly with respect to prices, throughout the sector’s entire value chain (generation, transmission and distribution). Historically, Argentine energy prices were calculated in U.S. dollars and margins were adjusted periodically to reflect variations in U.S. inflation indexes and in relation to costs and competitiveness. In January 2002, pursuant to Law No. 25,561 (the “Public Emergency Law”), which authorized the government to renegotiate its public utility contracts, provisions requiring price adjustments based on foreign inflation indexes and all other indexation mechanisms in public utility services agreements between the Argentine government or any provincial government and the providers of those services were revoked, and the prices for the provision of such services were effectively frozen and converted from their original U.S. dollar values to pesos at a rate of Ps.1.00 per U.S.\$1.00. These measures, coupled with the effect of high inflation and the devaluation of the peso in recent years, led to a significant decline in revenues and a significant increase of costs in real terms, which could no longer be recovered through margin adjustments or market price-setting mechanisms. This situation, in turn, led many public utility companies to suspend payments on their financial debt (which in some cases, continued to be denominated in U.S. dollars despite the “pesification” of revenues), effectively preventing these companies from obtaining further financing in the domestic or international credit markets and making additional investments.

The Macri administration declared a state of emergency with respect to the national energy system, which is effective until December 31, 2017, to allow the Argentine government to take actions designed to guarantee the supply of electricity. In this context, the Macri administration substantially increased electricity tariffs in the wholesale electricity market or “WEM”. The SE cited the fact that WEM prices had been distorted and discouraged private investment in power generation and determined that it was necessary to raise tariffs to cover operation and maintenance costs until the regulatory measures being considered by the Macri administration to normalize the WEM come into force. Following the tariff increases, preliminary injunctions were requested by customers, politicians and non-governmental organizations that defend customers’ rights, which preliminary injunctions were granted by certain Argentine courts. Among the different rulings, two recent rulings issued by the Second Division of the Federal Court of Appeals for the City of La Plata and a federal judge from the San Martín district court led to the suspension of end-user tariff increases of electricity in the province of Buenos Aires and in the whole territory of Argentina, respectively. Pursuant to these injunctions, (i) the end-user tariff increases granted as of February 1, 2016, were suspended retroactively to that date, (ii) end-user bills sent to customers were not to include the increase, and (iii) the amounts already collected from end-users as a consequence of consumption recorded before these rulings had to be reimbursed. However, on September 6, 2016, the Argentine Supreme Court denied these injunctions that suspended electricity tariff increases for end-users, on the basis of formal objections and procedural defects, and, therefore, as of the date of this offering memorandum, increases to the electricity end-user tariffs have not been suspended. In this respect, the ruling of the Argentine Supreme Court had the following effects: (i) retroactively applied the tariffs that were in force before the increases established by the Ministry of Energy and Mining, notwithstanding the rights of the government to request a public hearing to decide a new increase, (ii) applied the new tariffs for those users that were not residential, and (iii) established a limit for the increase in the tariffs of 400% for residential users and of 500% for commercial users; pursuant to these injunctions, the Ministry of Energy and Mining held public hearings on October 28, 2016, in order to publicly discuss the tariffs of electricity for residential users. On January 31, 2017, through Resolution No. 64/17, the ENRE

established a 98% increase in tariffs, 50% of such increase to be implemented during the months of March 2017, November 2017 and February 2018, and the remaining 50% in 48 installments starting in March 2018. We cannot assure you that the Macri administration will be capable of overhauling the energy sector to address the structural problems created by the economic crisis of 2001 and 2002 and its aftermath. Nor can we assure you what impact the Macri administration's measures will have on the energy sector or our business.

The Argentine government intervention and regulation may adversely affect our financial conditions and result of operations

To address the Argentine 2001/2002 economic crisis, the Argentine Congress enacted the Public Emergency Law and other regulations, which made a number of material changes to the regulatory framework applicable to the electricity sector. Such changes included the conversion to pesos and freezing of tariffs, the cancelation of inflation adjustment and indexation mechanisms and the introduction of new mechanisms to determine prices in the WEM, a complex pricing system, which materially affected electricity generators, transporters and distributors, and generated substantial price differences within the market.

The previous administration constantly intervened in this sector, including granting temporary margin increases, proposing a new social tariff regime for residents of poverty-stricken areas, creating specific charges to raise funds that are transferred to government-managed trust funds that finance investments in distribution, generation and transmission infrastructure and mandating investments for the construction of new generation plants and the expansion of existing transmission and distribution networks.

The Macri administration has adopted various measures aimed at improving and ensuring the adequate provision of electricity under appropriate technical and economic conditions. In this context, Decree 134/16 was issued declaring the emergency of the National Electricity Sector until December 31, 2017 and instructing the Ministry of Energy and Mining to enforce and implement a program for the generation, transportation and distribution of electrical energy of national jurisdiction, in order to adapt the quality and security of electricity supply and ensure the provision of public electricity services under adequate technical and economic conditions. In addition, on January 25, 2016, the Ministry of Energy and Mining issued Resolution No. 6/16, which approved a quarterly summer reprogramming for the WEM for each user category for the period from February 1, 2016 to April 30, 2016. In this sense, the seasonal prices provided for in the applicable regulatory framework were readjusted. These preventive and corrective measures resulted in the elimination of certain subsidies to the electric energy and in a significant increase of the electricity tariffs that were charged to the individuals. Likewise, the resolution contemplates the granting of a social tariff for residential customers that meet certain consumption requirements. The difference between the seasonal prices and the social tariff will be funded with resources of the federal government.

In addition, Resolution SE 7/2016 reflected increases in the seasonal price of electricity, instructing ENRE to fix the tariffs of Edenor and Edesur, the two distributors of the City of Buenos Aires and Greater Buenos Aires. ENRE issued Resolution SE 1/2016 with the new tariff tables applicable to Edenor and Edesur and additional increases to remunerate the margin of the distributors, while also removing the perception of the Plan of Rational Use of Energy that they perceived in the previous regulations framework. Furthermore, in April 2016, the Ministry of Energy and Mining issued Resolution 41/2016, through which it approved the seasonal winter schedule for the period between May 1, 2016 and October 31, 2016. Resolutions 7/2016 and 41/2016 were temporally suspended by Argentine courts. Resolution SE 19/2017 which establishes U.S. dollars as the currency of denomination for the remuneration of generators, established a new remuneration scheme for power availability offers. In addition, the ENRE, through Resolution No. 64/17, provided for a 98% increase in tariffs to be implemented in a staggered manner. See "Regulatory Framework—The Electricity Industry in Argentina".

We cannot make assurances that these or other measures that may be adopted by the Argentine government will not have a material adverse effect on our business and results of operations or that the Argentine government will not adopt emergency legislation similar to the Public Emergency Law, or other similar resolutions, in the future that may further increase our regulatory obligations, including increased taxes, unfavorable alterations to our tariff structures and other regulatory obligations, compliance with which would

increase our costs and have a direct negative impact on our ability to generate energy, which in turn would impact the financial condition and results of operations, including our ability to repay the Notes.

The prices we are able to charge for the energy we produce may not be sufficient to cover our generation costs

Our energy revenues and margins are substantially dependent on the prices we are able to charge for energy. Our generation operations derive revenues from the sale of electricity in the spot market. Following the 2001 and 2002 economic crises, the Argentine government implemented a pricing system which has been subsequently modified (see “Regulatory Framework—The electricity Industry in Argentina”). Until the enactment of several resolutions by the Macri administration, including Resolution SE No. 19-E/2017, our average generation costs have exceeded the mandated spot price for certain periods. This pricing system adversely affected our operating margins in the past.

We cannot assure that we will not be required to return to the previous scheme, or that the revenue generated under the current scheme will be sufficient to cover the cost of generating electricity and maintaining our equipment and facilities.

Climate and hydraulic conditions could materially and adversely affect our results of operations

We are a thermal generator of energy. Our ability to supply the energy generated by the Power Plant into the Argentine Interconnection System or grid (*Sistema Argentino de Interconexión*, or “SADI”) depends, in part, on climate conditions prevailing in Argentina over which we have no control. Hydraulic conditions, including heavy rainfall or melting snow, may favor hydroelectric generators, which, during such periods, may benefit from lower generation costs than us and will therefore be dispatched ahead of us into the SADI, which may adversely affect our financial condition and results of operations.

Electricity demand may be affected by tariff increases, which could lead to lower revenues for generation companies

During the 2001/2002 economic crisis, electricity demand in Argentina decreased due to the decline in the overall level of economic activity and the deterioration in the ability of many consumers to pay their electricity bills. In the years following the economic crisis of 2001 electricity demand experienced significant growth. Increases in the cost of electricity to residential customers may have a negative effect on demand, and we cannot make any assurances that these increases or any future increases in the relative cost of electricity (including increases on tariffs for residential users) will not have a material adverse effect on electricity demand or a decline in collections from customers which, in turn, may lead energy generation companies, such as us, to record lower revenues and results of operations than currently anticipated, which may affect our ability to repay our debts including the Notes.

Electricity demand is seasonal and seasonal changes could materially and adversely affect our results of operations

Electricity demand is subject to seasonal fluctuations, which has a direct impact on our financial condition and results of operations. Electricity demand increases significantly in summer due to cooling, and occasionally in winter, due to heating. Accordingly, seasonal changes could reduce electricity demand for prolonged periods. Reductions in demand for electricity would affect adversely our results of operations and our ability to pay amounts due under the Notes.

We could be subject to fines and penalties that could have a material adverse effect on our results of operations

We operate in a regulated environment and may be subject to significant fines and penalties by regulatory authorities, including for reasons outside our control, such as service disruptions attributable to problems at generation facilities or in the transmission network that result in a lack of electricity supply. We cannot make

assurances that we will not incur in fines in the future, which could have a material adverse effect on our results of operations, as well as our ability to repay the Notes.

Compliance with environmental, health and safety regulations may require significant expenditures that could adversely affect our results of operations

Our operations are subject to a wide range of environmental, health and safety requirements by federal, provincial and municipal regulations. These laws and regulations also require us to obtain and maintain environmental permits, licenses and approvals for the construction of new facilities or the installation and operation of new equipment required for our business. Some of these permits, licenses and approvals are subject to periodic renewal. Failure to comply with environmental requirements can result in fines, claims for environmental damages, remediation obligations, the revocation of environmental permits, licenses and approvals, the temporary or permanent closure of facilities, or other sanctions. While we believe we have an adequate level of insurance coverage, environmental laws in Argentina could require a level of insurance that is not currently available in the Argentine market.

We have made, and will continue to make, significant expenditures to maintain compliance with environmental, health and safety requirements. These requirements, and the enforcement and interpretation thereof, change frequently and have tended to become more stringent over time. Compliance with changed or new environmental, health and safety regulations could also require us to make significant capital investments, and our ability to expand our infrastructure and meet increased demand could be limited by such future requirements. Future changes in environmental, health and safety laws, or in the interpretation of those laws, including new or stricter requirements related to air, noise, hazardous waste and wastewater emissions or green taxes, could subject our business to the risk of higher capital, operating or compliance costs resulting from these changes and could limit the availability of our funds for other purposes as well as our ability to expand our infrastructure and meet increased demand, which could adversely affect our business and results of operations.

Delays in payments by CAMMESA to energy generators, or failure to provide such payment, could have a material adverse effect on our financial condition and results of operations

Energy generators, like us, receive payments from CAMMESA, which in turn receives its income from other members of the WEM and from transfers from the federal government. During the 2001/2002 economic crisis in Argentina, a significant number of WEM agents breached their payment obligations owed to CAMMESA, which adversely affected CAMMESA's ability to meet its payment obligations to generators. Additionally, the stabilization fund created by the former SE to cover the difference between the actual cost of acquisition of energy and the seasonal price of energy showed a permanent deficit due to the sustained difference between the actual cost of acquisition of electricity and the seasonal price. We cannot provide any assurance that the differences between the spot price and the seasonal price will not continue or that they will not increase in the future or that CAMMESA will fulfill its obligations to generators. The inability to collect our credits from CAMMESA could have a material adverse effect on our cash income and, consequently, on our results of operations, financial condition and ability to repay the Notes.

Our ability to generate energy depends on the availability of natural gas

We are dependent on the availability of our own and external gas for power generation. Lack of gas may adversely affect our production of electricity, given that our thermal generation facilities operate exclusively on gas. The supply and prices of gas have been and may continue to be affected by, among other factors, the availability of natural gas in Argentina, our ability to produce gas from our operations, our ability to enter into agreements with local companies producing or transporting gas, the need to import a greater quantity of gas at a higher price than the one applicable to domestic supply as a result of a shortfall in local production, and redistribution of gas determined by the SEE in times of shortage. Pursuant to Section 8 of Resolution SE 95/2013, as amended, and Section 4 of Resolution SE 529/2014 CAMMESA is in charge of purchasing and distributing the fuels used by WEM generators like us. As a result, our financial condition and results of

operations could be adversely affected if CAMMESA's role in the WEM and SADI were to change, or if it were unable to provide the necessary gas for the operations of our *Agua del Cajón* Power Plant.

Operational difficulties may limit our ability to generate energy, which could significantly and adversely affect our results of operations

We may experience operational difficulties, which may require a temporary suspension of activities, significantly increase maintenance costs or thwart our ability to generate energy. Operating our facilities poses certain risks, including failure of equipment, generation, electromechanical components, or any of our assets for the generation of energy, accidents, labor disputes, lower yield levels and/or unexpected higher domestic consumption. Older facilities and equipment, despite good maintenance, may require significant capital expenditures to achieve continued and efficient functioning, or to adapt them to new environmental regulations.

Operational difficulties affecting our generation activities could result in lower availability of our *Agua del Cajón* Power Plant and revenues, which could have an adverse effect on our results of operations and could negatively affect our ability to repay the Notes.

Our ability to operate profitably our wind farm is highly dependent on suitable wind and associated weather conditions

The amount of energy generated by, and the profitability of, wind farms are highly dependent on climate conditions, particularly wind conditions, which can vary materially across locations, seasons and years. Variations in wind conditions at wind farm sites occur as a result of daily, monthly and seasonal fluctuations in wind currents and, over the longer term, as a result of more general climate changes and shifts. Because turbines will only operate when wind speeds fall within certain specific ranges that vary by turbine type and manufacturer, if wind speeds fall outside or towards the lower end of these ranges, energy output at our wind farm would decline.

During the development stage and prior to the construction of a wind farm, wind studies are performed over the course of a minimum of one year to evaluate the wind potential. We base our investment decisions and estimates on such studies. However, we cannot guarantee that the actual wind and weather conditions at any such location will coincide with those on which we have based our investment. Therefore, we cannot guarantee that our wind farms will meet expected production levels. The wind patterns and energy production at our current or future wind farms may not reflect historical wind patterns.

If in the future the wind resource in the areas where our wind farms are located is lower than expected, energy production at the wind farm would be lower than expected and consequently could materially adversely affect our results of operations.

The viability and profitability of renewable energy projects depend on a number of factors beyond our control

The viability of renewable energy projects depends on a number of factors, such as environmental impact assessments, building permits, availability of funding on acceptable terms, the price of electricity, wind and other weather conditions, the availability of other sources of alternative energy and the accuracy of studies which allow us to determine the best location and layout for our generators. Any of these factors could adversely affect the viability or profitability of any project. There is no assurance that potential renewable energy projects will materialize or that they will be profitable in the future.

We rely on power transmission facilities that we do not own or control and which are subject to transmission restrictions and the risk of mechanical or electrical failure, which may restrict its ability to supply electricity.

We rely heavily on transmission facilities owned and operated by others to deliver the electricity we sell. If transmission is interrupted or transmission infrastructure is inadequate, our ability to sell and supply electricity may be adversely affected. If the energy transmission infrastructure in the SADI is inadequate, our

recovery of wholesale costs and generation of profits for our sales of energy could be limited. Due to the restrictive transmission pricing regulation, the transmission companies have not had sufficient incentives to invest in the expansion of the transmission infrastructure. We cannot predict whether transmission facilities will expand in specific markets to accommodate competitive access to those markets.

Additionally, in recent years, the increase in electricity demand was greater than the structural increase in energy generation, transmission and distribution capacities, leading to shortages and power outages. If energy demand suddenly increases in the future, current levels of transmission and distribution of energy may not be sufficient to meet future demand and may cause disruption. A sustained increase in outages could lead to shortages in the future and could prevent us from delivering the electricity we produce and sell, which in turn could adversely affect our business, operating results and financial condition.

The energy generation business is subject to risk of disasters arising from natural as well as accidental or intentional human causes

Our generation facilities or the electricity transmission infrastructure that we rely on may be damaged by disasters arising from natural or accidental or intentional human causes, including lightning strikes, blade icings, earthquakes, tornados, extreme winds, severe storms, wildfires and terrorist attacks. Disasters could damage, or require the shutdown of, turbines or related project equipment and facilities or transmission facilities.

We could experience severe business disruptions, significant decreases in revenues based on lower demand arising from catastrophic events, or significant additional costs to us not otherwise covered by business interruption insurance clauses. There may be an important time lag between a major accident, catastrophic event or terrorist attack and our definitive recovery from our insurance policies, which typically carry non-recoverable deductible amounts, and in any event are subject to caps per event. In addition, any of these events could cause adverse effects on the energy demand of some of our customers and of consumers generally in the affected market. Some of these considerations, among others, could materially and adversely affect our business, results of operations and financial condition and our ability to repay the Notes.

New measures encouraging renewable energy generation projects and competing more efficient new generation may affect our sales

The Argentine Congress passed Law No. 27,191 on October 15, 2015, pursuant to which, by December 31, 2025, 20% of the total domestic energy demand must be supplied through renewable energy sources. In order to meet such goal, the law mandates that certain consumers and CAMMESA cover 8% of their respective portion of domestic energy demand with sources of renewable energy by December 31, 2017. Following this mandate, on March 23, 2016, the Ministry of Energy and Mining issued SE Resolution 21/2016 calling for a public bidding process for the construction of 1,000 MW of new renewable energy generation capacity. The percentage to be covered with renewable energy increases every two years up to the abovementioned 20% in 2025. The law also includes tax and other benefits for new renewable energy projects.

Law No. 27,191 was partially regulated by Decree No. 531/2016. However, we have no control over, and cannot predict, whether the implementation of the law and its regulation will adversely affect our business, results of operations or financial condition.

Furthermore, although we believe we are well suited to face new technologies and although our *Agua del Cajón* Power Plant is an efficient base load plant, combined cycle, the introduction of a more efficient renewable generation technology or regulations that change the compensation of the different sources of energy, could adversely affect the competitiveness of our generation units in the dispatch order. As such, we may face potential displacement in grid supply priority as new, more efficient technologies become available in our market. Any displacement of grid supply priority or changes in the methodology of how energy is paid for could affect our competitiveness and thereby impact our energy production and results of operation and financial condition.

Environmental legislation directed to prevent climate change and restrictions on greenhouse gas emissions may affect the results of operations generated by thermal power plants

Argentina and other countries have implemented or are considering to implement regulatory frameworks in order to reduce greenhouse gas emissions. Such regulatory frameworks may include the implementation of cap and trade regimens, taxes on carbon, higher efficiency standards and incentives or mandates for renewable energy. The growing concern about climate change and greenhouse gases, such as those included in the Paris Agreement COP-21 of the United Nations, may lead to the imposition of additional environmental regulations. Compliance with such environmental regulations may increase the costs of operation and maintenance of our *Agua del Cajón* Power Plant and require the implementation of new emission controls, make provisions or pay taxes relating to greenhouse gas emissions, or force us to administer and manage a program of greenhouse gas emissions, which may negatively affect our business, financial condition and results of operations.

Technological change in the energy market

The energy market is subject to far-reaching technological change, both in the generation side and on the demand side. For example, with respect to energy generation, the development of energy storage devices (battery storage in the megawatt range) or facilities for the temporary storage of power through conversion to gas (so-called “power-to-gas-technology”), the increase in energy supply due to new technological applications such as fracking or the digitalization of generation and distribution networks should be mentioned.

New technologies to increase energy efficiency and improve heat insulation, for the direct generation of power at the consumer level, or that enable improve refeeding (for example, by using power storage for renewable generation) may, on the demand side, lead to structural market changes in favor of energy sources with low or zero CO₂ or in favor of decentralized power generation, for instance via small-scale power plants within or close to residential areas or industrial facilities.

If our business is unable to react to changes caused by new technological developments and the associated changes in market structure, our equity, financial or other position, or our results, operation and business, could be materially and adversely affected.

Risks Relating to the Oil and Gas Business

Our operations are subject to extensive regulation

The oil and gas industry is subject to extensive regulation and control by the Argentine federal government as well as by the provincial governments in which companies like ours conduct their operations. These regulations relate, among other aspects, to the award of exploration and development areas, production and export controls, investment requirements, taxation, price controls and environmental aspects. As a result, our business is to a large extent dependent upon regulatory and political conditions prevailing in Argentina and our results of operations may be materially and adversely affected by regulatory and political changes in Argentina.

Since December 2011, the Argentine government has adopted a series of measures relating to the repatriation of funds obtained as a result of oil and gas exports and charges applicable to the production of liquefied gas, which affected the activities of producers and producers in the oil and gas sector.

Following the nationalization of leading Argentine oil and gas company YPF S.A. in April 2012, the Argentine government introduced significant changes in the system under which oil companies operate. Future changes that may be made to these regulations may increase the adverse effect of such measures on the businesses, revenues and operations of companies operating in the oil and gas sector, including us.

In addition to the risks and challenges relating to government regulation and control of the energy sector, described elsewhere in these risk factors, we are currently:

- limited by our ability to pass through higher domestic taxes or increases in international prices of crude oil and other hydrocarbon fuels and exchange rate fluctuations to domestic prices, or to increase local prices of natural gas;
- subject to potential increases on taxes on exports of hydrocarbons;
- subject to restrictions on hydrocarbon export volumes driven mainly by the requirement to satisfy domestic demand; and
- exposed to a risk of adoption of regulatory orders to supply natural gas and other hydrocarbon products to the domestic retail market in excess of previously contracted amounts in connection with the Argentine government's policy to provide absolute priority to domestic demand.

We cannot assure you that changes in applicable laws and regulations, or adverse judicial or administrative interpretations of such laws and regulations, will not adversely affect our results of operations. Similarly, we cannot assure you that future government policies will not adversely affect the oil and gas industry.

We also cannot provide assurances that concessions will be extended in the future as a result of the review by the controlling entities regarding the investment plans presented for analysis or that will not be imposed additional requirements to obtain extensions of permits and concessions.

Furthermore, there can be no assurance that regulations or taxes (including royalties) enacted by the provinces in which we operate will not conflict with federal law, and that such taxes or regulations will not adversely affect our results of operations and financial condition, and our ability to pay amounts due under the Notes.

Limitations on local pricing in Argentina may adversely affect our results of operations

In the past, due to regulatory, economic and government policy factors, domestic oil, gas and LPG prices have frequently lagged substantially behind prevailing international and regional market prices for such products, and our ability to increase prices has been limited. Since 2002, the Argentine government has imposed withholding tax on exports of crude oil, gas and LPG, which has reduced the sales price of such product in the domestic market. Even though as of the date of this offering memorandum the difference between the international and the regional market prices received by a producer is not material, an increase in the international oil price without a carry over to the regional market may adversely affect our financial condition and results of operations.

Export restrictions have affected and may continue to affect our financial condition and results of operations

During the last few years, the Argentine government has adopted a number of measures that have resulted in extensive restrictions on exports of hydrocarbons from Argentina, which have prevented local producers, including us, from obtaining higher prices for their products, which in turn could compensate the increases in production costs, and affected their competitiveness. Due to the foregoing, producers could be obliged to sell a part of their natural gas and LPG production in the local market.

In accordance with former SE Resolution 1679/04, crude oil exports, as well as the export of most of our hydrocarbon products, require authorization from the former SE prior to export (currently, such authorization must be granted by the Ministry of Energy and Mining). Companies seeking to export gas, crude oil or LPG must first demonstrate that the domestic demand for such product is satisfied or that an offer to sell the product to local purchasers at similar prices to the ones charged in the domestic market has been made and rejected.

We are unable to predict how long these export restrictions will be in place, or whether any further measures will be adopted that may adversely affect our ability to export gas, crude oil and LPG or other

products and, accordingly, our financial condition and results of operations, and our ability to pay amounts due under the Notes.

The imposition of export duties and other taxes have adversely affected and could continue to affect our results

In 2002, the Argentine government imposed duties on oil exports at a rate of 20% for crude oil and 5% for LPG products. Since then, the rates have been progressively increased. In November 2007, the Ministry of Economy and Production increased the export duties on oil and other refined products, establishing that when the international price for the benchmark used under current regulations (West Texas Intermediate or “WTI”) exceeds the reference price, which is fixed at U.S.\$60.9/barrel, the producer shall be allowed to collect at U.S.\$42/barrel, with the remainder being withheld by the Argentine government as an export tax. If the WTI international price is below the reference price but exceeds U.S.\$45/barrel, a 45% withholding rate will apply. If such price is below U.S.\$45/barrel, the applicable export tax is to be determined by the Argentine government within a term of 90 business days. The withholding rate determined as indicated above also currently applies to diesel, gasoline and other crude derivative products.

Through Resolution 1077/14, which repealed Resolution 394/2007, a withholding rate was established based on the international price of crude oil, which, if lower than US\$71/ bbl, will be 1%.

In May 2004 Resolution No. 645/2004 of the Ministry of Economy and Production established an export duty on natural gas and natural gas liquids at a rate of 20%. The export duty on natural gas was increased again in July 2006 to 45% and the Customs General Administration was instructed to apply the price fixed by the Framework Agreement between Argentina and Bolivia as the base price to apply the new tax rate, irrespective of the actual sales price.

Resolution No. 127/2008 of the Ministry of Economy and Production increased export duties applicable to natural gas exports from 45% to 100%, mandating a valuation basis for the calculation of the duty as the highest price established in any contract of any Argentine importer for the import of gas (abandoning the previously applicable reference price set by the Framework Agreement between Argentina and Bolivia mentioned above).

With respect to LPG products (including butane, propane and blends thereof), Resolution 36/2015 modified the formula to calculate the export duty, effective April 1, 2015, which, in some cases, generated an increase in commercial prices in the local market.

As a result of the aforementioned export tax regime, we cannot benefit from increases in the international prices for hydrocarbon products. We cannot assure you that these taxes will not continue or be increased in the future or that other new taxes will not be imposed.

Oil and gas price volatility could harm our investment projects and a significant drop in such prices could adversely affect the results of our operations

International oil and gas prices have fluctuated significantly in past years and they will most likely continue fluctuating in the future. Price volatility curtails the ability of industry participants to adopt long-term investment decisions given that returns on investments become unpredictable.

The prices that we are able to obtain for our hydrocarbon products are further affected by domestic regulations and have had an adverse impact on our ability to make investments in new exploration and developments. In particular, the price for gas that governmental regulations allow us to declare as a gas cost in our energy generation. Continued limitations on the price of gas we are able to declare would have an adverse effect on our financial performance. We budget capital expenditures related to exploration, development and operation activities by taking into account, among other things, market prices for hydrocarbon products. In the event that domestic prices for certain products decrease further and export limitations remain in place, our ability to improve our hydrocarbon recovery rates, find new reserves and carry out certain of our other capital expenditure plans may be adversely affected, which in turn might have an adverse effect on our results of operations.

Our oil and natural gas reserves are estimates

Our most recent estimates of our oil and gas reserves as of December 31, 2016, were prepared by an independent certified auditor.

Our oil and gas proved reserves are estimated using geological and engineering data to determine whether the crude oil or natural gas in known reservoirs is recoverable under existing economic and operating conditions.

The accuracy of proved reserve estimates depends on a number of factors, assumptions and variables, among which the most important are:

- the results of drilling, testing and production after the date of the estimates;
- the quality of available geological, technical and economic data and its interpretation and judgment;
- the production performance of reservoirs;
- developments such as acquisitions and dispositions, new discoveries and extensions of existing fields and the application of improved recovery techniques; and
- changes in oil and natural gas prices, which could have an effect on the size of our proved reserves because the estimates of reserves are calculated under existing economic conditions when such estimates are made.

Many of the factors, assumptions and variables involved in estimating proved reserves are beyond our control and are subject to change over time. Consequently, measures of reserves are not precise and are subject to revision. Any downward revision in our estimated quantities of proved reserves could adversely impact our financial condition and results of operations.

Uncertainty about the possibility of us acquiring, developing and exploiting new reserves may adversely affect our results of operations

Our future success depends, among other things, on our ability to produce oil and gas from existing reserves, to discover additional oil and gas reserves, and to economically exploit oil and gas from these reserves. Unless we are successful in our exploration of oil and gas reserves and the development thereof or otherwise acquire additional reserves, our reserves would show a general decline in oil and gas as long as oil and gas production continue. The drilling activities are also subject to numerous risks and may involve unprofitable efforts, not only with respect to dry wells but also with respect to wells that are productive but do not produce enough net income to derive profit after covering drilling costs, and other operating costs. The completion of a well does not assure a return on investment or recovery of the costs of excavation, completion and operating costs.

There is no guarantee that our future exploration and development activities will succeed, or that we will be able to implement our capital investment program to acquire additional reserves or that we will be able to economically exploit these reserves. Such events would adversely affect our financial condition and results of operations, and our ability to repay the Notes.

The lack of availability of transport may limit our possibility of increasing hydrocarbon production and may adversely affect our financial situation and results of operations

Our capacity to exploit our hydrocarbon reserves depends, among other factors, upon the availability of transport infrastructure on commercially acceptable terms to transport the produced hydrocarbons to the markets in which they are sold. Typically, oil is transported by pipelines and tankers to refineries, and gas is usually transported by pipeline to customers. The lack of storage infrastructure, or adequate or alternative storage, or available capacity on existing long-range hydrocarbons transportation systems may adversely affect our financial condition and results of operations.

The oil and gas industry is subject to particular economic and operational risks

Oil and gas exploration and production activities and LPG production operations are subject to specific economic and operational risks, some of which are beyond our control, such as production, equipment and transportation risks, and natural hazards and other uncertainties, including those relating to the physical characteristics of oil or natural gas fields. Our operations may be curtailed, delayed or cancelled due to mechanical difficulties, oil or natural gas spills or leaks, shortages or delays in the delivery of equipment, compliance with governmental requirements, fire, explosions, blow-outs, pipe failure, abnormally pressured formations, and environmental and health hazards. If these risks materialize, we may suffer substantial operational losses and disruptions to our operations and harm to our reputation.

Our activity requires significant capital investments and maintenance costs

Exploration and exploitation of hydrocarbon reserves requires heavy investments in capital goods. We must continue investing in order to maintain or increase the amount of our hydrocarbon reserves, incurring in significant maintenance costs to sustain the compromised power generation capacity. We cannot guarantee that we will be able to maintain our current production levels, generate sufficient cash flow or that we will have access to sufficient borrowing or other financing alternatives to continue our generation, exploration, exploitation and production activities at current or higher levels.

Our acquisition of exploratory acreage and crude oil and natural gas reserves is subject to heavy competition

We face intense competition in bidding or private acquisition for crude oil and natural gas production areas, which are typically auctioned by governmental authorities, especially those areas with the most attractive crude oil and natural gas reserves or sold by companies holding concession rights. Many competing companies may have access to financial resources on better terms than we do and, therefore, may be in a better position to compete for future commercial opportunities. Furthermore, some Argentine provinces, including Neuquén and Chubut, have created provincial state-owned companies to develop activities in the oil and gas industry. As a result, the conditions under which we are able to access new exploratory or productive areas could be adversely affected and this could impact negatively on our financial condition and results of operations.

Risk factors related to the Company

A significant portion of our reserves are located in a single area, the Agua del Cajón area

The Hydrocarbons Law provides for oil and gas concessions to remain in effect for 25 years as from the date of their award, or 35 years in the case of unconventional concessions, and further provides for the concession term to be extended for up to 10 additional years, subject to terms and conditions approved by the grantor. 100% of our proved reserves are located in the *Agua del Cajón* area in the province of Neuquén. Notwithstanding the *Agua del Cajón* concession has already been extended twice as described in “Business – Our History”, and its current termination date is set for the year 2052, we cannot provide assurances that this or other of our current or future concessions will be extended or that additional investment, royalty payment or other requirements will not be imposed on us in order to maintain the concession or obtain extensions. The termination of, or failure to maintain the concession or obtain the extension of, a concession, license or permit could have a material adverse effect on our business and our results of operations.

Our relationship with federal and provincial authorities, in particular with the province of Neuquén, is important to our business

Due to the nature of our businesses, we have an extensive relationship with federal and provincial authorities in places where we conduct our businesses, particularly with the province of Neuquén, where we conduct most of our operations. Although we consider our relationships with relevant authorities to be good, these relationships could be adversely affected in the future, which could negatively affect our business and our results of operations. For example, provincial authorities could reject or delay our current or future term-

extensions requests, or seek to impose unexpectedly or disproportionately high upfront fees or significant additional obligations upon us when negotiating our concessions or permits renewals or otherwise.

We may not be able to attract or retain certain key personnel

Our business is dependent upon the contributions of our senior management and our highly skilled team of engineers and other employees. It is also dependent on our ability to attract, train, motivate and retain key management and commercial and technical personnel with the necessary skills and experience. There can be no guarantee that we will be successful in retaining and attracting key personnel, and the replacement of any key personnel who were to leave could be difficult and time consuming. The loss of the experience and services of key personnel or the inability to recruit suitable replacements or additional staff could have a material adverse effect on our business, financial condition and/or results of operations.

We may not be able to obtain adequate insurance coverage

Although we have purchased insurance for our assets under reasonable conditions consistent with business practices, any significant damage to, accident or other production stoppage at our facilities or fields could materially and adversely affect our production capabilities, financial condition and results of operations.

Our controlling company's interests may be different from ours and may conflict with yours

CAPSA is our controlling shareholder and has full power to direct our business by adopting decisions that require the vote of a majority of shareholders or directors. CAPSA may elect to pursue business opportunities, withdraw from current businesses, adopt new strategies, undertake mergers and acquisitions, diversify its business or otherwise promote new initiatives that may differ to our interests. We cannot assure you that CAPSA will at all times act in a manner that is consistent with our interests or those of holders of the Notes. See "Principal Shareholders" and "Related Party Transactions."

We may incur significant labor obligations with respect to outsourced activities

We outsource a number of activities by outsourcing contractors to maintain a flexible cost base that makes it possible to maintain a lower cost base and at the same time respond more quickly to the changing market. As of December 31, 2016, our third-party contractors had deployed approximately 500 employees to tasks involving our operations. While we have very strict policies regarding labor and social security obligations by our contractors, we are not in a position to ensure that contractor employees will not initiate legal action seeking compensation from us, relying on certain judgments by Argentine courts that recognize joint responsibility between the contractor and the entity to which services are provided, under certain circumstances. If we were unable to obtain a favorable ruling on any such claims, our financial condition and results of operations and our ability to pay our debts, including the Notes, may be adversely affected.

We could be subject to organized labor action

Although we consider our current relations with our workforce to be good, we have experienced organized work disruptions and stoppages in the past and we cannot assure you that we will not experience them in the future. Labor demands are commonplace in Argentina's energy sector and unionized workers have blocked access to and damaged our plants in the recent past.

A cyber-attack could adversely affect our business, financial condition and results of operation

Information security risks have generally increased in recent years as a result of the proliferation of new technologies and the increased sophistication and activities of cyber-attacks. We have increasingly connected equipment and systems to the Internet. Because of the critical nature of our infrastructure and the increased accessibility enabled through connection to the Internet, we may face a heightened risk of cyber-attack. In the event of such an attack, we could have our business operations disrupted, property damaged and customer information stolen; experience substantial loss of revenues, response costs and other financial loss; and be subject to increased litigation and damage to our reputation. A cyber-attack could adversely affect our business, results of operations and financial condition.

Our operations are subject to social risks

Our activities are subject to social risks, including protests by communities surrounding certain of our operations. Despite of the fact that we are committed to operating in a socially responsible manner, we may face opposition from local communities with respect to our current and future projects in the jurisdictions in which we operate, which could adversely affect our business, results of operations and financial condition.

Risks Relating to the Notes

There is no established trading market for the Notes and the market value of the Notes is uncertain.

Although we have applied to list the Notes on BYMA, and for trading on the MAE and to have the Notes listed on the Official List of the Luxembourg Stock Exchange for trading on its Euro MTF Market, the Notes will be new issues of securities with no established trading market or prior trading history. In addition, we cannot assure you that a market for the Notes will develop or, if one does develop, that it will be maintained. If a trading market does not develop or is not maintained, you may experience difficulty in reselling the Notes or may be unable to sell them at an attractive price or at all. Further, even if a market develops, the liquidity of any market for the Notes will depend on the number of holders of the Notes, the interest of securities dealers in making a market in the Notes and other factors. Furthermore, the market value and liquidity of, and trading markets for, the Notes may be materially and adversely affected by changes in interest rates and declines and volatility in the markets for similar securities and in the overall economy, as well as by any changes in our financial condition or results of operations. We cannot assure you that the Notes will not trade at a discount from their initial trading price, whether for reasons related or unrelated to us.

The Notes are not registered securities in the United States, and they will be subject to transfer restrictions that may adversely affect the value of the Notes and limit your ability to resell the Notes

The Notes have not been registered under the Securities Act or any state securities laws, and we are not required to and currently do not plan on making any such registration in the immediate future. The Notes may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Such exemptions include offers and sales that occur outside the United States for non-U.S. persons in compliance with Regulation S and in accordance with any applicable securities laws of any other jurisdiction, and sales to U.S. qualified institutional buyers as defined under Rule 144A. You should be aware that investors may be required to bear the financial risks of this investment for an indefinite period of time. See “Transfer Restrictions” for a more detailed explanation of such restrictions.

The obligations under the Notes are effectively subordinated to the obligations of our subsidiaries

The Notes are our unsubordinated obligations, and shall enjoy equal priority of payment, without priority, consistent with our other present or future unsecured and unsubordinated indebtedness, present and future. The Notes are not secured by our assets. Future claims of secured creditors, whose loans are secured against our assets will have priority for payment against any claim of the holders of the Notes with respect to such assets.

The Notes will be effectively subordinated to any of our secured indebtedness to the extent of the value of the assets securing such obligations. The Notes will be structurally subordinated to the indebtedness of our subsidiaries.

Also, any payment of dividends, loans or advances by our subsidiaries may be subject to legal or contractual restrictions. Payments to us by our subsidiaries will also depend on their earnings and business considerations. We have the right to receive assets of any of our subsidiaries in the event of bankruptcy, contest or settlement, and therefore, the right of the holders of the Notes to participate in such assets will be effectively subordinated to the claims of creditors of that subsidiary, including trade creditors.

Our credit ratings do not reflect all risks of investing in the Notes

Our credit ratings are an assessment by the rating companies on our ability to pay our debts as they mature. Consequently, actual or anticipated changes in our credit ratings generally affect the market value of the Notes. These credit ratings may not reflect the potential impact of risks related to the structuring and marketing of the Notes. The ratings do not constitute a recommendation to buy, sell or hold securities and may be revised or withdrawn at any time by the rating agency. The rating of each company should be evaluated independently of any other company grade rating.

We could redeem the Notes before maturity

We may redeem the Notes, in whole or in part in certain circumstances described under “Description of the Notes.” An investor may not be able to reinvest the redemption proceeds in other securities with yields similar to those of the Notes redeemed.

Holders of Notes may find it difficult to enforce civil liabilities against us or our directors, officers and controlling persons

We are organized under the laws of Argentina and our principal place of business (*domicilio social*) is located in Argentina. All of our directors, officers and controlling persons reside outside of the United States. In addition, all or a substantial portion of our assets and the assets of our directors, officers and controlling persons are located outside of the United States. As a result, it may be difficult for holders of Notes to effect service of process within the United States on such persons or to enforce judgments against us or them, including any action based on civil liabilities under the Securities Act. Based on the opinion of our Argentine counsel, there is doubt as to the enforceability against us and such persons in Argentina, whether in original actions or in actions to enforce judgments of U.S. courts, of liabilities based solely on the U.S. federal securities laws.

Failure to comply with restrictive covenants in our agreements could accelerate our repayment obligations under our debt

Our outstanding credit facilities and debt securities contain a number of restrictive covenants and any additional financing arrangements we enter into (including the Notes) may contain additional restrictive covenants, such as, but not limited to, certain financial covenants which require us to maintain specified financial ratios. These covenants restrict or prohibit many actions, including, but not limited to, our ability to incur debt, create or suffer to exist liens, make repayments of particular debt, pay dividends, make investments, engage in transactions with stockholders and affiliates, issue capital stock, sell certain assets, and engage in mergers and consolidations or in sale-leaseback transactions.

As a result of the covenants and restrictions contained in our outstanding indebtedness, we are limited in how we conduct our business and we may be unable to compete effectively or to take advantage of new business opportunities. Any breach of these covenants could result in a default under such indebtedness.

We cannot assure you that we will be able to remain in compliance with the covenants in the future and, if we fail to do so, that we will be able to obtain waivers from the appropriate parties and/or amend the covenants. At the same time, there are exceptions to many of these covenants, and we cannot assure you that the limitations referred to above will protect you in all circumstances.

Certain of our subsidiaries will constitute unrestricted subsidiaries under the Indenture governing the Notes, and will, therefore, not be subject to the restrictive covenants thereunder

Our subsidiary Hychico, as well as such other subsidiaries we may designate as such in the future pursuant to the provisions of the Indenture governing the Notes, will constitute unrestricted subsidiaries and, as a result, the restrictive covenants contained in the Indenture will not apply to such subsidiaries. Accordingly, unrestricted subsidiaries, among other things, may incur unlimited indebtedness, will not be limited in their ability to pay dividends or make other distributions to third parties and may sell their assets without any restriction on the use of proceeds therefrom.

If we experience a change of control, we may be unable to repurchase the Notes as required under the Indenture

In the event of a change of control, we will be required under certain circumstances to make an offer to repurchase the Notes at a purchase price equal to 101% of the principal amount thereof, plus any accrued and unpaid interest thereon through the purchase date. See “Description of the Notes—Change of Control”. The terms of our existing credit facilities and other financing arrangements may require repayment of amounts outstanding in the event of a change of control and limit our ability to fund the repurchase of the Notes in certain circumstances. If we experience a change of control triggering event, there can be no assurance that we would have sufficient financial resources available to satisfy our obligations to repurchase the Notes. If a change of control occurs and we fail to repurchase the Notes, our failure to do so would constitute a default under the Indenture, which could in turn be a default under our other financing agreements, and could have a material adverse effect on our financial condition and results of operations.

In the event of reorganization proceedings or an out-of-court reorganization agreement, holders of the Notes may vote differently from other creditors

In the event we are subject to judicial reorganization proceedings, out-of-court reorganization agreements (*acuerdo preventivo extrajudicial*) and/or similar proceedings, current Argentine regulations applicable to the Notes (including, without limitation, the provisions of the Negotiable Obligations Law) will be subject to the provisions of Argentine Law No. 24,522 (the “Argentine Bankruptcy Law”), as amended, and other regulations applicable to business restructuring proceedings and, consequently, certain terms and conditions of the Notes may not apply.

The Argentine Bankruptcy Law establishes a different voting procedure for holders of Notes from that used by other unsecured creditors for purposes of calculating the majorities required by the Argentine Bankruptcy Law (which requires the absolute majority of creditors representing two-thirds of the unsecured debt). Under this system, holders of Notes may have significantly less bargaining power than our other financial creditors in the event of reorganization.

Moreover, Argentine case law has provided that holders of Notes who fail to attend a meeting at which a vote is held in order to vote or who abstain from voting are not to be counted for purposes of calculating whether the majorities required to approve a restructuring proposal have been formed. As a result, the bargaining power of holders of notes may be lessened vis-à-vis our other financial and trade creditors.

The obligations under the notes will be subordinated to certain statutory liabilities

Under Argentine Bankruptcy Law, the obligations under the Notes are subordinated to certain statutory preferences including claims for salaries, wages, secured obligations, social security, taxes and court fees and expenses. If we are subject to bankruptcy, judicial or non-judicial reorganization proceedings or the equivalent, the rights of the holders of the notes will rank junior to the above statutory preferences and as a result, our ability to pay the amounts outstanding under the Notes may be undermined.

Judgments of Argentine courts enforcing obligations denominated in foreign currency may order payment in Argentine pesos

If proceedings were brought in the courts of Argentina seeking to enforce our obligations under the Notes, these obligations may be payable in pesos in an amount equal to the amount of Argentine pesos required to settle the obligation denominated in foreign currency under the agreed terms and subject to applicable law or, alternatively, according to the exchange rate between the peso and the U.S. dollar in force at the time of payment. We cannot assure you that such rates of exchange will afford investors full compensation of the amount invested in the Notes plus accrued interest.

USE OF PROCEEDS

We will apply the net proceeds of the issuance of the Notes under this offering memorandum, which are approximately U.S.\$296,303,977 (U.S.\$300,000,000, less any expenses and fees in connection with this offering), in compliance with the requirements of Article 36 of the Negotiable Obligations Law, and other applicable Argentine regulations, (i) to invest in fixed assets in Argentina, (ii) as working capital in Argentina; (iii) to refinance our existing debt; and (iv) to make capital contributions in our subsidiaries or affiliates, to be used for the purposes described in (i) to (iii).

In particular, we will use the net proceeds of the offering to purchase and/or redeem our Class I Notes in an aggregate principal amount outstanding of US\$200 million and for other general corporate purposes.

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Financial Liabilities”.

EXCHANGE RATES AND EXCHANGE CONTROLS

Exchange Rates

From April 1, 1991 until the end of 2001, Law No. 23,928 (the “Convertibility Law”) established a regime under which the Central Bank was obliged to sell U.S. dollars at a fixed rate of one peso per U.S. dollar. On January 6, 2002, the Argentine Congress enacted the Public Emergency Law, formally ending the regime of the Convertibility Law, abandoning over ten years of U.S. dollar-peso parity and eliminating the requirement that the Central Bank’s reserves in gold, foreign currency and foreign currency denominated debt be at all times equivalent to 100% of the monetary base.

The Public Emergency Law, which has been extended on an annual basis as is in effect until December 31, 2017, granted the Argentine government the power to set the exchange rate between the peso and foreign currencies and to issue regulations related to the foreign exchange market. Following a brief period during which the Argentine government established a temporary dual exchange rate system, pursuant to the Public Emergency Law, the peso has been allowed to float freely against other currencies since February 2002. However, the Argentine Central Bank has had the power to intervene in the exchange rate market by buying and selling foreign currency for its own account, a practice in which it engaged on a regular basis. Between 2011 and December 2015, the Argentine government increased controls on exchange rates and the transfer of funds into and out of Argentina.

With the tightening of exchange controls beginning in late 2011, in particular with the introduction of measures that allowed limited access to foreign currency by private companies and individuals (such as requiring an authorization of tax authorities to access the foreign currency exchange market), the implied exchange rate, as reflected in the quotations for Argentine securities that trade in foreign markets, compared to the corresponding quotations in the local market, increased significantly over the official exchange rate. Most of the foreign exchange restrictions were gradually lifted in since December 2015, and finally on August 9, 2016 the Central Bank issued Communication “A” 6037, which substantially modified the applicable foreign exchange regulations and eliminated the set of restrictions for accessing the MULC. As a result of the elimination of the limit amount for the purchase of foreign currency without specific allocation or need of prior approval the substantial spread between the official exchange rate and the implicit exchange rate derived from securities transactions has substantially decreased.

After several years of moderate variations in the nominal exchange rate, in 2012 the peso lost approximately 14.27% of its value with respect to the U.S. dollar. This was followed in 2013 and 2014 by a devaluation of the peso with respect to the U.S. dollar that exceeded 30.00%, including a loss of approximately 23.00% in January 2014. In 2015, the peso lost approximately 52.43% of its value with respect to the U.S. dollar, including a 10.13% devaluation from January 1, 2015 to September 30, 2015 and a 38.00% devaluation during the last quarter of the year, mainly concentrated after December 16, 2015 when most exchange controls were lifted.

The following table sets forth the high, low, average and period-end reference exchange rates for the periods indicated, expressed in Pesos per Dollar at the selling exchange rate published by *Banco de la Nación Argentina* (“Banco Nación”).

	Exchange rates			
	High ⁽¹⁾	Low ⁽¹⁾	Average ⁽¹⁾	Period-end
2014	8.557	6.545	8.114	8.551
2015	13.400	8.222	9.265	13.040
January 2016	13.960	13.200	13.654	13.960
February 2016	15.800	14.130	14.852	15.800
March 2016	15.800	14.390	14.954	14.700
April 2016	14.790	14.050	14.387	14.250
May 2016	14.240	13.920	14.124	13.991
June 2016	15.300	13.745	14.184	15.040
July 2016	15.150	14.560	14.891	15.010
August 2016	15.100	14.660	14.828	14.930
September 2016	15.390	14.900	15.117	15.310
October 2016	15.230	15.070	15.171	15.150
November 2016	15.868	14.920	15.337	15.868
December 2016	16.030	15.497	15.839	15.890
January 2017	16.080	15.810	15.909	15.897
February 2017	15.800	15.360	15.592	15.480
March 2017	15.645	15.390	15.522	15.390
April 2017 ⁽²⁾	15.490	15.190	15.355	15.400

Source: Banco Nación

Notes:—

(1) Represents the high, low and average of the exchange rates on the last day of each month during the period. For the months in 2016 and 2017, the average is calculated using the daily exchange rates of each respective month.

(2) As of April 28, 2017.

For your convenience, this offering memorandum contains translations of peso amounts to U.S. dollars. Unless otherwise indicated, we have translated U.S. dollar amounts in this offering memorandum at the exchange rate of Ps.15.897 to U.S.\$1.00, which was the selling rate published by Banco Nación, on January 31, 2017. These translations should not be construed as representations that the amounts actually represent such U.S. dollar amounts or could be or have been converted into U.S. dollars at the rates indicated or at any other rates.

As of April 28, 2017, the peso-U.S. dollar reference exchange rate was P\$15.40 to US\$1.00.

Exchange Controls

The enactment of the Public Emergency Law in 2002, among other things, authorized the Argentine government to implement a foreign exchange system and to enact foreign exchange regulations. Within this context, on February 8, 2002, under Decree No. 260/2002, the Argentine government (i) created the MULC through which all transactions involving the exchange of foreign currency must be conducted, and (ii) established that all foreign exchange transactions shall be made at the freely agreed exchange rate and in compliance with the requirements and regulations of the Central Bank (the main aspects of which are described below).

On June 9, 2005, by means of Decree No. 616/2005, the Argentine government, established that (i) all inflows of funds into the domestic foreign exchange market arising from foreign debts incurred by Argentine residents, both individuals or legal entities of the private financial and non-financial sector, excluding export-import financings, and primary issues of debt securities sold through public offering and traded in authorized

markets; (ii) currency remittances made by non-Argentine-residents into the domestic foreign exchange market for the following purposes: holdings of Argentine currency, purchases of any kind of financial assets or liabilities of the financial or non-financial private sector, excluding direct foreign investments and primary issues of debt securities and shares sold through public offering and traded in self-regulated markets; and investments in public sector securities purchased in secondary markets, shall meet the following requirements: (a) currency remittances into the domestic foreign currency market shall only be transferred abroad upon the lapse of 365 calendar days computed as from the date of settlement of such funds into pesos; (b) the proceeds of the exchange of the funds so remitted shall be deposited into an account in the local banking system; (c) an amount equal to 30.0% of the relevant amount shall be deposited in a registered and non-transferable and non-interest bearing account for a period of 365 calendar days, under the conditions established in the applicable regulation (the “Deposit”); and (d) such Deposit shall be made in U.S. dollars with Argentine financial institutions, it shall not accrue any interest or other profit and shall not be used as security or collateral for any kind of credit transaction. It should be noted that there were several exemptions to the requirements of Decree No. 616/2005, including, without limitation, those described below.

Any breach of the provisions of Executive Decree No. 616/05 or any other foreign exchange regulation is subject to criminal sanctions.

On December 18, 2015, through Resolution No. 3/2015, the Ministry of Treasury and Public Finance amended Executive Decree No. 616/2005, reducing (i) the Deposit percentage to 0% and (ii) the required period that the proceeds of any new financial indebtedness incurred by residents, held by foreign creditors and transferred through MULC must be kept in Argentina from 365 calendar days to 120 calendar days from the date of the transfer of the relevant amount. Such term was reduced to 0 through Resolution 1/2017, issued by the Ministry of Finance. The following is a description of the main aspects of the Central Bank regulations relating to inflows and outflow of funds into and from Argentina that are in force as of the date of this offering memorandum.

On August 8, 2016, the Central Bank introduced material changes to the foreign exchange regime and established a new foreign exchange regime by means of Communication “A” 6,037 that significantly eases access to the MULC.

The following is a description of the main aspects of Central Bank regulations concerning inflows and outflows of funds in Argentina.

Inflow of Capital

Foreign Financial Indebtedness

Inflow and settlement through the MULC: Foreign financial indebtedness incurred by the private non-financial sector, the financial sector and Argentine local governments are not subject to the requirement of having the proceeds from such indebtedness transferred and settled through the MULC (Communication “A” 6,037).

Whether funds are being entered into the MULC or not, in transactions involving the private non-financial sector and the financial sector, it is mandatory to register such debt in the “Survey of external liabilities and securities issuance” (Communication “A” 3,602 as amended and restated) in accordance with Section 1 of Decree 616/05.

Until recently, in the case of financial indebtedness with foreign creditors entered into the MULC, a minimum term of 120 days had to elapse before repayment of principal (in full or in part), regardless of the payment method used. Given the issuance of Resolution 1/2017 by the Ministry of Finance, which reduced the minimum term of permanence to 0 days, and the issuance of Communication “A” 6,150 by the Central Bank, Argentine residents no longer have to wait for 120 days to repay principal on offshore financial debt through the specific channel (by wire transfer from Argentina under the concept code applicable to such transactions).

There is also no obligation to convert into Pesos (through the MULC) the disbursements received under offshore financial indebtedness. As a consequence, if the funds are brought into Argentina, they can be

credited into a bank account in pesos or foreign currency, even in different foreign currency from the one that of the transferred funds (e.g. Dollars-Euros).

Outflow of Capital

Payment of Principal and Interest of Foreign Financial Indebtedness

Access to the MULC in order to pay principal and interest accrued as from the disbursement of the funds is subject to the filing before the intervening entity of an affidavit stating the concept code for the transaction and informing the compliance with, as applicable, the statement of debt required by Communication "A" 3602, as amended from time to time, and the statement of direct investments provided by Communication "A" 4237, as amended from time to time.

Foreign financial indebtedness can also be repaid by using freely disposable funds deposited abroad. There is no limitation established to pre-cancel principal before the agreed maturity date. Additionally, there is no restriction to refinance (or extend the agreed maturity of) offshore debts, even if the disbursed funds were entered into the MULC.

Repatriations by Non-residents

Non-Argentine residents subjects may access the FX Market to perform what is commonly known as repatriation transactions.

To that purpose, they must file an affidavit before the intervening financial entity, stating that the funds correspond to:

- (i) Financial indebtedness originated in foreign loans from non-residents;
- (ii) Collection of credits under a reorganization proceeding and collection of debts under a reorganization or insolvency proceedings to the extent that the non-resident client has been recognized as a creditor by a non-appealable decision of the competent court of such proceedings;
- (iii) Services, royalties and other current transfers to abroad;
- (iv) Repatriations of foreign direct investments in the non-financial private sector, in companies that are not controllers of local financial entities, and/or in real estate properties, to the extent that the beneficiary from abroad is a human or legal person residing or incorporated in countries or territories considered as collaborative for fiscal transparency (as determined by section 1 of Decree 589/13 and its supplementary).

Regulations provide that a holding by a non-resident in equity of a local company equal or superior to 10% (of the equity or votes) is considered a foreign direct investment. The repatriation of such investments includes: the sale of direct investment; final settlement of the investment; reduction of capital decided by the local company; and devolution of irrevocable contributions made by the local company.

- (v) Collection of services or sales of portfolio investments (and their results), provided that the beneficiary from abroad is a human or legal person who resides or has been incorporated and established in countries or territories considered as collaborative for fiscal transparency (as determined by section 1 of Decree 589/13 and its supplementary). These repatriations of portfolio investments include, but are not limited to, portfolio investments in shares and stakes in local companies, investments in mutual funds and local trusts, purchase of portfolios of loans granted to residents by local banks, purchase of invoices and Promissory notes for local commercial transactions, investments in local bonds issued in Pesos and in foreign currency payable locally, as well as purchases of other internal credits.
- (vi) Compensation granted by local courts in favor of non-residents.
- (vii) Argentine import payments.

The transfer of funds abroad may be performed by debiting from accounts in Pesos or accounts in foreign currency.

In foreign exchange transactions to non-Argentine resident clients, when the amount of the operations is over the equivalent of US\$10.000, the credit / debit of the Pesos in the local account of the non-resident or attorney in fact that performs the transactions in the name and on behalf of the non-resident is needed.

Formation of Foreign Assets

Argentine resident natural persons, private legal persons incorporated in Argentina, assets and other rights incorporated in the country (e.g. trusts) and local governments, except entities authorized to operate in foreign exchange, may access the FX Market without requesting prior approval from the Central Bank under the set of concepts that make up the “*formation of foreign assets*” channel, with no limit. Such concepts are: “*direct investments by residents*”, “*portfolio investments abroad by residents*”, “*purchase of foreign currency bills*”, “*residents’ loans to non-argentine residents*”, “*residents’ travelers checks*” and “*purchase of foreign currency for personal holding or related to transfers between residents*”.

Under the concept of “*portfolio investments*” Argentine residents may transfer funds to their own accounts opened abroad, without limitations, as long as such accounts are opened in countries or territories considered as collaborative for fiscal transparency (as determined by section 1 of Decree 589/13 and its supplementary), and that are not flagged as non-collaborative by the Financial Action Task Force (“FATF”). As funds transferred under this concept are considered “*freely disposable funds*”, they may be used abroad to cancel any type of debt.

Capital Markets

Securities transactions carried out in authorized securities markets shall be paid by one of the following mechanisms: (a) in Pesos using the different modalities allowed by the payments system, (b) in foreign currency through wire transfer from and to accounts opened at local financial entities, and (c) through wire to foreign accounts. The settlement of these securities trading transactions by payment in foreign currency bills, or by deposit in custody accounts or in third party accounts (Communication "A" 4,308) is not permitted.

Since the issuance of Communication "A" 5,812, on October 2, 2015, the funds received by natural persons in local custody accounts for payments of securities services in foreign currency may be used for settlement of new trading transactions of the beneficiary of the funds. This will have effects to the extent that the reinvestment of funds from the custody account by the beneficiary is neutral in tax matters with respect to the accreditation of the services in an account opened by the beneficiary in a financial entity and its subsequent debt for the purchase of securities.

CAPITALIZATION

The table below sets forth our current and non-current financial liabilities, as well as our capitalization as of January 31, 2017, both on an actual basis and as adjusted to reflect the Notes offering but not the application of the proceeds therefrom. This table should be read alongside with “Management’s Discussion and Analysis of Financial Conditions and Results of Operations” of this offering memorandum, as well as the Unaudited Interim Financial Statements also included in this offering memorandum.

	As of January 31, 2017			
	Actual (in Ps.)	As Adjusted	Actual (in U.S.\$) ⁽¹⁾	As Adjusted
Current financial liabilities ⁽²⁾	148,409,325	150,699,647	9,335,681	9,479,754
Non-current financial liabilities ⁽³⁾ ..	3,425,262,402	246,586,557	215,465,962	15,511,515
Notes offered hereby ⁽⁴⁾	—	4,710,344,322	—	296,303,977
Total financial liabilities	<u>3,573,671,727</u>	<u>5,107,630,526</u>	<u>224,801,644</u>	<u>321,295,246</u>
Shareholders’ equity	3,399,052,456	3,396,037,979	213,817,227	213,627,601
Total capitalization⁽⁵⁾	<u>6,972,724,183</u>	<u>8,503,668,505</u>	<u>438,618,870</u>	<u>534,922,847</u>

Notes:—

- (1) U.S.\$1.00 = Ps.15.897, the selling rate published by Banco Nación on January 31, 2017.
- (2) Refers to current financial liabilities (including, without limitation, negotiable obligations) as set forth in note 17 of our Unaudited Interim Financial Statements as of January 31, 2017.
- (3) Refers to non-current financial liabilities (including, without limitation, negotiable obligations and our debt with CAMMESA for the maintenance of our *Agua del Cajón* Power Plant) as set forth in note 17 of our Unaudited Interim Financial Statements as of January 31, 2017.
- (4) U.S.\$300,000,000 principal amount of Notes less fees and expenses in connection with this offering of approximately U.S.\$3,696,023.
- (5) Total capitalization represents total financial liabilities plus shareholders’ equity.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following tables present our selected historical financial information as of and for each of the periods indicated. Financial information as of and for each of the fiscal years ended April 30, 2016, 2015 and 2014 is derived from and should be read together with our Audited Annual Financial Statements included in this offering memorandum. Financial information as of January 31, 2017 and 2016 and for the nine-month periods then ended is derived from and should be read together with our Unaudited Interim Financial Statements included in this offering memorandum, in each case prepared in accordance with IFRS.

Our Financial Statements and other financial information included in this offering memorandum, unless specified otherwise, are stated in Argentine pesos. The U.S. dollar amounts provided below are conversions from the Argentine peso amounts, solely for the convenience of the reader. These conversions should not be construed as representations that the Argentine peso amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated or at any other rate. Unless otherwise indicated, we have translated U.S. dollar amounts in this offering memorandum at the exchange rate of Ps.15.897 to U.S.\$1.00, which was the selling rate published by Banco Nación on January 31, 2017. Income statement items have been translated at the average of the daily closing rates for each of the days of the relevant period and balance sheet items have been translated at the period-end closing rate. See “Exchange Rates and Exchange Controls” for information regarding the rates of exchange between the peso and the U.S. dollar.

For additional information regarding financial information presented in this offering memorandum, see “Presentation of Financial and Other Information.”

Statement of Income	For the Years Ended April 30,				Unaudited For the Nine-Month Periods Ended January 31,		
	2016 ⁽¹⁾	2016	2015	2014	2017 ⁽²⁾	2017	2016
	(in thousands of U.S.\$)	(in thousands of Ps.)			(in thousands of U.S.\$)	(in thousands of Ps.)	
Net sales	165,305.0	1,844,804.3	1,260,911.7	816,212.3	142,724.7	2,145,152.1	1,201,722.0
Cost of sales.....	(55,513.2)	(619,527.7)	(473,719.5)	(339,523.8)	(45,392.8)	(682,253.2)	(448,565.9)
Gross profit	109,791.8	1,225,276.6	787,192.1	476,688.5	97,331.9	1,462,898.9	753,156.1
Exploration Expenses.....	(6,873.7)	(76,710.6)	(174,860.3)	—	—	—	—
Selling expenses.....	(22,778.7)	(254,210.7)	(170,351.3)	(120,730.3)	(22,156.3)	(333,009.8)	(171,195.4)
Administrative expenses	(11,640.3)	(129,906.1)	(91,527.8)	(65,428.6)	(8,791.9)	(132,142.4)	(95,316.8)
Other operating (expenses)/income, net	(85.3)	(952.1)	1,298.7	13,633.9	115.1	1,730.6	102.0
Operating income	68,413.7	763,497.0	351,751.3	304,163.6	66,498.8	999,477.4	486,745.9
Financial income.....	35,865.3	400,256.3	127,500.4	151,905.3	14,448.5	217,160.9	358,280.7
Financial costs	(139,906.3)	(1,561,354.3)	(474,939.8)	(827,207.3)	(45,963.8)	(690,836.5)	(1,379,685.2)
Other financial income.....	40.9	456.9	69.5	1,492.9	(84.0)	(1,262.5)	546.7
Results before income tax	(35,586.4)	(397,144.1)	4,381.5	(369,645.5)	34,899.5	524,539.2	(534,112.0)
Tax on assets.....	—	—	(431.6)	3,801.3	—	—	—
Income tax expense.....	12,295.5	137,218.3	(3,562.0)	140,426.5	(12,395.0)	(186,297.2)	185,743.0
Net result for year/period	(23,290.8)	(259,925.8)	387.9	(225,417.8)	22,504.5	338,242.1	(348,369.0)
Items that will not be reclassified to profit or loss							
Other comprehensive results	94,085.6	1,049,995.8	743,518.1	—	83,300.8	1,252,011.6	—
Comprehensive Results for the year/period ..	70,794.8	790,070.0	743,906.0	(225,417.8)	105,805.3	1,590,253.7	(348,369.0)
Adjusted EBITDA ⁽³⁾	99,767.9	1,113,410.0	732,592.2	441,755.5	90,374.4	1,358,326.5	697,166.0
Adjusted EBITDA margin ⁽⁴⁾	—	60.4%	58.1%	54.1%	—	63.3%	58%

Statement of Income	For the Years Ended April 30,				Unaudited For the Nine-Month Periods Ended January 31,		
	2016 ⁽¹⁾	2016	2015	2014	2017 ⁽²⁾	2017	2016
	(in thousands of U.S.\$)	(in thousands of Ps.)			(in thousands of U.S.\$)	(in thousands of Ps.)	
Current liquidity ratio ⁽⁵⁾	—	2.30	1.51	0.77	—	3.55	1.53
Solvency ratio ⁽⁶⁾	—	0.37	0.33	0.12	—	0.59	0.16
Capital immobilization ratio ⁽⁷⁾	—	0.75	0.80	0.86	—	0.78	0.80

Notes:—

- (1) We have translated U.S. dollar amounts at the average of the daily closing exchange rates for the fiscal year ended April 30, 2016, of Ps.11.16 per U.S. dollar, published by Banco Nación.
- (2) We have translated U.S. dollar amounts at the average of the daily closing exchange rates for the nine-month period ended January 31, 2017, of Ps.15.03 per U.S. dollar, published by Banco Nación.
- (3) We calculate Adjusted EBITDA as operating income plus depreciation of property, plant and equipment plus Exploration Expenses, the latter to the extent included in operating income.
- (4) Adjusted EBITDA margin is the ratio of Adjusted EBITDA over net sales.
- (5) Current Assets/Current Liabilities
- (6) Shareholders' Equity/Total Liabilities
- (7) Non-Current Assets/Total Assets

The following table presents, for the periods indicated, our calculation of Consolidated Adjusted EBITDA:

Statement of Income	For the Years Ended April 30,				Unaudited For the Nine-Month Periods Ended January 31,		
	2016 ⁽¹⁾	2016	2015	2014	2017 ⁽²⁾	2017	2016
	(in thousands of U.S.\$)	(in thousands of Ps.)			(in thousands of U.S.\$)	(in thousands of Ps.)	
Operating Income	68,413.7	763,497.0	351,751.3	304,163.6	66,498.8	999,477.4	486,745.9
Exploration Expenses.....	6,873.7	76,710.6	174,860.3	—	—	—	—
Depreciation of property, plant and equipment	24,480.5	273,202.4	205,980.5	137,591.9	23,875.5	358,849.1	210,420.2
Adjusted EBITDA	99,767.9	1,113,410.0	732,592.2	441,755.5	90,374.4	1,358,326.5	697,166.0

Notes:—

- (1) We have translated U.S. dollar amounts at the average of the daily closing exchange rates for the fiscal year ended April 30, 2016, of Ps.11.16 per U.S. dollar, published by Banco Nación.
- (2) We have translated U.S. dollar amounts at the average of the daily closing exchange rates for the nine-month period ended January 31, 2017, of Ps.15.03 per U.S. dollar, published by Banco Nación.

Balance Sheet	As of						
	April 30,				January 31,		
	2016 ⁽¹⁾	2016	2015	2014	2017 ⁽²⁾	2017	2016
	(in thousands of U.S.\$)	(in thousands of Ps.)			(in thousands of U.S.\$)	(in thousands of Ps.)	
Non-current assets							
Property, plant and equipment	319,547.4	4,553,549.8	2,646,497.5	1,670,638.6	424,604.4	6,749,936.9	2,824,900.1

Balance Sheet	As of						
	April 30,				January 31,		
	2016 ⁽¹⁾	2016	2015	2014	2017 ⁽²⁾	2017	2016
	(in thousands of U.S.\$)		(in thousands of Ps.)		(in thousands of U.S.\$)		(in thousands of Ps.)
Financial instruments at amortized cost	—	—	354,415.9	319,741.9	4.7	75.0	555,642.8
Spare parts and materials	11,248.9	160,296.5	68,755.8	53,117.1	6,900.2	109,692.6	148,669.8
Net deferred income tax	1,699.3	24,214.7	14,984.3	17,221.2	1,456.6	23,155.5	
Other receivables	7,969.8	113,570.3	76,087.9	58,706.4	4,805.5	76,393.5	113,594.7
Trade receivables	7,048.8	100,444.9	54,988.6	16,587.4	9,241.1	146,906.5	90,189.3
Total non-current assets	347,514.1	4,952,076.2	3,215,730.0	2,136,012.5	447,012.7	7,106,160.1	3,732,996.7
Current assets							
Spare parts and materials	3,308.1	47,140.4	20,252.8	16,396.4	2,182.8	34,700.0	44,539.4
Inventories	229.8	3,274.5	566.3	911.2	147.4	2,342.6	2,119.3
Other receivables	7,288.2	103,856.7	71,104.9	48,086.8	5,689.5	90,446.0	80,269.8
Trade receivables	49,057.9	699,074.5	332,069.7	219,937.8	29,197.6	464,154.6	474,994.3
Financial instruments at amortized cost	39,915.8	568,800.0	—	—	7,529.0	119,688.0	—
Cash and cash equivalents	17,152.7	244,425.6	392,703.5	51,783.5	83,363.7	1,325,233.2	358,037.7
Total current assets	116,952.4	1,666,571.6	816,697.2	337,115.7	128,110.0	2,036,564.4	959,960.4
Total assets	464,466.5	6,618,647.8	4,032,427.1	2,473,128.2	575,122.6	9,142,724.5	4,692,957.1
Non-current liabilities							
Trade payables	2,328.2	33,176.2	20,010.6	16,713.7	2,415.3	38,395.8	30,471.9
Financial liabilities	221,234.6	3,152,592.9	1,988,232.8	1,675,878.2	215,466.0	3,425,262.4	3,103,007.6
Net deferred tax liabilities	63,706.0	907,810.8	475,298.0	75,032.5	107,209.7	1,704,312.0	271,350.9
Provisions and other charges	227.7	3,244.4	2,367.4	1,810.5	171.8	2,730.3	1,641.0
Total non-current liabilities	287,496.4	4,096,824.2	2,485,908.9	1,769,435.0	325,262.7	5,170,700.5	3,406,471.3
Current liabilities							
Trade payables	23,843.1	339,763.8	222,677.9	175,944.0	15,135.9	240,614.8	236,567.8
Derivative financial instruments	—	—	—	2,424.9	—	—	—
Financial liabilities	16,714.8	238,186.2	230,389.3	207,203.9	9,335.7	148,409.3	296,558.8
Salaries and social security contributions	3,569.2	50,861.3	40,094.5	30,017.0	2,806.0	44,607.2	32,003.6
Tax payables	2,796.7	39,852.6	25,926.1	16,979.6	5,780.4	91,891.0	26,035.1
Other liabilities	3,920.1	55,861.0	20,201.7	7,801.2	2,984.8	47,449.3	36,460.7
Total current liabilities	50,843.8	724,524.8	539,289.5	440,370.5	36,042.7	572,971.6	627,626.0
Total liabilities	338,340.3	4,821,349.0	3,025,198.4	2,209,805.5	361,305.4	5,743,672.0	4,034,097.3
Non-controlling interest	736.2	10,490.7	9,062.7	5,053.9	1,511.9	24,034.9	8,489.8
Total Shareholders' equity	126,126.2	1,797,298.8	1,007,228.7	263,322.7	213,817.2	3,399,052.5	658,859.8
Total Shareholder's equity and liabilities	464,466.5	6,618,647.8	4,032,427.1	2,473,128.2	575,122.6	9,142,724.5	4,692,957.1

Notes:—

- (1) We have translated U.S. dollar amounts at the exchange rate of Ps.14.25 to U.S.\$1.00, which was the selling rate published by Banco Nación on April 30, 2016.
- (2) We have translated U.S. dollar amounts at the exchange rate of Ps.15.897 to U.S.\$1.00, which was the selling rate published by Banco Nación on January 31, 2017.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our Audited Annual Financial Statements and our Unaudited Interim Financial Statements and their accompanying notes, as well as our selected financial information, included elsewhere herein. This section contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including, without limitation, those set forth in Forward-looking Statements and Risk Factors.

Overview

We are a fully integrated energy generator in Argentina. Our energy generation operations are carried out in the province of Neuquén through a combined cycle plant with a maximum generation capacity of 672 MW (ISO). We source approximately 50% of the natural gas used to generate energy at our *Agua del Cajón* Power Plant from our own gas field in the *Agua del Cajón* area in the province of Neuquén, where our *Agua del Cajón* Power Plant is also located. In addition, we extract and sell oil from our *Agua del Cajón* and *Salitral* fields in our *Agua del Cajón* area and are currently conducting research over unconventional reserves contained in tight sand and shale formations in our fields. Gas extracted from our fields is processed in our natural gas liquefaction plant, where it is dried prior to being used as fuel for energy generation. Through this process, in addition to the gas used to fire our *Agua del Cajón* Power Plant, we obtain propane and butane, which are sold separately, and stabilized gasoline which is mixed and sold with our oil production. Through our subsidiary, Hychico, we have developed new lines of business mainly related to renewable energies such as wind produced energy and hydrogen generation, as well as oxygen production and sales.

Presentation of Financial Information

We prepared our Financial Statements included in this offering memorandum in pesos, our functional currency, and according with IFRS. For a description of our significant accounting policies, see note 2 to our Audited Annual Financial Statements. For a description of our critical accounting policies for which our management exercises significant discretion, see “—Critical Accounting Policies and Estimates.”

Our Business Segments

We develop our activities in the following business segments: (i) exploration, production and sale of oil and gas (Oil and Gas); (ii) generation of energy (*Agua del Cajón* Power Plant); (iii) production and sale of gas-derived liquid fuel (LPG Plant); (iv) generation of wind electric power (*Diadema* Wind Farm); (v) generation of electric power with hydrogen (Hydrogen Energy); and (vi) oxygen production and sale (Oxygen).

The table below shows a breakdown of our net sales by segment for the periods indicated:

	Unaudited For the Nine-months Periods ended									
	For the Years ended April 30,				January 31,					
	2016	2015	2014	2017	2016					
(in thousands of Ps. except percentages)										
Exploration, production and sale of oil and gas (Oil and Gas) ⁽¹⁾	1,235,873	67.0%	802,060	63.6%	518,036	63.5%	1,546,696	72.1%	804,049	66.9%
Generation of electric power (<i>Agua del Cajón</i> Power Plant)	448,619	24.3%	296,177	23.5%	174,188	21.3%	515,941	24.1%	282,010	23.5%
Production and sale of gas-derived liquid fuel (LPG).....	122,642	6.6%	131,902	10.5%	100,220	12.3%	46,948	2.2%	88,894	7.4%
Generation of wind electric power (<i>Diadema</i> Wind Farm)	33,597	1.8%	27,885	2.2%	22,057	2.7%	30,747	1.4%	23,984	2%

	For the Years ended April 30,					For the Nine-months Periods ended January 31,					Unaudited	
	2016		2015		2014		2017		2016			
	(in thousands of Ps. except percentages)											
Generation of electric power with hydrogen (Hydrogen Energy)	3,078	0.2%	2,068	0.2%	1,111	0.1%	3,288	0.2%	2,056	0.2%		
Oxygen production and sale (Oxygen).....	995	0.1%	820	0.1%	600	0.1%	1,532	0.1%	728	0.1%		
Total	1,844,804	100%	1,260,912	100%	816,212	100%	2,145,152	100%	1,201,722	100%		

Note:—

(1) Includes payments from CAMMESA for the use of our own gas, which we record as sales of energy on account of such payment being received as part of the compensation we receive for the sale of energy; however, as required by IFRS 8 “Operating Segment”, we then allocate such revenue derived from the use of our own gas to the oil and gas segment.

The table below shows a breakdown of our operating result by segment for the periods indicated:

	For the Years ended April 30,					For the Nine-month Periods ended January 31,					Unaudited	
	2016		2015		2014		2017		2016			
	(in thousands of Ps. except percentages)											
Exploration, production and sale of oil and gas (Oil and Gas).....	500,631	65.6%	164,236	46.7%	208,291	68.5%	843,317	84.4%	330,552	67.9%		
Generation of energy (<i>Agua del Cajón</i> Power Plant)	180,783	23.7%	94,321	26.8%	2,915	1.0%	148,621	14.9%	98,951	20.3%		
Production and sale of gas-derived liquid fuel (LPG).....	65,522	8.6%	79,685	22.7%	83,160	27.3%	(9,496)	(1.0)%	46,049	9.5%		
Generation of wind electric power (<i>Diadema</i> Wind Farm).....	22,124	2.9%	18,324	5.2%	15,337	5.0%	20,937	2.1%	15,333	3.2%		
Generation of energy with hydrogen (Hydrogen Energy)	(4,146)	(0.5)%	(3,527)	(1.0)%	(3,567)	(1.2)%	(2,685)	(0.3)%	(3,052)	(0.6)%		
Oxygen production and sale (Oxygen).....	(1,418)	(0.2)%	(1,287)	(0.4)%	(1,972)	(0.6)%	(1,217)	(0.1)%	(1,086)	(0.2)%		
Total	763,497	100%	351,751	100%	304,164	100%	999,477	100%	486,746	100%		

For more information on our business segments, see Note 5 to our Audited Annual Financial Statements and Note 8 to our Unaudited Interim Financial Statements.

Factors Affecting our Operations

Our results of operations are principally affected by economic conditions in Argentina, changes in government regulations, changes in prices and demand for electricity and oil and gas and derivative products, and fluctuations in our costs of sales and operating expenses.

Argentine Economic Conditions

General

As substantially all of our operations, facilities and customers are located in Argentina, we are affected by macroeconomic conditions in the country, including inflation and fluctuations in foreign exchange rates. Volatility in the Argentine economy and measures taken by the Argentine government have had, and are expected to continue to have, a significant impact on our business. The Macri administration has begun implementing reforms that are expected to improve the long-term fundamentals of the electricity sector, making the sector more market-driven and sustainable. In addition, the Macri administration has taken

measures to start correcting macroeconomic imbalances and reinsert Argentina into the international financial markets. See “Risk Factors—Risks Related to Argentina.”

The following table sets forth key economic indicators in Argentina during the periods indicated:

	2016 ⁽¹⁾	2015	2014	2013	2012
Economic Activity					
Real GDP (constant 2004 Ps.) (% change) ⁽²⁾	(1.7)%	2.4%	(2.6)%	2.3%	(1.1)%
Nominal GDP in current U.S.\$ ⁽³⁾ (in millions of U.S.\$).....	573,275	629,905	567,662	613,489	582,709
Real Gross Domestic Investment ⁽⁴⁾ (pesos of 2004 (% change) as % of GDP)	(5.8)%	(3.1)%	(5.2)%	1.6%	(6.8)%
Price Indexes and Exchange Rate Information					
Consumer Price Index (INDEC CPI) (% change)	12.7% ⁽⁵⁾	11.9% ⁽⁵⁾	24.0%	10.9%	10.8%
Inflation (as measured by the City of Buenos Aires CPI) (% change) ⁽⁵⁾	32.8%	26.9%	38.0%	26.6%	N/A
Inflation (as measured by the province of San Luis CPI) (% change) ⁽⁶⁾	26.1%	31.6%	39.0%	31.9%	23.0%
Wholesale Price Index (WPI) (% change).....	32.1% ⁽⁵⁾	10.6% ⁽⁵⁾	28.3%	14.8%	13.1%
Nominal Exchange Rate ⁽⁷⁾ (in Ps./U.S.\$ at period end).....	15.850	13.005	8.552	6.518	4.913

Sources: Ministry of Economy, Central Bank and INDEC

Notes:—

- (1) Latest available data, as shown for each item in the footnotes below.
- (2) Variation provided by INDEC on June 29, 2016. Real GDP data of 2011-2014 was restated by this agency on that date. The data for 2016 shows the variation between the first nine months of 2016, as compared to the first nine months of 2015.
- (3) Calculations based on the Nominal GDP in pesos as reported by INDEC on June 29, 2016, divided by the average nominal Ps./U.S.\$ exchange rate for each year as reported by *Banco Nación*. For 2016, preliminary data for the first nine months of 2016.
- (4) Calculations based on Real Gross Domestic Investment (pesos of 2004) and GDP as reported by INDEC on June 29, 2016. For 2016, preliminary data for the first nine months of 2016.
- (5) For 2016, variation from April to August 2016 (last published data). The consumer price index and the wholesale price index for 2016 contain data from January to October 2016 only (last available data).
- (6) On January 8, 2016, based on its determination that the INDEC had failed to produce reliable statistical information, including with respect to CPI, the new administration declared the INDEC in a state of administrative emergency through December 31, 2016. The INDEC implemented certain methodological reforms and adjusted certain macroeconomic statistics on the basis of these reforms. During the first six months of this reorganization period, the INDEC published official CPI figures published by the City of Buenos Aires and the province of San Luis for reference, which we include here. In June 2016, the INDEC resumed publishing CPI beginning with the months of May 2016. According to the INDEC, Argentina’s CPI for May, June, July, August, September, October and November 2016 was 4.2%, 3.2%, 2.2%, 0.2%, 1.3%, 2.6% and 1.8%, respectively.
- (7) Wholesale reference exchange rates quoted by the Central Bank (*tipo de cambio de referencia mayorista*) (Communication “A” 3500 of Central Bank).

Argentina faces significant challenges, including the need to attract investments in capital goods that will permit sustainable growth and reduce inflationary pressures, as well as renegotiate utility contracts and resolve the current energy demand crisis. While the country’s new administration has begun implementing reforms that we believe will improve the long-term fundamentals of the electricity sector, making the sector more market-driven and sustainable, the macroeconomic context and the imbalances (including high inflation, fiscal deficit, trade restrictions) deriving from policies adopted during recent years represent substantial obstacles to the policy shifts announced by the Macri administration. See “Risk Factors—Risks Relating to Argentina.”

In light of these uncertainties, the long-term evolution of the Argentine economy remains uncertain, and forecasts for 2017 and beyond are characterized by caution. Argentine GDP experienced a decrease of 2.3% during the year ended December 31, 2016 compared to the year ended December 31, 2015. Further, inflation has remained high.

Inflation

Argentina has faced and continues to face inflationary pressures. From 2011 through the first half 2016, Argentina experienced increases in inflation as measured by CPI and WPI that reflected the growth in the levels of private consumption and economic activity, which applied upward pressure on the demand for goods and services, and/or corresponded to the depreciation of the Argentine peso. For Argentina's inflation rates from 2012 to 2016, see "—Argentine Economic Conditions." The increase in inflationary risk may erode macroeconomic growth and further limit the availability of financing. See "Risk Factors—Risks Relating to Argentina—Continuing high inflation may have a negative effect on the Argentine economy and on our financial performance." The accuracy of the measurements of inflation by INDEC has been called into question, and the actual inflation for 2015 and previous years could be substantially higher than that indicated by INDEC. In addition, despite recent reforms, there remains uncertainty as to whether official data and measurement procedures sufficiently reflect inflation in the country.

Inflation increases in Argentina have a negative impact on our cost of sales and in our, selling expenses and administrative expenses, in particular our payroll and social security charges. We cannot give any assurance that increased costs as a result of inflation will be offset in whole or in part with increases in prices for the energy we produce and sell.

Energy Prices

Our revenues and margins are substantially dependent on the prices we are able to charge for energy. We summarize certain aspects of the pricing framework under which we operate below:

The Energía Base framework accounts for all of our revenue resulting from sales of energy from our *Agua del Cajón* Power Plant. SE Resolution 95/2013, which was enacted on March 22, 2013, changed the manner in which electricity was to be remunerated in the spot market and established the Energía Base framework. Since its enactment, the applicable regulatory entity, CAMMESA, has set electricity prices that have been updated annually. Remuneration to generators is based on the following concepts:

- *Payments based on machine availability:* Generators are remunerated based on the availability of generating units during certain hours of the day when the generators are needed according to a pre-established fixed rate per MWh. The applicable tariff varies based on the type and scale of the technology and can be reduced for those generating units that have not reached the targeted availability. This concept relates to "remuneration of fixed costs" under "Regulatory Framework—The Electricity Industry in Argentina".
- *Payments based on generation of each unit:* Generators are remunerated monthly based on a fixed rate per MWh that varies according to the type and size of technology and the fuel used to generate energy. This Regulatory Framework concept relates to "remuneration of variable costs" and "additional remuneration" under "Regulatory Framework—The Electricity Industry in Argentina".
- *Non-recurring maintenance remuneration:* Generators are remunerated based on monthly generation according to a pre-established fixed rate per MWh that varies based on the type and scale of the technology used to generate energy. The non-recurring maintenance remuneration amounts accumulate every month in the form of a credit in favor of the generator. Once approved by the regulator, the credit is then used by the generator to carry out non-recurring maintenance on the generating units, which maintenance is financed by CAMMESA.
- *Additional remuneration:* Generators are remunerated in the form of credits that accumulate and can be applied to execute new projects approved by the Argentine government. The sums to be received as additional remuneration are divided in (i) a portion received directly by generators, and (ii) a portion which is credited to a trust for financing of new energy infrastructure projects.

Effective February 2014 and 2015, prices were increased by the regulator through SE Resolution 529/2014 and SE Resolution 482/2015, respectively. These increases were intended to allow generators to cover, at least in part, increases in business costs resulting from inflation and the currency devaluation.

However, in light of the fact that the resolution failed to provide a pricing mechanism with a pre-established frequency, the adjustments were discretionary.

Within this framework, in March 2016, the SE enacted Resolution SE 22/2016, whereby it adjusted the electricity prices established through Resolution SE 95/2013 et. seq. These adjustments were retroactive to February 2016. As to the purpose of this resolution, the SE noted that it was enacted “for the sole purpose of supporting the operation and maintenance of affected equipment and power stations on a provisional basis, until the regulatory measures being considered by the executive branch come into force progressively with the aim of returning the WEM to normal.”

Below are details of the price adjustments affected by Resolution SE 22/2016 compared to the prices that were effective in 2015 pursuant to Resolution SE 482/2015.

Fixed costs remuneration (associated with machine availability)

Unit	Power (MW)	Ps./MW AS PER Res. 22/2016	Adjustment vs. Res. 482/2015
Gas Turbine	P=50	152.3	70.00%
Steam Turbine.....	P=100	180.9	70.00%
	P>100	129.2	70.00%
Combined Cycle	P=150	101.2	70.00%
	P>150	84.3	70.00%

Variable costs remuneration (associated with power generation)
As per Res. 22/2016

Unit	Natural					Adjustment vs. Res. 482/2015
	Gas (Ps./MWh)	Liquid (Ps./MWh)	Biodiesel (Ps./MWh)	Hydro (Ps./MWh)	Coal (Ps./MWh)	
Gas Turbine	46.3	81.1	154.3	—	139.0	40.00%
Steam Turbine	46.3	81.1	154.3	—	139.0	40.00%
Combined Cycle	46.3	81.1	154.3	—	139.0	40.00%

Non-Recurring Maintenance

Unit	Remuneration Res. 22/2016 (Ps./MWh)	Adjustment vs. Res. 482/2015 %
Steam Turbine and Gas Turbine	45.1	60.00%
Combined Cycle	39.5	60.00%

Additional remuneration (associated with machine availability)
As per Res. 22/2016

Unit	Power (MW)	Ps./MW received by generators	Ps./MW credited to the infrastructure trust
Gas Turbine	P=50	13.7	5.9
Steam Turbine.....	P=100	13.7	5.9
	P>100	11.7	7.8
Combined Cycle	P>150	11.7	7.8

These prices do not include the cost of fuel or gas, as the case may be, as under current regulations, they are provided to the generator by CAMMESA free of charge. Payments by CAMMESA to generators related to the sale of energy under the Energía Base framework during each month are due 42 days following the end of such month. As a result of delays in payments from distributors due to frozen tariffs, in the year ended April 30, 2015, we experienced a delay in payment by CAMMESA of 60 days, compared to a 45 days delay in payments by CAMMESA during the year ended April 30, 2016.

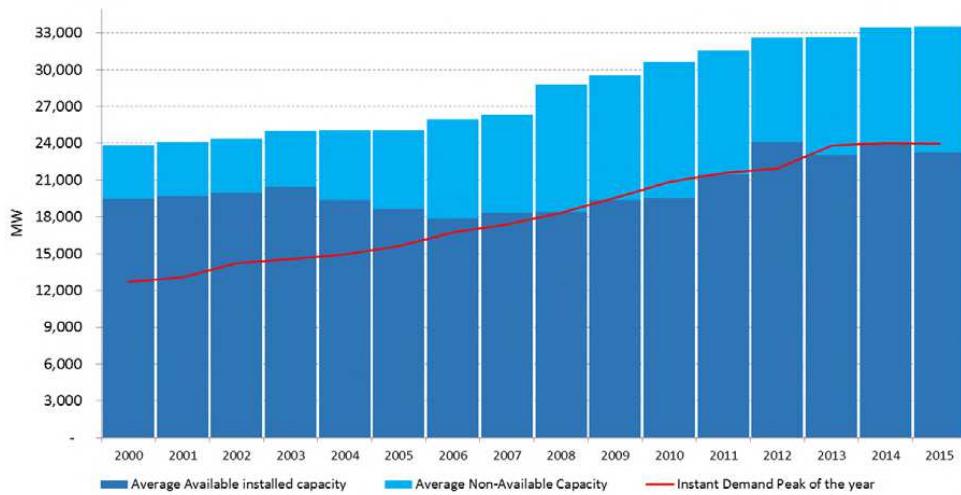
Electricity Demand and Supply

Demand for electricity depends, to a significant extent, on economic macroeconomic conditions prevailing from time to time in Argentina, as well as seasonal factors. In general, the demand for electricity varies depending on the performance of the Argentine economy, as businesses and individuals generally consume more energy and are better able to pay their bills during periods of economic stability or growth. As a result, energy demand is affected by Argentine governmental actions concerning the economy, including with respect to exchange rates, inflation, interest rates, price controls, taxes and energy tariffs.

During the 2001 economic crisis, demand for electricity in Argentina diminished due to the decline in the overall level of economic activity and the deterioration of the capacity of many consumers to pay their electricity bills. In the years following the 2001 economic crisis, energy demand experienced significant growth. Any increases in the cost of electricity may have a negative effect on demand and there can be no assurance that tariff increases (including increases in tariffs for residential consumers) will not have a significant adverse effect on demand for energy, or cause a decrease in our ability to collect amounts due from consumers.

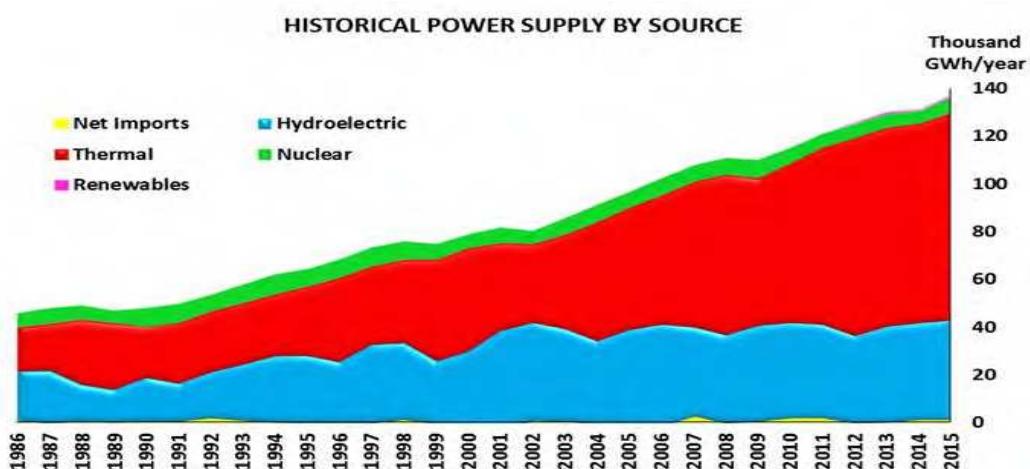
The demand for energy is seasonal and seasonal changes could adversely and significantly affect our results of operations. In particular, demand for energy increases considerably in summer in connection with the need for cooling, and during the winter due to the need for heating. Accordingly, weather changes affect energy demand and our results.

The demand for electricity shows a strong growth trend, with soft decline in demand in periods of economic downturn. The table below shows electricity demand and supply in Argentina.



Source: CAMMESA

The chart below shows the supply of electricity in Argentina by source, including generation within Argentina from hydroelectric, thermal, nuclear, renewables, as well as electricity imported from neighboring countries (net of exports).



Source: CAMMESA

During 2015, thermal generation continued to be the main resource used to supply energy demand, contributing 86,625 GWh (approximately 64%), followed by hydroelectric generation net of pumping, which contributed 41,464 GWh (approximately 30%), nuclear generation, which contributed 6,519 GWh (approximately 5%) and photovoltaic and wind power generation, which contributed 608 GWh (approximately 0.50%). There were also imports to cover domestic demand, in the amount of 1,655 GWh (approximately 19% higher than in 2014) from Uruguay, Paraguay and Brazil, exports to Brazil in the amount of 55 GWh and transmission losses in the amount of 4,136 GWh (approximately 4% lower than in 2014).

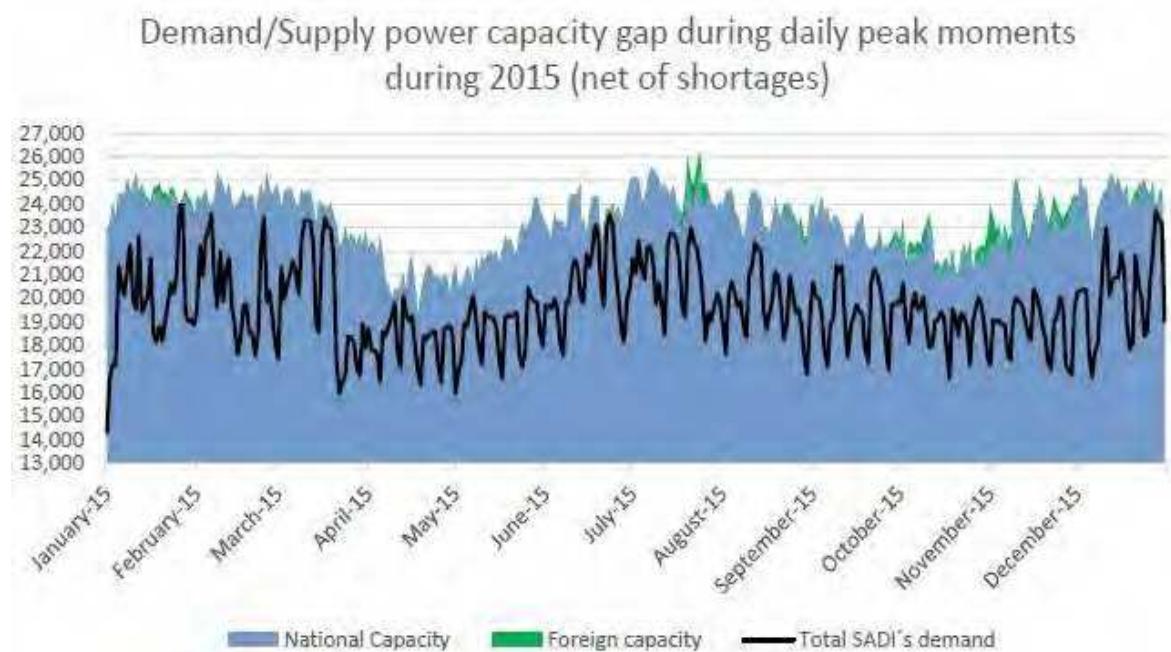
Hydroelectric generation in 2015 did not experience material variations when compared to 2014, while thermal and nuclear generation registered approximately a 4% and 24% increase, respectively, when compared to 2014. In this sense, thermal generation continued to be the main source for the supply of electricity, fueled

both by natural gas and by liquid fuels (diesel oil and fuel oil), as well as mineral coal mainly during the winter months.

During 2015, generation facilities increased their installed capacity from 30,405MW in 2014 to 33,493 MW in 2015. This increase was caused mainly by the operations of the Atucha II nuclear plant (720 MW), the Vuelta de Obligado thermal plant (525 MW), the Guillermo Brown thermal plant (434 MW) (all of which were in the trial stages of production and were not yet operating commercially), certain engines from ENARSA and the improvement in the capacity of certain plants.

As a result of the aging, obsolete existing installed capacity and the absence of investment in new capacity over recent years, energy generation is currently substantially below demand during peak periods, requiring imports of electricity from neighboring countries and programmed blackouts for certain residential areas and industries, although this is often due to distribution limitations rather than limitations in the generation capacity. For example, according to data from CAMMESA, during the historical peak demand experienced on February 12, 2016 (25.3 GW), imports of energy totaled 1.8 GW on such date. To illustrate the considerable narrowing of the demand/supply gap, in 2003, the available capacity was 21.1 GW, which was approximately 47% higher than the peak demand of 14.5 GW for such year. In 2015, on the other hand, the available capacity was 24.4 GW (from total installed capacity of 33.4 GW), which is only approximately 4% above the annual peak demand of 23.5 GW in such year, when consumption was limited by imposed restrictions.

The following graphic shows the demand/supply power capacity gap during the daily peak for 2015 as reported by CAMMESA:



In December 2015, the administration of President Macri enacted Decree No. 134/2015 declaring the state of emergency of the Argentine electricity sector until December 31, 2017. Pursuant to this decree, the Ministry of Energy and Mining was entrusted with the duties of developing and putting in place an action plan in connection with the energy generation, transportation and distribution segments in order to improve the quality and security of electricity supply and guarantee the provision of this public service under suitable technical and economic conditions. These goals require additional investments in the several sectors of the productive chain in order to accommodate Argentina's electricity supply and demand, which represent both a challenge and an opportunity for the sector's players.

With respect to energy generation, the Ministry of Energy and Mining has publicly noted the need for new generating capacity, which it has indicated should be addressed by the expansion of thermal and renewable energy sources by private companies, and consequently, it has recently taken measures to boost generation capacity in order to ensure the supply of electricity and reduce the need for imports from neighboring countries. In this respect, the Ministry of Energy and Mining has stressed that the country needs to incorporate 10 GW of generating capacity from conventional energy sources and 10 GW of generating capacity from renewable sources in order to meet increasing demand over the next ten years.

Given the narrowing gap between demand and supply, there is a critical need for the addition of new capacity in Argentina. As a result, the Argentine government has started a bidding process for new generation projects, both from conventional and renewable sources. The SE called for bids under the Thermal Energy Program to install new thermal generation units to become operational between summer 2016/2017 and summer 2017/2018, offering generators long-term PPAs with CAMMESA denominated in U.S. dollars. As of the date of this offering memorandum, the government has received offers for 6.6 GW of new thermal power capacity, multiple times more than the government originally anticipated, and the government has awarded almost 3 GW of new thermal capacity to be installed before mid-2018.

In October 2015 the Argentine Congress amended the Renewable Energy Program, which aims to increase to 8% by 2017 and 20% by 2025 the total domestic demand of renewable energy, by mandating certain consumers and CAMMESA to cover a portion of their consumption from energy sources of renewable energy and granting tax and other benefits to new renewable energy projects. In July and October 2016, the Ministry of Energy and Mining instructed CAMMESA to call for bids under the Renewable Energy Program to install additional generation units from renewable sources. As of the date of this offering memorandum, under round 1 and round 1.5 of the Renovar Program the government has received offers for approximately 8.8 GW of new renewables generation capacity, multiple times more than the government originally anticipated, and the government has awarded 2.4 GW of new renewables capacity, mainly to wind and solar energy projects, to be installed within one to two years for wind farm projects.

Both installed capacity and the energy generated annually must grow considerably in order to replace the aging, obsolete generating units in the market and supply an increase in demand.

Gas Supply

We are dependent on our own gas production (for approximately 50% of our needs), as well as on gas received from CAMMESA (for the balance) for our energy generation activity. Our Agua del Cajón Power Plant is exclusively fueled with gas, and therefore our production could be affected by gas shortages. Gas supply and gas prices have been and may continue to be affected by, among other factors, the availability of natural gas in Argentina, the need to import a greater quantity of gas at a higher price than the one applicable to domestic supply as a result of a shortfall in local production, and redistribution of gas determined by the SE and CAMMESA. Pursuant to Section 8 of Resolution SE 95/2013 and Section 4 of Resolution SE 529/2014, CAMMESA is in charge of purchasing and distributing the fuels used by WEM generators, like us. CAMMESA provides these fuels, in our case gas, at no charge to generators. In addition, CAMMESA pays us for the use of our own gas for energy generation which payments we record as sales of energy on account of such payments being received as part of the compensation we receive for the sale of energy; however, as required by IFRS 8 “Operating Segment”, we then allocate such revenue derived from the use of our own gas to the oil and gas segment.

Diadema Wind Farm

Electricity generated at the *Diadema* Wind Farm is supplied to Argentina's national grid, the SADI, pursuant to SE Resolution 108/11, which provides for a commitment to purchase by CAMMESA up to 361,755MWh from us and a 15-year term, the first to occur and a price of US\$115.896 per MWh, payable in Argentine pesos at the applicable exchange rate published by the Argentine Central Bank pursuant to Communication “A”3500.

Oil Prices

Oil sales are made at the prices negotiated between us and the oil refineries to which we sell our oil, primarily Shell C.A.P.S.A., pursuant to short-term sale agreements. Such prices are established taking into consideration the prevailing international price of Brent oil, the prices paid by the general public for fuel and derived products at retail price, and taking into account forecasts for changes in price, and the guidelines and requirements established by the federal government.

Exchange Rates

Our results of operations are exposed to the variations in the foreign exchange rates in the currency in which we operate (the peso). The currency generating our greatest exposure is the U.S. dollar.

In December 2015, Argentina's economic context was affected by a devaluation of the peso of approximately 34.5%, a circumstance that impacted our results of operations as 88.8% of our financial liabilities are denominated in U.S. dollars.

We do not hedge the risk of changes in the exchange rate through derivative financial instruments. However, the prices of the hydrocarbons (oil and gas) and the wind electric power produced by us are denominated in U.S. dollars, representing 67.0% and 1.8%, respectively, of our net sales during the year ended April 30, 2016. In the case of the prices of propane and butane, their value is stated in pesos but it is related to an export parity price in U.S. dollars, and the income from these products, including gasoline, represented 6.6% of our total sales.

In addition, pursuant to Resolution SE 19/2017, effective February 1, 2017, energy prices are set in U.S. dollars and are payable in pesos at the relevant exchange rate which should further mitigate our exposure.

Climate and Hydrological Conditions

We are a thermal generator of energy. Our ability to supply the energy generated by the Power Plant into the national grid depends, in part, on climate conditions prevailing in Argentina over which we have no control. Wet hydrological conditions, indicated by heavy rainfall or melting snows, may favor hydroelectric generators, which, during such periods, may be able to declare lower costs to CAMMESA than us and will therefore be supplied ahead of us into the grid.

Critical Accounting Policies and Estimates

We make estimates and hypotheses as regards the future. Resulting accounting estimates, by their very nature, will rarely equal actual results. Estimates and judgments that have a significant risk to give rise to a material adjustment in the book value of assets and liabilities within the following fiscal year are explained below. The main accounting principles and areas that require a greater amount of judgment and estimates in the preparation of financial statements are:

- (i) oil and gas reserves;
- (ii) provisions for lawsuits and other contingencies,
- (iii) income tax and deferred tax charges
- (iv) impairment test of assets
- (v) fair value of derivative financial instruments and
- (vi) fair value of revalued assets.

Oil and gas reserves

Reserves are understood as the volume of oil and gas (determined in equivalent m³ of oil), which generate or are related to an economic benefit in the areas where we operate and over which we have rights for their exploration and exploitation.

The estimate of oil and gas reserves is an integral part of our decision-making process. The volume of oil and gas reserves is considered in the calculation of amortization charges, applying production unit ratios, as well as in the assessment of the recoverability of the investment in exploration and exploitation assets (see Notes 2.6 and 35 to our Audited Consolidated Financial Statements).

Reserve estimates were prepared by our technical personnel, and are based on technological and economic conditions in force as of December 31, 2015, considering the economic assessment and having as their horizon the expiration of the concession at the time when they were calculated, in order to determine the term for recoverability.

These reserve estimates are adjusted whenever changes to the factors considered for their assessment justify so, or at least, once a year. The estimated reserves have been audited by an independent auditor.

There are several factors which create uncertainty about the estimate of proven reserves, estimates of future production profiles, development costs and prices, including other factors beyond the control of the producer. The procedure for calculating the reserves is subjective to allow for the estimate of crude oil and natural gas to be recovered from the subsoil, which has certain degree of uncertainty. The reserves estimate is prepared based on the quality of the information on geology and engineering available at that date, as well as on its interpretation.

Provisions for lawsuits and other contingencies

Provisions are included for certain civil, commercial, labor and tax contingencies which occasionally take place in the ordinary course of business. With the aim of determining the sufficiency of the provisions for these contingencies, we have considered, based on the advice of our internal and external legal counsel, probability of adverse judgements or resolutions regarding these matters, as well as the range of probable losses that could result from potentially adverse results. Where applicable, the amount of the provisions required for these contingencies is determined after a careful analysis of each case in particular (for further information see Note 25 to our Audited Consolidated Financial Statements).

Income tax

Each of the companies within our group has recognized income tax by the deferred tax liability method. Accordingly, deferred tax assets and liabilities are recognized to reflect the future tax consequences attributable to differences between the amounts recorded in the financial statements of existent assets and liabilities and their tax bases. Deferred tax assets and liabilities are valued by applying the tax rate in effect to the taxable income during the years in which these temporary differences are expected to be recorded or settled. The effect that any modification in the tax rates may have on the deferred tax assets and liabilities is recognized in the comprehensive statement of income for the period that includes the date in which such modification of the tax rate has been made.

The deferred tax assets are recognized only insofar as it is probable that the Company will have future taxable profits against which the temporary differences can be offset. Assets generated by tax losses are capitalized to the extent that they are recoverable before expiration date.

Impairment Test of Property, Plant and Equipment

We regularly assess the recoverability of property, plant and equipment, including assets being explored and assessed, according as mentioned in Note 2.6 of our Audited Annual Financial Statements, when there are events or circumstances that indicate a potential sign of impairment. The carrying amount of property, plant and equipment is considered impaired by us when the value-in-use, calculated based on the estimated cash flows expected from those assets, discounted and separately identifiable, or their net realizable values are lower than their carrying amounts. This analysis is made at the minimum level in which there are identifiable cash generating units (CGUs).

When evaluating if there is a sign that a cash generating unit (CGU) might be affected, internal and external sources are analyzed, considering specific facts and circumstances, which, in general, include the

discount rate used in the projections of cash flows for each of the cash generating units and the condition of the business in terms of economic and market factors, such as the price of the tariff, inflation, exchange rate, costs, seismic information, disposal area requirements without renewal of exploration rights, other expenses and the regulatory framework of the industry in which we operate.

A previously recognized impairment loss is reversed when there is a subsequent change in the estimates used to compute the recoverable value of the asset. In this case, the new value cannot exceed the value it would have at the new date of measurement had the impairment not been recognized. Both the impairment charge and its reversal are recognized as income/loss.

The value-in-use calculation requires the use of estimates and is based on cash flow projections prepared based on financial and economic budgets approved by the Board. Cash flows beyond the budgeted periods are extrapolated using estimated growth rates, which do not exceed the long-term average growth rate of each of the business segments involved.

At the time of estimating future cash flows, critical judgment of management is required. Actual cash flows and values may significantly vary from the foreseen future cash flows and related values obtained through discount techniques. To consider the estimation risk included in those calculations, we have taken into consideration several scenarios of weighted probability of occurrence.

The estimate of net realizable values, where necessary, is calculated based on valuations prepared by independent appraisers.

Fair value of derivative and other financial instruments

The fair value of financial instruments that are not traded in active markets are determined using valuation techniques. We apply our judgement to select a series of methods and make hypotheses based mainly on existent market conditions at the date of each financial statement. We determined the valuation at the closing of each year calculating the future cash flows discounted at LIBO rate ("forward rate") that determines the "futures market" for each year.

Fair Value of Revalued Assets

Starting on the year ended April 30, 2015, we changed the way we value our property, plant and equipment, including the *Agua del Cajón* Power Plant, the LPG Plant (owned by Servicios Buproneu) and the *Diadema* Wind Farm (owned by Hychico). Our Board of Directors approved this change in accounting policy and revaluations made to the different types of assets. The last revaluation was effected on January 31, 2017.

Previously, we valued these assets according to the cost model using the exemption established by IFRS 1 "*First time adoption of international reporting financial standards*". As from July 31, 2014, we value these assets using the "*revaluation method*", as we consider this model to more faithfully reflect the value of these assets. Furthermore, we have determined that each of these groups of assets represent a category of asset under IFRS 13.

The revaluation model measures an asset at its fair value less accumulated amortization and accumulated impairment, if any. In accordance with IAS 8, this change in the accounting policy is exempt from retroactive application.

For the application of such model, we engaged the services of independent experts.

To determine the fair value of buildings and land we used appraisals prepared by real estate agents, as there is an active market for such assets. This valuation method is classified under IFRS 13, as hierarchy of fair value level 2.

To determine the fair value of the LPG Plant and the *Diadema* Wind Farm, the expert independent appraiser has used the replacement cost method. Such cost was determined separating both plants into components and obtaining market values from suppliers recognized in the industry. These values were modified by adding freight, insurance, assembly costs and other overheads and computing amortization that

may correspond as per the consumed useful life of the assets and it corresponds to apply a depreciation coefficient for economic obsolescence. This valuation method is classified under IFRS 13, as hierarchy of fair value level 3.

To determine the fair value of *Agua del Cajón* Power Plant, with the help from an independent expert appraiser, we used the income approach until April 30, 2016, estimating the flow of discounted future income that the *Agua del Cajón* Power Plant would generate during the remaining useful life. To estimate future income, we based our analysis on expected cash flows considering alternative scenarios weighted based on probabilities of occurrence and changes in tariffs.

The main factors that might affect, in future periods, the value of the restated assets are: i) a distortion in the nature, time and modality of increases in the tariff schedule, ii) a variation in the country risk and industry, and iii) changes in the costs to be incurred.

On January 27, 2017, the Ministry of Energy and Mining issued Resolution SE 19E/17, effective as from February 1, 2017, which adopts remuneration criteria with economically reasonable, foreseeable and efficient conditions by means of mid-term commitments, implementing a remunerative mechanism which values positively the greater accuracy in the statement of guaranteed availability by generating companies, setting a remuneration schedule of monthly available power and generated energy. These changes should positively impact the flow of income to be received by us.

Therefore, as of January 31, 2017, we requested the independent expert appraiser the definition of the fair value of the *Agua del Cajón* Power Plant by means of the replacement cost method depreciated, determining the components of the plants and obtaining the replacement values from specialized publications, as well as adding the cost of freight, insurance, assembly and other general expenses, and computing the factor of status and of functional obsolescence, applicable according to the consumed useful life of the assets.

At year-end, we made a comparison between the fair values of revalued assets with their accounting values, measured based on the revaluation model, and concluded that the latter do not exceed their fair value.

For further information on our revaluation process, please see Note 2.6 to our Audited Annual Financial Statements and Note 5 to our Unaudited Interim Consolidated Financial Statements.

Consolidated Results of Operations

Nine-Month Period Ended January 31, 2017 Compared to the Nine-Month Period Ended January 31, 2016

The following tables are derived from our Unaudited Interim Financial Statements:

Statement of Income	Unaudited					
	For the Nine-Month Periods Ended January 31,					
	2017		2016		Change	
	(in Ps.)	% of net sales	(in Ps.)	% of net sales	(in Ps.)	% of net sales
Net sales	2,145,152,137	100	1,201,722,029	100.0	943,430,108	78.5
Cost of sales	(682,253,189)	(31.8)	(448,565,922)	(37.3)	(233,687,267)	52.1
Gross profit	1,462,898,948	68.2	753,156,107	62.7	709,742,841	94.2
Selling expenses	(333,009,758)	(15.5)	(171,195,376)	(14.2)	(161,814,382)	94.5
Administrative expenses.....	(132,142,377)	(6.2)	(95,316,816)	(7.9)	(36,825,561)	38.6
Other operating (expenses) / income, net	1,730,575	0.1	101,956	0.0	1,628,619	1597.4
Operating result	999,477,388	46.6	486,745,871	40.5	512,731,517	105.3
Financial income	217,160,854	10.1	358,280,711	29.8	(141,119,857)	(39.4)
Financial costs	(690,836,532)	(32.2)	(1,379,685,234)	(114.8)	688,848,702	(49.9)
Other financial income	(1,262,469)	(0.1)	546,692	0.0	(1,809,161)	(330.9)
Results before income tax	524,539,241	24.5	(534,111,960)	(44.4)	1,058,651,201	(198.2)

Unaudited
For the Nine-Month Periods Ended January 31,

Statement of Income	2017		2016		Change	
	(in Ps.)	% of net sales	(in Ps.)	% of net sales	(in Ps.)	% of net sales
Income tax expense	(186,297,160)	(8.7)	185,743,010	15.5	(372,040,170)	(200.3)
Net results for the year	338,242,081	15.8	(348,368,950)	(29.0)	686,611,031	(197.1)
Other comprehensive results	1,252,011,601	58.4	—	—	1,252,011,601	100.0
Comprehensive results for the period	1,590,253,682	74.1	(348,368,950)	(29.0)	1,938,622,632	(556.5)

Net Sales

Net sales increased by 78.5% to Ps.2,145.2 million for the nine-month period ended January 31, 2017, compared to Ps.1,201.7 million for the nine-month period ended January 31, 2016.

The breakdown of sales by product is shown in the table below:

Net sales	Unaudited For the Nine-Month Periods Ended January 31,			
	2017		2016	
	(in thousands of Ps.)	% of net sales	(in thousands of Ps.)	% of net sales
Energy				
Energy from <i>Agua del Cajón</i> Power Plant (including recognition of own gas).....	1,642,284	76.6	599,508	49.9
Energy from <i>Diadema</i> Wind Farm.....	30,747	1.4	23,984	2.0
Façon Service of energy	3,288	0.2	2,056	0.2
Gas				
Sales	11,525	0.5	72,632	6.0
Gas Stimulus Program.....	—	—	178,627	14.9
Oil				
Sales	340,350	15.9	260,450	21.7
Oil Stimulus Program.....	—	—	3,220	0.3
Propane				
Sales	68,612	3.2	35,325	2.9
Stimulus Plan for Oil Injection.....	82	—	244	—
Butane				
Sales	46,074	2.1	23,547	2.0
<i>Hogar</i> Program.....	658	—	1,400	0.1
Oxygen	1,532	0.1	728	0.1
Total	2,145,152	100.0	1,201,722	100.0

The breakdown of sales for each product was the following:

	Unaudited For the Nine-Month Periods Ended January 31,		Variation	
	2017	2016	Absolute	%
Energy				
Revenue from <i>Agua del Cajón</i> Power Plant operations (in thousands of Ps.) (including recognition of own gas).....	1,642,284	599,508	1,042,776	173.9
Revenue from energy generation (in thousands of Ps.).....	515,941	282,010	233,931	83.0
Energy sales (in GWh).....	3,129	2,318	811	35.0
Average price of energy generation (in Ps.per MWh)	164.9	121.7	43.2	35.5
Average price of energy generation (in U.S.\$ per MWh)	10.8	11.9	(1.1)	(9.2)
Recognition of own gas (in thousands of Ps.).....	1,126,343	317,498	808,845	254.8
Revenue from energy produced by the <i>Diadema</i> Wind Farm (in thousands of Ps.).....	30,747	23,984	6,763	28.2
Energy generated by <i>Diadema</i> Wind Farm (in GWh).....	15.0	20.0	(5.0)	(25.0)
Price of energy sales (in Ps.per MWh).....	2,049.8	1,199.2	850.6	70.9
Price of energy sales (in U.S.\$ per MWh) ⁽¹⁾	115.9	115.9	—	—
Façon Service of energy				
Façon services net sales (in thousands of Ps.).....	3,288	2,056	1,232	59.9
Façon services sales (in GWh).....	5.7	5.0	0.7	14.0
Average façon services sales price (in Ps.per MW)	576.8	411.2	165.6	40.3
Average façon services sales price (in U.S.\$ per MW).....	37.9	40.1	(2.2)	(5.5)
Gas				
Gas net sales (including Gas Stimulus Program) (in thousands of Ps.).....	11,525	251,259	(239,734)	(95.4)
Gas net sales (in thousands of Ps.).....	11,525	72,632	(61,107)	(84.1)
Gas Stimulus Program (in thousands of Ps.).....	-	178,627	(178,627)	(100.0)
Recognition of own gas (in thousands of Ps.) ⁽²⁾	1,126,343	317,498	808,845	254.8
Gas sales (in Mm ³).....	4,186	44,548	(40,362)	(90.6)
Own gas injected in <i>Agua del Cajón</i> Power Plant (in Mm ³).....	369,508	323,709	45,799	14.1
Average price of net gas sales (in Ps.per Mm ³)	2.8	1.6	1.2	75.0
Average price of net gas sales (in U.S.\$ per Mbtu)	5.0	4.3	0.7	16.3
Average gas sales price (in Ps.per Mm ³).....	3.0	1.5	1.5	100.0
Average gas sales price (in U.S.\$ per Mbtu).....	5.4	4.1	1.3	31.7
Oil				
Oil net sales (including Oil Stimulus Program) (in thousands of Ps.).....	340,350	263,670	76,680	29.1
Oil net sales (in thousands of Ps.).....	340,350	260,450	79,900	30.7
Oil Stimulus Program (in thousands of Ps.).....	—	3,220	(3,220)	(100.0)
Oil sales (in Mbbl).....	357.9	345.4	12.5	3.6
Average price of oil sales (including Oil Stimulus Program) (in Ps.per bbl).....	951.0	763.3	187.7	24.6
Average price of oil sales (including Oil Stimulus Program) (in U.S.\$ per bbl).....	62.4	74.5	(12.1)	(16.2)
Average net oil sales price (in Ps.per Mm ³).....	951.0	754.0	197.0	26.1
Average net oil sales price (in U.S.\$ per Mbtu).....	62.4	73.6	(11.2)	15.2

	Unaudited For the Nine-Month Periods Ended January 31,				Variation	
	2017		2016			
	Absolute	%				
Propane						
Propane net sales (in thousands of Ps.)	68,694	35,569	33,125	93.1		
Propane net sales (in thousands of tons)	15.9	14.5	1.4	9.7		
Average propane sales price (in Ps.per ton)	4,320.4	2,453.0	1,867.4	76.1		
Average propane sales price (in U.S.\$ per tpn)	283.6	239.4	44.2	18.5		
Butane						
Butane net sales (in thousands of Ps.)	46,732	24,947	21,785	87.3		
Butane net sales (in thousands of tons)	10.5	10.7	(0.2)	(1.9)		
Average butane sales price (in Ps.per ton)	4,450.7	2,331.5	2,119.2	90.9		
Average butane sales price (in U.S.\$ per ton)	292.2	227.5	64.7	28.4		
Oxygen						
Oxygen net sales (in thousands of Ps.)	1,532	728	804	110.4		
Oxygen sales (in Mm ³)	90.8	85.5	5.3	6.2		
Average oxygen sales price (in Ps.per m ³)	16.9	8.5	8.4	98.8		
Average oxygen sales price (in U.S.\$ per m ³)	1.1	0.8	0.3	37.5		

Notes:—

- (1) Pursuant to Resolution 108/11 of the SE we receive a price of US\$115.896 per MWh, payable in pesos at the applicable exchange rate published by the Central Bank.
- (2) Already included as income generated by the *Agua del Cajón* Power Plant (we receive payments from CAMMESA for the use of our own gas, which we record as sales of energy on account of such payment being received as part of the compensation we receive for the sale of energy; however, as required by IFRS 8 “Operating Segment”, we then allocate such revenue derived from the use of our own gas to the oil and gas segment).

Energy

Agua del Cajón Power Plant

Sales of *Agua del Cajón* Power Plant energy increased by Ps.1,042.8 million or 173.9% to Ps.1,642.3 million for the nine-month period ended January 31 2017, compared to Ps.599.5 million for the nine-month period ended January 31 2016. This increase was primarily due to:

- (i) a 35.5% increase in the average sale price of MWh sold, from Ps.121.7/MWh for the nine-month period ended January 31 2016 to Ps.164.9/MWh for the nine-month period ended January 31 2017, as a result of Resolution SE 22/2016 (which took effect as from February 2016);
- (ii) an increase of 177.4% in U.S. dollar-denominated remuneration paid by CAMMESA to generators for the gas produced by the *Agua del Cajón* field and used by the *Agua del Cajón* Power Plant, through Resolution SE 41/2016 of the Ministry of Energy and Mining (effective as from April 2016), as well as the appreciation of the U.S. dollar, the currency in which the gas tariff is denominated vis à vis the Argentine peso. Resolution SE 41/2016 increased the value of the reference gas per million btu for thermal power plants from U.S.\$2.68 to U.S.\$5.53 per million btu. Revenue from the remuneration paid by CAMMESA for the gas produced by the *Agua del Cajón* field and used by the *Agua del Cajón* Power Plant is included in the oil and gas segment; and
- (iii) an increase of 35% in the energy generated as a result of *Agua del Cajón* Power Plant's better availability due to maintenance and repairs performed in previous periods.

Diadema Wind Farm

Sales of energy from the *Diadema* Wind Farm increased by Ps.6.8 million or 28.2% to Ps.30.7 million for the nine-month period ended January 31 2017, compared to Ps.24.0 million for the nine-month period ended January 31 2016.

Total energy sales from the *Diadema* Wind Farm amounted to 15 GWh at an average price of Ps.2,049.8 MW/h for the nine-month period ended January 31 2017, compared to total sales of 20 GWh at an average price of Ps.1,199.2/MWh for the nine-month period ended January 31 2016. The increase in average price attributable to the appreciation of the U.S. dollar, the currency in which the tariff is denominated vis à vis the Argentine peso, more than offset the decrease in generation due to lower winds available during the nine-month period ended January 31 2017.

The decrease in GWh sold was due to (i) lower winds resulting in a decrease of the load factor which was 16% lower during the nine-month period ended January 31 2017 than during the nine-month period ended January 31 2016, and (ii) the breakdown of a wind turbine during a 93-day period; however, we were compensated by the turbine manufacturer for such unavailability period.

Façon Service of Energy

Façon services (i.e. the provision of processing or transformation services over a raw material provided by a third party) for the generation of energy with natural gas and hydrogen increased by Ps.1.2 million or 59.9%, to Ps.3.3 million for the nine-month period ended January 31 2017, as compared to Ps.2.1 million for the nine-month period ended January 31, 2016. This was due to the appreciation of the U.S. dollar, the currency in which the price is denominated against the Argentine peso.

Gas

The sales of gas decreased by Ps.61.1 million or 84.1% to Ps.11.5 million for the nine-month period ended January 31 2017, corresponding to the delivery of 4.2 million cubic meters at an average price of U.S.\$0.18596/m³ (U.S.\$5.0 per million btu) for the nine-month period ended January 31 2017, compared to Ps.72.6 million, corresponding to 44.5 million cubic meters at an average price of U.S.\$0.16068/m³ (U.S.\$4.3 per million btu) for the nine-month period ended January 31 2016.

The decrease in cubic meters sold by 90.6% to 4.2 million cubic meters in the nine-month period ended January 31 2017, compared to 44.5 million cubic meters in the nine-month period ended January 31, 2016, was due to prevailing commercial conditions.

Gas production increased by 6.7 million cubic meters or 1.6%, to 428.2 million cubic meters for the nine-month period ended January 31 2017 as compared to 421.6 million cubic meters for the nine-month period ended January 31 2016. This increase, which halted the decline in our production curve, was due to investments resulting from the “Natural Gas Surplus Injection Stimulus Program” (the “Gas Stimulus Program”) and the development of reserves with greater productivity during the year ended April 30, 2016.

As a result of the average gas price received by us, we did not record revenue from the “Gas Stimulus Program” program during the nine-month period ended January 31 2017. As of January 31, 2016 revenue from such program had accrued for an amount of Ps.178.6 million. We are subject to the provisions of Decree No. 704/16, whereby the federal government pays balances owing under this program as of December 31, 2015, with BONAR 2020 denominated in U.S. dollars. In August 2016 we received all amounts that we were owed under this program.

Oil

Net sales of oil increased by Ps.79.9 million or 30.7% to Ps.340.4 million for the nine-month period ended January 31 2017 from Ps.260.5 million for the nine-month period ended January 31 2016. This increase was primarily due to: (i) an increase in volume sold of 12.5 Mbbl, or 3.6%, to 357.9 Mbbl for the nine-month period ended January 31 2017 compared to 345.4 Mbbl for the nine-month period ended January 31 2016 and

(ii) a price increase of 26.1% in pesos, due to the appreciation of the U.S. dollar, the currency in which oil prices are denominated.

Taking into account the decrease in the international price of crude oil and the need to maintain a price to support production activities while also reducing the impact on the price of fuel of the devaluation of the Argentine peso against the U.S. dollar, producers and refiners negotiated in the year ended April 30, 2016 a reduction of the prices in U.S. dollars in force in their agreements, with effect for deliveries made as from December 2015.

Oil production increased by 15.8 Mbbl, or 7.8%, to 216.6 Mbbl for the nine-month period ended January 31 2017 as compared to 200.8 Mbbl for the nine-month period ended January 31 2016, due to the results obtained from the stimulation of certain wells.

No revenue from the stimulus program denominated “Program to Stimulate Crude Oil Production” (the “Oil Stimulus Program”) was recorded during the nine-month period ended January 31 2017 as this program was terminated as from January 1, 2016. During the nine-month period ended January 31 2016, Ps.3.2 million were received pursuant to this program. We have received all amounts due under this program as the Program ended on December 31, 2015.

Gas-derived liquids (LPG)

Net propane sales increased by Ps.33.1 million or 93.1% (including the revenue under the “*Propano Sur* stimulus Program”) to Ps.68.7 million for the nine-month period ended January 31 2017, compared to Ps.35.6 million for the nine-month period ended January 31 2016. We exported 1,189 tons for Ps.4.6 million during the nine-month period ended January 31 2016. The increase in net sales was primarily attributable to: (i) a 19.1% increase in the volume sold to 15,897 tons for the nine-month period ended January 31 2017, from 14,538 tons for the nine-month period ended January 31 2016, and (ii) a 71.4% increase in average sales price as a result of higher international prices, and an the appreciation of the U.S. dollar, the currency in which prices are denominated *vis à vis* the Argentine peso, resulting in an average of Ps.4,320.4/ton for the nine-month period ended January 31 2017 compared with Ps.2,453/ton for the nine-month period ended January 31 2016.

Net butane sales increased by Ps.21.8 million or 87.3% to Ps.46.7 million for the nine-month period ended January 31 2017 compared to Ps.24.9 million for the nine-month period ended January 31 2016 including the “*Programa Hogar*” revenue, as a result of a 90% increase in the average sale price, from Ps.2,331.5/ton for the nine-month end January 31 2016 to Ps.4,450.7/ton for the nine-month end January 31 2017. Volumes sold slightly decreased by 2.1% to 10,505 tons during the nine-month period ended January 31 2017 compared to 10,731 tons during the nine-month period ended January 31 2016.

Gasoline sales in the nine-month period ended January 31 2017 and 2016 years have not been recorded because the production of gasoline of 20,582 m³ and 21,081 m³ in those years, respectively, were mixed and marketed with oil for commercial reasons.

Oxygen

Net oxygen sales increased by Ps.0.8 million or 110.4% to Ps.1.5 million for the nine-month period ended January 31 2017, compared to Ps.0.7 million for the nine-month period ended January 31 2016. This increase in sales was due to an increase in the sale price as a result of the appreciation of the U.S. dollar, the currency in which prices are denominated against the Argentine peso, , and an increase in volumes sold to 90,795 m³ for the nine-month period ended January 31 2017 from 85,453 m³ for the nine-month period ended January 31 2016.

Cost of Sales

The following table shows the cost of sales for the nine-month periods ended January 31 2017 and 2016.

Unaudited
For the nine-month periods ended January 31,

	Oil and Gas		Agua del Cajón		LPG Plant		Diadema Wind		Farm		Hydrogen Energy		2017
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	
(in millions of Ps.)													
Labor costs.....	98.6	73.0	67.6	46.3	15.9	11.9	0.1	0.0	2.2	0.7			
Materials, spare parts and others	(0.1)	3.6	19.3	11.3	3.4	1.1	0.4	0.1	0.7	1.2			
Operation, maintenance and repairs	48.6	42.8	12.8	7.2	2.5	2.0	0.0	2.4	0.1	0.0			
Amortization of Property, Plant and Equipment.....	189.8	139.5	149.8	55.2	9.3	9.6	8.0	4.3	0.9	0.9			
Taxes and insurance	10.1	8.7	11.9	7.8	2.5	1.7	0.7	0.5	0.2	0.2			
Others.....	18.2	12.1	5.9	2.4	0.9	0.7	0.2	0.4	0.0	0.1			
Total	365.1	279.6	267.4	130.1	34.5	27.0	9.4	7.7	4.1	3.0			

Cost of sales increased by 52.1% to Ps.682.3 million (31.8% of net sales) for the nine-month period ended January 31 2017, compared to Ps.448.6 million (37.3% of net sales) for the nine-month period ended January 31 2016.

The 52.1% increase in cost of sales was primarily attributable to:

- the higher amortization charge for assets related to oil and gas, the *Agua del Cajón* Power Plant, the *Diadema* Wind Farm and the LPG Plant for Ps.148.3 million, as a result of the increase in investments made and the technical revaluation of certain assets as of April 30, 2016;
- an increase in labor costs of Ps.53.3 million, as a result of salary increases we awarded to our employees;
- an increase in maintenance and operating costs of Ps.9.5 million, as a result of the rate increases for these services throughout the year;
- an increase in costs of materials, spare parts and other items of 6.1 million as a result of works carried out at the reservoir for maintenance of production;
- an increase of Ps.6.8 million in taxes, fees, contributions and insurance mainly as a result of the increase in insurance coverage costs; and
- an increase in other costs of Ps.9.7 million, primarily due to higher transportation costs as a result of the increase in gas transportation tariffs as a result of higher volumes of gas provided to us by CAMMESA as from April 2016.

Selling expenses

Selling expenses increased by Ps.161.8 million, or 94.5%, to Ps.333 million (or 15.5% of net sales) for the nine-month period ended January 31 2017, compared to Ps.171.2 million (or 14.2% of net sales) for the nine-month period ended January 31 2016. This was mainly due to an increase in turnover tax, which we record as a selling expense, as a result of higher sales and increased gas royalties. The increase in gas royalties was due to increases in: (i) gas production, (ii) remuneration by CAMMESA to us for gas produced in the *Agua del Cajón* Field and used in the *Agua del Cajón* Power Plant pursuant to Resolution SE 41/2016 and the increase in the appreciation of the U.S. dollar, the currency in which such remuneration is denominated against the Argentine peso, and (iii) a 1% increase on the rate at which gas royalties are calculated.

Administrative expenses

Administrative expenses increased by Ps.36.8 million or 38.6% to Ps.132.1 million (or 6.2% of net sales) for the nine-month period ended January 31 2017, compared to Ps.95.3 million (or 7.9% of net sales) for the nine-month period ended January 31 2016. The increase was mainly attributable to: (i) an increase in salaries and social security charges as a result of salary increases we awarded to our employees (ii) increases in rental expenses, and (iii) an increase in bank charges as a result of larger expenditures and revenue received by us.

Other Income, Net

Other net income for the nine-month period ended January 31 2017 amounted to a gain of Ps.1.7 million as compared to other net income of Ps.0.1 million for the nine-month period ended January 31 2016. This was mainly due to the result of the reversion of a provision made in relation to the obsolescence of spare parts and the sale of certain vehicles.

Financial income

The following table shows our financial income for the nine-month periods ended January 31, 2017 and 2016.

	Unaudited	For the Nine-Month periods ended		
	January 31,	2017	2016	Variation
		(in millions of Ps.)	(in millions of Ps.)	(In %)
Interest and other.....	142.4	88.7	53.7	60.5
Interest accrued on receivables	0.5	1.7	(1.2)	(70.6)
Exchange differences	74.3	268.0	(193.7)	(72.3)
Financial Income	217.2	358.3	(141.1)	(39.4)

Financial income decreased by Ps.141.1 million or 39.4% to Ps.217.2 million for the nine-month period ended January 31 2017, compared to Ps.358.3 million for the nine-month period ended January 31 2016. This decrease was primarily attributable to the combined effect of the following:

- the changes in interest and other income accrued was due to the greater interest accrued in our receivables from CAMMESA and other investment holdings and higher yields on such investments;
- the impact of the variations of the U.S. dollar as compared to the Argentine peso on our holdings of US dollar denominated investments. The appreciation of the U.S. dollar exchange against the Argentine peso between April 2016 and January 2017 was 11.6% while between April 2015 and January 2016 was 56.7%; and
- the decrease in accrued interest on receivables was due to the calculation of the present value of: (i) the long-term credits that we have with CAMMESA for remuneration that will be allocated to a trust fund for the financing of new infrastructure projects in the electrical sector; and (ii) Hychico's long-term credits, credit for sales and tax credits.

Financial Costs

The following table shows our financial costs for the nine-month periods ended January 31, 2017 and 2016.

	Unaudited	For the Nine-Month periods ended		
	January 31,	2017	2016	Variation
		(in millions of Ps.)	(in millions of Ps.)	(in %)
Interest and other.....	(326.0)	(279.5)	(46.5)	16.6
Exchange differences	(361.2)	(1.097.7)	736.5	(67.1)
Interest accrued from receivables and payables ...	(3.6)	(2.5)	(1.1)	44.0
Financial Costs	(690.8)	(1.379.7)	688.9	(49.9)

Financial costs decreased by Ps.688.9 million or 49.9% to Ps.690.8 million for the nine-month period ended January 31 2017, compared to Ps.1,379.7 million for the nine-month period ended January 31 2016. This was primarily attributable to:

- increase in interest and other financial costs in relation to the maintenance of the *Agua del Cajón* Power Plant and interest accrued under our Class I Notes. While the principal amounts of our U.S. dollar-denominated Class I Notes remained unchanged, the increase in the peso-U.S. dollar exchange rate generated higher interest amounts due in Argentine pesos;
- smaller exchange rate losses as a result of a lesser appreciation of the U.S. dollar relative to the Argentine peso. The appreciation of the U.S. dollar against the Argentine peso between April 2016 and January 2017 was 11.6% while between April 2015 and January 2016 was 56.7%. As 96% of our financial debt was denominated in U.S. dollars, fluctuations in the U.S. dollar against the Argentine peso have a significant impact on our results; and
- the accrual of interest on loans and debt in respect of our provision for the decommissioning of wells.

Other Financial Expenses

Other financial expense of Ps.1.3 million during the nine-month ended January 31, 2017 was attributable to recovery of the provision for impairment of property, plant and equipment of the hydrogen and oxygen plant of Hychico.

Income tax expense

Income tax losses amounted to Ps.186.3 million for the nine-month period ended January 31 2017, as a result of the recognition of the tax effect of the net gain for the period and based on our estimate of the use of accumulated losses at year-end against future earnings.

For the nine months ended January 31, 2016 we recorded a Ps.185.7 million gain due to the recognition of the tax effect over the period's loss.

Net results for the period

For the foregoing reasons, we experienced a net gain for the nine-month period ended January 31, 2017 of Ps.338.2 million, compared to net loss of Ps.348.4 million for the nine-month period ended January 31, 2016.

Other comprehensive results

Other comprehensive income for the nine-month period ended January 31 2017, amounted to Ps.1,252 million, as since July 31, 2014 the Company has applied the revaluation method for certain property, plant and equipment, and as of January 31, 2017 has updated the fair values of those assets.

Of total other comprehensive income of Ps.1,252.0 million for the nine-month period ended January 31 2017, the portion attributable to the Company amounted to Ps.1,252.0 million, and was accumulated to the reserve for the revaluation of assets in the statement of changes in shareholders' equity. As of January 31, 2017, the total outstanding balance of such reserves amounted to Ps.2,878.8 million. In accordance with CNV rules, these reserves may not be distributed, capitalized or used to absorb accumulated losses, but must be included as part of accumulated gains (losses) for purposes of comparison to determine our position vis-à-vis articles 31, 32 and 206 of the Commercial Companies Law No. 19,550. For further information, please see "*Critical Accounting Policies and Estimates*."

Comprehensive results for the period

For the foregoing reasons, we recorded a net comprehensive gain for the nine-month period ended January 31, 2017 of Ps.1,590.3 million, compared to net comprehensive loss of Ps.348.4 million for the nine-month period ended January 31, 2016.

Years Ended April 30, 2016, 2015 and 2014

The following tables are derived from our Audited Annual Financial Statements:

Statement of Income	For the Years Ended April 30,					
	2016		2015		2014	
	(in Ps.)	% of net sales	(in Ps.)	% of net sales	(in Ps.)	% of net sales
Net sales.....	1,844,804,297	100.0	1,260,911,657	100.0	816,212,306	100.0
Cost of sales.....	(619,527,735)	(33.6)	(473,719,532)	(37.6)	(339,523,798)	(41.6)
Gross profit.....	1,225,276,562	66.4	787,192,125	62.4	476,688,508	58.4
Exploration expenses.....	(76,710,629)	(4.2)	(174,860,302)	(13.9)	—	0.0
Selling expenses.....	(254,210,741)	(13.8)	(170,351,345)	(13.5)	(120,730,278)	(14.8)
Administrative expenses.....	(129,906,146)	(7.0)	(91,527,822)	(7.3)	(65,428,564)	(8.0)
Other operating (expenses) / income, net.....	(952,088)	(0.1)	1,298,689	0.1	13,633,904	1.7
Operating result.....	763,496,958	41.4	351,751,345	27.9	304,163,570	37.3
Financial income.....	400,256,348	21.7	127,500,389	10.1	151,905,289	18.6
Financial costs.....	(1,561,354,345)	(84.6)	(474,939,782)	(37.7)	(827,207,316)	(101.3)
Other financial income.....	456,913	0.0	69,516	0.0	1,492,925	0.2
Results before income tax.....	(397,144,126)	(21.5)	4,381,468	0.3	(369,645,532)	(45.3)
Tax on assets.....	—	0.0	(431,582)	0.0	3,801,279	0.5
Income tax expense.....	137,218,320	7.4	(3,561,977)	(0.3)	140,426,465	17.2
Net results for the year.....	(259,925,806)	(14.1)	387,909	0.0	(225,417,788)	(27.6)
Other comprehensive results.....	1,049,995,831	56.9	743,518,138	59.0	—	0.0
Comprehensive results for the period.....	790,070,025	42.8	743,906,047	59.0	(225,417,788)	(27.6)

Statement of Income	Change		Change	
	Between the Years Ended April 30, 2016 and 2015		Between the Years Ended April 30, 2015 and 2014	
	(in Ps.)	%	(in Ps.)	%
Net sales.....	583,892,640	46.3	444,699,351	54.5
Cost of sales.....	(145,808,203)	30.8	(134,195,734)	39.5
Gross profit.....	438,084,437	55.7	310,503,617	65.1
Exploration expenses.....	98,149,673	(56.1)	(174,860,302)	(100.0)
Selling expenses.....	(83,859,396)	49.2	(49,621,067)	41.1
Administrative expenses.....	(38,378,324)	41.9	(26,099,258)	39.9
Other operating (expenses) / income, net.....	(2,250,777)	(173.3)	(12,335,215)	(90.5)
Operating result.....	411,745,613	117.1	47,587,775	15.6
Financial income.....	272,755,959	213.9	(24,404,900)	(16.1)
Financial costs.....	(1,086,414,563)	228.7	352,267,534	(42.6)
Other financial income.....	387,397	557.3	(1,423,409)	(95.3)
Results before income tax.....	(401,525,594)	(9,164.2)	374,027,000	(101.2)
Tax on assets.....	431,582	(100.0)	(4,232,861)	(111.4)
Income tax expense.....	140,780,297	(3,952.3)	(143,988,442)	(102.5)
Net results for the year.....	(260,313,715)	(67,106.9)	225,805,697	(100.2)
Other comprehensive results.....	306,477,693	41.2	743,518,138	100.0
Comprehensive results for the year.....	46,163,978	6.2	969,323,835	(430.0)

Net Sales

2016/2015

Net sales increased by 46.3% to Ps.1,844.8 million for the year ended April 30, 2016, compared to Ps.1,260.9 million for the year ended April 30, 2015.

2015/2014

Net sales increased by 54.5% to Ps.1,260.9 million for the year ended April 30, 2015, compared to Ps.816.2 million for the year ended April 30, 2014.

The breakdown of sales by product is shown in the table below:

Net sales	For the Years Ended April 30,					
	2016		2015		2014	
	(in thousands of Ps.)	% of net sales	(in thousands of Ps.)	% of net sales	(in thousands of Ps.)	% of net sales
Energy						
Energy from <i>Agua del Cajón</i>						
Power Plant (including recognition of own gas)	968,069	52.5	679,571	53.9	457,077	56.0
Energy from <i>Diadema Wind Farm</i>	33,597	1.8	27,885	2.2	22,057	2.7
Façon Service of energy	3,078	0.2	2,068	0.2	1,111	0.1
Gas						
Sales	108,729	5.9	43,511	3.5	31,866	3.9
Gas Stimulus Program.....	256,533	13.9	116,071	9.2	2,959	0.4
Oil						
Sales	383,155	20.8	292,631	23.2	221,679	27.2
Oil Stimulus Program.....	3,220	0.2	644	0.1	—	—
Propane						
Sales	50,515	2.7	57,500	4.6	43,775	5.4
Stimulus Plan for Oil Injection....	244	0.0	—	—	—	—
Butane						
Sales	35,268	1.9	40,211	3.2	35,088	4.3
<i>Hogar</i> Program.....	1,400	0.1	—	—	—	—
Oxygen	995	0.1	820	0.1	600	0.1
Total	<u>1,844,804</u>	<u>100.0</u>	<u>1,260,912</u>	<u>100.0</u>	<u>816,212</u>	<u>100.0</u>

The breakdown of sales for each product was the following:

	For the Years Ended April 30,		
	2016	2015	2014
Energy (in thousands of Ps.)			
Revenue from <i>Agua del Cajón</i> Power Plant operations (in thousands of Ps.) (including recognition of own gas)	968,069	679,571	457,077
Revenue from energy generation (in thousands of Ps.).....	448,619	296,177	174,188
Energy sales (in GWh)	3,381	3,403	2,839
Average price of energy generation (in Ps. per MWh)	132.7	87.0	61.4
Average price of energy generation (in U.S.\$ per MWh)	11.6	10.2	9.4

	For the Years Ended April 30,		
	2016	2015	2014
Recognition of own gas (in thousands of Ps.)	519,450	383,394	282,889
Revenue from energy produced by the <i>Diadema</i> Wind Farm (in thousands of Ps.).....	33,597	27,885	22,057
Energy generated by <i>Diadema</i> Wind Farm (in GWh).....	25.6	28.1	28.8
Price of energy sales (in Ps.per MWh).....	1,312.4	992.4	765.9
Price of energy sales (in U.S.\$ per MWh) ⁽¹⁾	115.9	115.9	115.9
Façon Service of energy			
Façon services net sales (in thousands of Ps.).....	3,078	2,068	1,111
Façon services sales (in GWh).....	8.3	6.7	5.2
Average façon services sales price (in Ps.per MWh)	370.8	308.6	213.7
Average façon services sales price (in U.S.\$ per MWh).....	32.5	36.3	32.8
Gas			
Gas net sales (including Gas Stimulus Program) (in thousands of Ps.)	365,262	159,581	34,826
Gas net sales (in thousands of Ps.)	108,729	43,511	31,866
Gas Stimulus Program (in thousands of Ps.).....	256,533	116,071	2,959
Recognition of own gas (in thousands of Ps.) ⁽²⁾	519,450	383,394	282,889
Gas sales (in Mm ³).....	61,632	28,837	29,598
Own gas injected in <i>Agua del Cajón</i> Power Plant (in Mm ³).....	426,968	450,241	443,505
Average price of net gas sales (in Ps.per Mm ³).....	1.8	1.5	1.1
Average price of net gas sales (in U.S.\$ per Mbtu).....	4.2	4.8	4.5
Average gas sales price (in Ps.per Mm ³).....	1.8	1.1	0.7
Average gas sales price (in U.S.\$ per Mbtu).....	4.3	3.6	2.8
Oil			
Oil net sales (including Oil Stimulus Program) (in thousands of Ps.).....	386,375	293,275	221,679
Oil net sales (in thousands of Ps.)	383,155	292,631	221,679
Oil Stimulus Program (in thousands of Ps.).....	3,220	644	0
Oil sales (in Mbbl)	467.9	426.4	445.9
Average price of oil sales (including Oil Stimulus Program) (in Ps.per bbl).....	825.7	687.8	497.2
Average price of oil sales (including Oil Stimulus Program) (in U.S.\$ per bbl)	72.3	81.0	76.4
Average net oil sales price (in Ps.per Mbbl)	818.8	686.3	497.2
Average net oil sales price (in U.S.\$ per Mbbl)	71.7	80.8	76.4
Propane			
Propane net sales (in thousands of Ps.)	50,759	57,500	43,775
Propane net sales (in thousands of tons)	18.9	22.0	21.7
Average propane sales price (in Ps.per tn).....	2,685.7	2,613.6	2,017.3
Average propane sales price (in U.S.\$ per tn).....	235.3	307.7	309.9
Butane			
Butane net sales (in thousands of Ps.)	36,668	40,211	35,088

	For the Years Ended April 30,		
	2016	2015	2014
Butane net sales (in thousands of tons)	13.9	15.1	16.3
Average butane sales price (in Ps. per tn)	2,657.1	2,645.5	2,152.6
Average butane sales price (in U.S.\$ per tn)	232.8	311.5	330.7
Oxygen			
Oxygen net sales (in thousands of Ps.)	995	820	600
Oxygen sales (in MMm ³)	114.0	127.4	128.7
Average oxygen sales price (in Ps. per m ³)	8.7	6.4	4.7
Average oxygen sales price (in U.S.\$ per m ³)	0.8	0.8	0.7

Notes:—

- (1) Pursuant to Resolution 108/11 of the SE we receive a price of US\$115.896 per MWh, payable in pesos at the applicable exchange rate published by the Central Bank.
- (2) Already included as income generated by the Agua del Cajón Power Plant (we receive payments from CAMMESA for the use of our own gas, which we record as sales of energy on account of such payment being received as part of the compensation we receive for the sale of energy; however, as required by IFRS 8 “Operating Segment”, we then allocate such revenue derived from the use of our own gas to the oil and gas segment).

Energy

Agua del Cajón Power Plant

2016/2015

Sales of *Agua del Cajón* Power Plant energy increased by Ps.288.5 million or 42.5% to Ps.968.1 million in the year ended April 30, 2016, compared to Ps.679.6 million in the year ended April 30, 2015. This increase was primarily due to:

- (i) a 52.5% increase in the average sale price of MWh sold, from Ps.87.0/MWh for the year ended April 30, 2015 to Ps.132.7/MWh for the year ended April 30, 2016, as a result of Resolution SE 22/2016 (which took effect as from February 2016);
- (ii) an increase of 106.3% in U.S. dollar-denominated remuneration paid by CAMMESA to generators for the gas produced by the *Agua del Cajón* field and used by the *Agua del Cajón* Power Plant, through Resolution SE 41/2016 of the Ministry of Energy and Mining (effective as of April 2016), as well as the appreciation of the U.S. dollar, the currency in which the gas tariff is denominated against the Argentine peso. Resolution SE 41/2016 increased the value of the reference gas per million btu for thermal power plants from U.S.\$2.68 to U.S.\$5.53 per million btu; and
- (iii) the quantity of energy generated remaining largely unchanged.

2015/2014

Sales of *Agua del Cajón* Power Plant energy increased by Ps.222.5 million or 48.7% to Ps.679.6 million for the year ended April 30, 2015, compared to Ps.457.1 million in the year ended April 30, 2014. This increase was primarily due to:

- (i) an increase of 41.7% in the average sale price of MWh sold, from Ps.61.4/MWh for the year ended April 30, 2014 to Ps.87.0/MWh average for the year ended April 30, 2015, as a result of Resolution SE 529/2014 which took effect as from February 2014;
- (ii) an increase of 35.5%, measured in pesos, in CAMMESA’s compensation to our electricity generators for the gas produced by the *Agua del Cajón* field and used by the *Agua del Cajón* Power Plant, due to the appreciation of the U.S. dollar, the currency in which the gas tariff is

denominated, against the Argentine peso. The reference gas tariff for thermal power plants was U.S.\$2.68 per million btu in 2015; and

- (iii) a higher quantity of energy generated as a result of greater plant availability as compared to the prior year due to maintenance work undertaken in the year ended April 30, 2014.

Diadema Wind Farm

2016/2015

Sales of energy from the *Diadema Wind Farm* increased by Ps.5.7 million or 20.5% to Ps.33.6 million for the year ended April 30, 2016, compared to Ps.27.9 million for the year ended April 30, 2015.

Total energy sales from the *Diadema Wind Farm* amounted to 25.6 GWh at an average price of Ps.1,312.4 MWh for the year ended April 30, 2016, compared to total sales of 28.1 GWh at an average price of Ps.992.4/MWh for the year ended April 30, 2015. The increase in average price was mainly attributable to the appreciation of the U.S. dollar, the currency in which the tariff is denominated, against the Argentine peso, more than offset the decrease in generation due to lower winds available in the year ended April 30, 2016 (load factor was 46.1% in 2016 compared with 50.8% in 2015).

2015/2014

Sales of energy from the *Diadema Wind Farm*, measured in pesos, increased by Ps.5.8 million, or 26.4%, to Ps.27.9 million for the year ended April 30, 2015, compared to Ps.22.1 million for the year ended April 30, 2014.

Total energy sales from the *Diadema Wind Farm* amounted to 28.1 GWh at an average price of Ps.992.4/MWh for the year ended April 30, 2015, compared to 28.8 GWh at an average price of Ps.765.9/MWh for the year ended April 30, 2014. The increase in average price was attributable to the appreciation of the U.S. dollar, the currency in which the tariff is denominated, against the Argentine peso while generation remained almost unchanged.

Façon Service of Electricity

2016/2015

Façon services (i.e. the provision of processing or transformation services over a raw material provided by a third party) for the generation of energy with natural gas and hydrogen increased by Ps.1 million or 48.9%, to Ps.3.1 million in the year ended April 30, 2016, as compared to Ps.2.1 million for the year ended April 30, 2015. This was due to an increase in the aggregate MWh sold, an increase in the applicable price and the appreciation of the U.S. dollar, the currency in which the price is denominated against the Argentine peso.

2015/2014

Façon services for the generation of energy with natural gas and hydrogen, measured in pesos increased by Ps.1 million or 86.1%, to Ps.2.1 million for the year ended April 30, 2015, compared to Ps.1.1 million for the year ended April 30, 2014. This was due to an increase in the aggregate MWh sold, an increase in the applicable tariff and the appreciation of the U.S. dollar, the currency in which the price is denominated against the Argentine peso.

Gas

2016/2015

The sales of gas increased by Ps.65.2 million or 149.9% to Ps.108.7 million for the year ended April 30, 2016, corresponding to the delivery of 61.6 million cubic meters at an average price of U.S.\$0.1546/m³ (U.S.\$4.2 million btu) for the year ended April 30, 2016, compared to Ps.43.5 million, corresponding to 28.8 million cubic meters at an average price of U.S.\$0.1176/m³ (U.S.\$4.8 million btu) for the year ended April 30, 2015.

The increase in cubic meters sold by 114% to 61,632 thousand m³ in the year ended April 30, 2016, compared to 28,837 thousand m³ in the year ended April 30, 2015, was due to an increase in the production of the wells associated with the “Gas Plus” projects, due to greater investment, while the decrease in prices expressed in U.S.\$/million btu is attributable to market factors, namely an oversupply of natural gas in the summer (as a result of the lower consumption of natural gas by residential customers) which did not justify payment by the market of higher prices for “Gas Plus.”

Gas production increased by 4.7 million cubic meters or 0.8%, to 558.0 million cubic meters for the year ended April 30, 2016 as compared to 553.3 million cubic meters from the year ended April 30, 2015. This increase, which halted the decline in our production curve, was due to investments resulting from the “Gas Stimulus Program” and the development of reserves with greater productivity.

Gas not sold was used for electric power generation in the *Agua del Cajón* Power Plant and in the operation of the LPG Plant.

We also benefit from the Gas Stimulus Program, pursuant to which we receive a staggered stimulus sum for production in excess of a production baseline to which we have committed. The stimulus under this program increased by Ps.140.5 million or 121% to Ps.256.5 million in the year ended April 30, 2016, compared to Ps.116.1 million for the year ended April 30, 2015. This increase in revenues was primarily due to (i) our sustained gas production and an annual decrease of 15% in the adjusted based injection curve against which it is compared for calculation; and (ii) the appreciation of the U.S. dollar against the Argentine peso, as remuneration under the program is denominated in U.S. dollars. During the year ended April 30, 2016, Ps.117.3 million was collected under the program corresponding to the period from October 2014 to June 2015. We are subject to the provisions of Decree No. 704/16, whereby the federal government pays balances owing under the program as of December 31, 2015, with BONAR 2020 denominated in U.S. dollars.

2015/2014

The sales of gas increased by Ps.11.6 million, or 36.5%, to Ps.43.5 million for the year ended April 30, 2015, corresponding to the delivery of 28.8 million cubic meters at an average price of U.S.\$0.1176/m³ (U.S.\$4.8 million btu), compared to Ps.31.9 million, corresponding to 29.6 million cubic meters at a price of U.S.\$0.1654/m³ (U.S.\$4.5 million btu) for the year ended April 30, 2014.

The 2.6% decrease of cubic meters sold, to 28.8 million cubic meters for the year ended April 30, 2015, compared to 29.6 million cubic meters for the year ended April 30, 2014, was due to a decrease in the production of the wells associated with the “Gas Plus” projects, while the price increase expressed in U.S.\$/million btu was due to market fluctuations.

Gas production increased by 5.5 million cubic meters or 1.0% to 553.3 million cubic meters in the year ended April 30, 2015, compared to 547.8 million cubic meters for the year ended April 30, 2014. This increase, which halted the decline in our production curve, was due to investments resulting from the Gas Stimulus Program and the development of reserves with greater productivity.

Gas not sold was used for electric power generation in the *Agua del Cajón* Power Plant and in the operation of the LPG Plant.

The stimulus from this Gas Stimulus Program for Companies with Reduced Injection” increased by Ps.113.1 million to Ps.116.1 million for the year ended April 30, 2015, compared to Ps.3 million for the year ended April 30, 2014. This increase in revenues for the year ended April 30, 2015 is explained by this program becoming effective for us as from January 2014.

Oil

2016/2015

Net sales of oil increased by Ps.90.5 million or 30.9% to Ps.383.2 million for the year ended April 30, 2016, from Ps.292.6 million for the year ended April 30, 2015. This increase was primarily due to: (i) an increase in volume sold of 41.5 Mbbl, or 9.7%, to 467.9 Mbbl for the year ended April 30, 2016 compared to

426.4 Mbbl for the year ended April 30, 2015 and (ii) a price increase of 19.3% in pesos, due to the appreciation of the U.S. dollar, the currency in which oil prices are denominated against the Argentine Peso.

Taking into account the decrease in the international price of crude oil and the need to maintain a price to support production activities while also reducing the impact on the price of fuel from the devaluation of the Argentine peso against the U.S. dollar, producers and refiners negotiated in the year ended April 30, 2016 a reduction of the oil prices in U.S. dollars in force in their agreements, with effect for deliveries made as from December 2015.

Oil production increased by 38.5 Mbbl, or 17.2%, to 262.6 Mbbl for the year ended April 30, 2016 as compared to 224.1 Mbbl for the year ended April 30, 2015, due to the results obtained from the stimulation of certain wells.

In the year ended April 30, 2016, the stimulus from the Oil Stimulus Program increased by Ps.2.6 million or 400% to Ps.3.2 million, compared to Ps.0.6 million for the year ended April 30, 2015. In the year ended April 30, 2016, Ps.1.5 million was collected, corresponding to the period from January to June 2015.

2015/2014

Net sales of oil increased by Ps.71.0 million or 32.0% to Ps.292.6 million for the year ended April 30, 2015, from Ps.221.7 million for the year ended April 30, 2014, due to: (i) a 38.0% increase in the price of oil due to the higher price obtained by sales to refineries in the domestic market; and (ii) the appreciation of the U.S. dollar, the currency in which oil prices are denominated, against the Argentine peso. This increase was partially offset by the 4.4% decline in volumes sold to 426.4 Mbbl in the year ended 30 April 2015, compared to 445.9 Mbbl in the year ended 30 April 2014.

Oil production decreased by 32.2 Mbbl or 12.6% to 224.1 Mbbl for the year ended April 30, 2015, compared to 256.3 Mbbl for the year ended April 30, 2014 due to the natural decline of the reservoir.

The stimulus from the Oil Stimulus Program, which came into effect on January 1, 2015, amounted to Ps.0.6 million for the year ended April 30, 2015.

Gas-derived liquids (LPG)

2016/2015

Net propane sales decreased by Ps.6.7 million or 11.7% (including the stimulus under the “*Propano Sur Program*”) to Ps.50.8 million for the year ended April 30, 2016, compared to Ps.57.5 million for the year ended April 30, 2015. We exported 2,378 tons for Ps.9.9 million for the year ended April 30, 2016. Excluding the effect of the export mentioned, the decrease in net sales was primarily attributable to: (i) a 25.0% decrease in the volume sold to 16,533 tons for the year ended April 30, 2016, from 22,046 tons for the year ended April 30, 2015, due to plant stoppages, and (ii) a 5.2% decrease in average sales price as a result of lower international prices, which was partially offset by the appreciation of the U.S. dollar, the currency in which prices are denominated, against the Argentine peso and deliveries of products at fixed prices, which amounted to an average of Ps.2,608.2/ton for the year ended April 30, 2015 and Ps.2,472.8/ton for the year ended April 30, 2016.

Net butane sales decreased by Ps.3.5 million or 8.8%, to Ps.36.7 million for the year ended April 30, 2016 compared to Ps.40.2 million for the year ended April 30, 2015, including the stimulus under the “*Home Program*.” This decrease was due to a 9.2% decrease in the volume sold due to plant shutdowns, partially offset by a 0.6% increase in the average sale price, from Ps.2,645.5/ton for the year ended April 30, 2015 to Ps.2,657.1/ton for the year ended April 30, 2016.

Gasoline sales in the years ended April 30, 2016 and 2015 have not been recorded because the production of gasoline of 28,022 m³ and 27,644 m³ in those years, respectively, were mixed and marketed with oil for market reasons.

2015/2014

Net propane sales increased by Ps.13.7 million or 31.4% to Ps.57.5 million for the year ended April 30, 2015 compared to Ps.43.8 million for the year ended April 30, 2014 as a result of a 29.6% increase in the average sale price from Ps.2,017.3/ton for the year ended April 30, 2014 to Ps.2,613.6/ton for the year ended April 30, 2015. Volumes sold increased by 1.4%.

Net butane sales increased by Ps.5.1 million or 14.6% to Ps.40.2 million for the year ended April 30, 2015 compared to Ps.35.1 million for the year ended April 30, 2014, as a result of a 22.9% increase in the average sale price, from Ps.2,152.6/ton for the year ended April 30, 2014 to Ps.2645.5/ton for the year ended April 30, 2015. Volumes sold decreased by 6.7%.

Gasoline sales in the years ended April 30, 2015 and 2014 were not recorded because the production of gasoline of 27,644 m³ and 26,729 m³, respectively, were mixed and marketed with oil for market reasons.

Oxygen

2016/2015

Net oxygen sales increased Ps.0.2 million or 21.3% to Ps.1 million for the year ended April 30, 2016, compared to Ps.0.8 million for the year ended April 30, 2015. This increase in sales was due to an increase in the sale price as a result of the appreciation of the U.S. dollar, the currency in which prices are denominated, against the Argentine peso, partially offset by a decrease in volumes sold to 114,037 m³ for the year ended April 30, 2016 from 127,433 m³ for the year ended April 30, 2015.

2015/2014

Net oxygen sales increased by Ps.0.2 million or 36.7% to Ps.0.8 million for the year ended April 30, 2015 compared to Ps.0.6 million for the year ended April 30, 2014. This increase was due to an increase in the sale price.

Cost of Sales

The following table shows the cost of sales for the years ended April 30, 2016, 2015 and 2014.

	For the years ended April 30,														
	Oil and Gas			Agua del Cajón			LPG Plant			Diadema Wind Farm			Hydrogen Energy		
	2016	2015	2014	2016	2015	2014	2016	2015	2014	2016	2015	2014	2016	2015	2014
(in millions of Ps.)															
Labor costs.....	99.3	74.8	53.5	63.6	49.5	35.2	16.3	13.6	9.4	0.0	0.0	0.0	0.9	0.8	0.5
Materials, spare parts and others	11.3	7.1	6.2	18.2	20.9	13.8	1.8	3.1	1.2	0.2	0.2	0.1	1.3	1.0	0.4
Operation, maintenance and repairs	61.6	43.7	29.6	15.2	9.9	12.2	2.9	2.3	0.6	3.3	1.6	0.5	0.3	0.1	1.0
Amortization of Property, Plant and Equipment.....	171.2	135.9	95.4	80.9	51.7	29.1	12.8	10.6	5.9	5.7	5.3	4.4	1.2	1.2	1.2
Taxes and insurance	10.1	8.1	5.5	11.3	9.7	6.4	2.3	2.0	1.3	0.8	0.7	0.4	0.3	0.2	0.2
Others.....	22.1	14.8	11.1	3.4	2.7	12.0	-0.4	0.6	0.3	0.3	0.3	0.2	0.1	0.2	0.0
Total	375.6	284.4	201.4	192.6	144.5	108.6	35.7	32.2	18.7	10.3	8.0	5.6	4.1	3.4	3.4

2016/2015

Cost of sales increased by 30.8% to Ps.619.5 million (33.6% of net sales) for the year ended April 30, 2016, compared to Ps.473.7 million (37.6% of net sales) for the year ended April 30, 2015.

The 30.8% increase in cost of sales was primarily attributable to:

- the higher amortization charge for assets related to oil and gas, the *Agua del Cajón* Power Plant, the *Diadema* Wind Farm and the LPG Plant for Ps.67.1 million, as a result of the increase in investments made and the technical revaluation of certain assets as of July 31, 2014;
- an increase in labor costs of Ps.41.4 million, as a result of salary increases we awarded to our employees;
- an increase in maintenance and operating costs of Ps.25.7 million, as a result of the rate increases for these services throughout the year;
- an increase of Ps.4.0 million in taxes, fees, contributions and insurance mainly as a result of the increase in insurance coverage costs; and
- an increase in other costs of Ps.7.1 million, primarily due to higher transportation costs, freight charges and studies as a result of the increase in cargo transportation hours, higher tariffs and an increase in fees and other compensation of Ps.6.8 million.

2015/2014

Cost of sales increased by 39.5% to Ps.473.7 (37.6% of net sales) million for the year ended April 30, 2015, compared to Ps.339.5 million (41.6% of net sales) for the year ended April 30, 2014. The increase was mainly attributable to:

- the higher amortization charge for assets of Ps.68.7 million, relating to oil and gas assets and the *Agua del Cajón* Power Plant, as a result of the increase in investments made and the technical revaluation of the latter;
- an increase in labor costs of Ps.40.1 million due to the salary increases we awarded to our employees to cover the diminished purchasing power of wages due to inflation;
- an increase in the costs of materials and spare parts of Ps.10.6 million;
- an increase in maintenance and operating costs of Ps.13.3 million;
- an increase in insurance costs of Ps.6.8 million, mainly due to an increase in premiums; and
- a decrease in other costs, mainly due to lower purchases of energy of Ps.5.3 million as a result of the maturity of our forward contracts, which were not renewed in compliance with regulations then in effect.

Exploration Expenses

2016/2015

Exploration expenses of Ps.76.7 million for the year ended April 30, 2016 related to the withdrawal of an unproductive exploratory well in *Loma de Kauffman* and investments made in the area that are not expected to be recovered.

2015/2014

Exploration expenses of Ps.174.9 million for the year ended April 30, 2015 are due to the reversal of the *Cerro Chato* and *Lago Pellegrini* exploration area to the province of Rio Negro resulting in losses of Ps.23.7 million and Ps.141.4 million, respectively. In the second phase of exploration, and after complying with investment commitments in the province of Rio Negro, we elected to return 100% of the areas. After making the committed investments in the *Loma de Kauffman* area, which we will now revert to the province

of Río Negro, we decided on June 12, 2015 to continue with the third exploration period by reversing 50% of the committed investments. For this reason, for the year ended April 30, 2015, a provision of Ps.9.8 million was made. There were no exploration expenses during the year 2014.

Selling expenses

2016/2015

Selling expenses increased by Ps.83.9 million, or 49.2%, to Ps.254.2 million (or 13.8% of net sales) for the year ended April 30, 2016, compared to Ps.170,4 million (or 13.5% of net sales) for the year ended April 30, 2015. This was mainly due to an increase in turnover tax, which we record as a selling expense, as a result of higher revenue and increased gas royalties. The increase in gas royalties was due to increases in: (i) gas production, (ii) gas sales through the “Gas Plus” program, (iii) gas prices, as a result of the increase in the reference price recognized by CAMMESA and the appreciation of the U.S. dollar in which such reference price is denominated, against the Argentine peso; and (iv) revenues from the Gas Stimulus Program, which are subject to the payment of royalties.

2015/2014

Selling expenses increased by Ps.49.6 million or 41.1% to Ps.170.4 million (or 13.5% of net sales) for the year ended April 30, 2015, compared to Ps.120.7 million (or 14.8% of net sales) for the year ended April 30, 2014. The increase was mainly due to the increase in royalties (primarily generated by the increase in the price of oil and gas and the percentage payable), and an increase in turnover tax as a result of higher revenue.

Administrative expenses

2016/2015

Administrative expenses increased by Ps.38.4 million or 41.9% to Ps.129.9 million (or 7.0% of net sales) for the year ended April 30, 2016, compared to Ps.91.5 million (or 7.3% of net sales) for the year ended April 30, 2015. The increase was mainly attributable to (i) an increase in salaries and social security charges as a result of salary increases we awarded to our employees, (ii) increases in rental expenses, and (iii) an increase in legal fees and bank charges.

2015/2014

Administrative expenses increased by Ps.26.1 million or 39.9% to Ps.91.5 million (or 7.3% of net sales) for the year ended April 30, 2015, compared to Ps.65.4 million (or 8.0% of net sales) for the year ended April 30, 2014. The increase was mainly attributable to (i) increases in salaries and social security contributions, (ii) higher computer and IT maintenance expenses, (iii) an increase in rental expenses, in particular resulting from the sale and lease-back of the Vicente López headquarters building to our affiliate Alparamis S.A. in September 2014, and (iv) an increase in bank charges.

Other Income (Expenses), Net

2016/2015

Other net expenses for the year ended April 30, 2016 amounted to an expense of Ps.1 million as compared to other net income of Ps.1.3 million for the year ended April 30, 2015. This was mainly due to us collecting in the year ended April 30, 2015 Ps.4.1 million for the assignment of set-off rights under the “Oil Plus Program,” partially offset by costs of Ps.2.9 million associated with the sale of the Vicente López headquarters building.

2015/2014

Other net income in the year ended April 30, 2015, primarily resulted from the collection of Ps.4.1 million for the assignment of set-off rights under the “Oil Plus Program,” partially offset by costs of Ps.2.9 million associated with the sale of the Vicente López headquarters building, compared to the year ended April 30, 2014 when we recorded a positive result of Ps.13.6 million mainly due to the reversal of the

provisions made to account for the tariff scheme created by Decree 2067/08 and ENARGAS Resolutions 1982, 1988 and 1991/11.

Financial income

2016/2015

The following table shows our financial income for the years ended April 30, 2016 and 2015:

	For the Years ended April 30,		Variation (in millions of Ps.)	(In %)
	2016	2015		
	(in millions of Ps.)			
Interest and other.....	120.5	77.6	42.9	55.3
Interest accrued on receivables	(3.8)	3.5	(7.3)	(208.9)
Exchange differences	283.5	46.4	237.1	510.9
Financial Income	400.3	127.5	272.8	213.9

Financial income increased by Ps.272.8 million or 213.9% to Ps.400.3 million for the year ended April 30, 2016, compared to Ps.127.5 million for the year ended April 30, of 2015. This increase was primarily attributable to:

- the increase in interest and other income accrued was due to the greater volume of cash and investment holdings and higher yields on such investments;
- the appreciation of the U.S. dollar as compared to the peso. The appreciation of the U.S. dollar against the Argentine peso exchange rate between April 2015 and April 2016 was 60.7%, and between April 2014 and April 2015 was 11.5%; and
- the reduction in accrued interest on receivables was due to the calculation of: (i) the present value of the long-term credits that we have with CAMMESA for remuneration that will be allocated to a trust fund for the financing of new infrastructure projects in the electrical sector, (ii) Hychico's long-term credits, credit for sales and tax credits, and (iii) long-term tax credits held by Servicios Buproneu.

2015/2014

The following table shows our financial income for the years ended April 30, 2016 and 2015:

	For the Years Ended April 30,		Variation (in millions of Ps.)	(in %)
	2015	2014		
	(in millions of Ps.)			
Interest and other.....	77.6	13.3	64.3	484.7
Interest accrued on receivables	3.5	0.5	3.0	597.0
Exchange difference.....	46.4	138.1	(91.7)	(66.4)
Financial Income	127.5	151.9	(24.4)	(16.1)

Financial income decreased by Ps.24.4 million or 16.1% to Ps.127.5 million for the year ended April 30, 2015, compared to Ps.151.9 million for the year ended April 30, 2014. This was primarily attributable to:

- higher yields on investments;
- the appreciation of the U.S. dollar as compared to the Argentine peso. The appreciation of U.S. dollar against the Argentine peso rate between April 2014 and April 2015 was 11.5%, while between April 2013 and April 2014 it was 53.5%; and
- the increase in the accrual of interest on receivables related to the result generated by the calculation of the present value of Hychico's long-term credits, sales credits and tax credits and of Servicios Buproneu's long-term tax credits.

Financial Costs

2016/2015

The following table sets out our financial costs for the years ended April 30, 2016 and 2015:

	For the Years ended April 30,		Variation	
	2016	2015		
	(in millions of Ps.)	(in millions of Ps.)	(in %)	
Interest and other.....	(403.2)	(279.7)	(123.5)	44.1
LIBO rate swap	—	1.1	(1.1)	(100.0)
Exchange differences	(1,154.5)	(196.1)	(958.5)	488.9
Interest accrued from receivables and payables....	(3.6)	(0.2)	(3.4)	1,406.8
Financial Costs	(1,561.4)	(474.9)	(1,086.4)	228.7

Financial costs increased by Ps.1,086.4 million or 228.7% to Ps.1,561.4 million for the year ended April 30, 2016, compared to Ps.474.9 million for the year ended April 30, 2015. This was primarily attributable to:

- increases in interest and other financial costs in relation to interest attributable to our Class I Notes. While the principal amount of our U.S. dollar-denominated Class I Notes remained unchanged, the appreciation of the U.S. dollar against the Argentine peso generated a higher interest accrual in Argentine pesos.
- greater exchange rate losses as a result of the appreciation of the U.S. dollar relative to the Argentine peso. The appreciation of the U.S. dollar against the Argentine peso between April 2015 and April 2016 was 60%, while between April 2014 and April 2015, was 11.3%.
- as of April 30, 2016, 88.8% of our financial debt was denominated in U.S. dollars, thus the appreciation in the U.S. dollar against the Argentine peso had a negative impact on our results, whereby the amount of debt in pesos in our balance sheet increased causing us to take a corresponding charge in our income statement.
- a decrease in the LIBO rate swap line due to the cancellation of our swap contract originally entered into when we had floating rate liabilities, and which we repaid with the proceeds of our Class I Notes; and
- the accrual of interest on loans and debt in respect of our provision for the decommissioning of wells.

2015/2014

The following table sets out our financial costs for the years ended April 30, 2016 and 2015:

	For the Years ended April 30,		Variation (in millions of Ps.)	(in %)
	2015	2014		
	(in millions of Ps.)			
Interest and other.....	(279.7)	(220.7)	(59.1)	26.8
LIBO rate swap	1.1	7.4	(6.3)	(85.4)
Exchange differences	(196.1)	(617.1)	421.1	(68.2)
Interest accrued from receivables and payables....	(0.2)	3.2	(3.5)	(107.5)
Financial Costs	(474.9)	(827.2)	352.3	(42.6)

Financial costs decreased by Ps.352.3 million or 42.6% to Ps.474.9 million for the year ended April 30, 2015, compared to Ps.827.2 million for the year ended April 30, 2014. This was primarily attributable to:

- increases in interest and other expense mainly due to the increase in interest rates and interest accrued for the anticipated financing of maintenance costs of the *Agua del Cajón* Power Plant. While the principal amount of our U.S. dollar-denominated Class I Notes remained unchanged, the appreciation of the U.S. dollar against the Argentine peso generated a higher interest accrual in Argentine pesos;
- As as of April 30, 2015, the percentage of our debt denominated in U.S. dollars was 85.4%, thus fluctuations in the U.S. dollar against the peso exchange rate have a significant impact on our results. The appreciation of the peso-U.S. dollar against the Argentine peso between April 2014 and April 2015 was 11.3% while between April 2013 and April 2014 was 54.3%; and
- a decrease in the LIBO rate swap line due to the cancellation of our swap contract.

Other Financial Income

2016/2015

Other financial income was attributable to recovery of the provision for impairment of property, plant and equipment of the hydrogen and oxygen plant of Hychico.

2015/2014

Other financial income was attributable to recovery of the provision for impairment of property, plant and equipment of the hydrogen and oxygen plant of Hychico.

Income tax expense

2016/2015

Income tax expense amounted to Ps.137.2 million for the year ended April 30, 2016, as a result of the recognition of the tax effect on the net loss for the year and based on our estimate of the use of accumulated losses at year end against future earnings. Income tax expense amounted to Ps.3.6 million for the year ended April 30, 2015, as a result of the recognition of the tax effect on our net gain for the year.

2015/2014

Income tax expense amounted to Ps.3.6 million for the year ended April 30, 2015, as a result of the recognition of the tax effect on our net gain for the year. Taxable profit amounted to Ps.140.4 million for the

year ended April 30, 2014 as a result of the recognition of the tax effect on the net loss for the year, based on our estimate of the use of accumulated losses at year end against future earnings.

Net results for the year

2016/2015

For the foregoing reasons, we experienced a net loss for the year ended April 30, 2016 of Ps.259.9 million, compared to net gain of Ps.0.4 million for the year ended April 30, 2015.

2015/2014

For the foregoing reasons, net income for the year ended April 30, 2015 was Ps.0.4 million, compared to a net loss of Ps.225.4 million for the year ended April 30, 2014.

Other comprehensive results

2016/2015

Other comprehensive income for the year ended April 30, 2016, amounted to Ps.1,050.0 million, compared to Ps.743.5 million in the previous year. As of July 31, 2014 the Company applied the revaluation method for certain property, plant and equipment, and as of April 30, 2016 updated the fair values of those assets.

Of total other comprehensive income of Ps.1,050 million for the year ended April 30, 2016, the portion attributable to the Company amounted to Ps.1,048.2 million, and is accumulated in the reserve for the revaluation of assets in the statement of changes in shareholders' equity. As of April 30, 2016, the total outstanding balance of such reserves amounted to Ps.1,692.1 million. In accordance with CNV rules, these reserves may not be distributed, capitalized or used to absorb accumulated losses, but must be included as part of accumulated gains (losses) for purposes of comparison to determine our position vis-à-vis articles 31, 32 and 206 of the Commercial Companies Law No. 19,550. For further information, please see "*Critical Accounting Policies and Estimates*."

2015/2014

Other comprehensive income for the year ended April 30, 2015 relates primarily to the effect of changes in the accounting policy for valuation of property, plant and equipment for *Agua del Cajón* Power Plant assets, buildings and land, the LPG Plant and the *Diadema* Wind Farm plant. In the periods preceding April 30, 2014, we valued our property, plant and equipment in accordance with the cost method established in IAS 16, which consists of the initial recognition of the asset at acquisition cost, less the accumulated depreciation and the accumulated amount of impairment losses, if any. Commencing July 31, 2014, we value the *Agua del Cajón* Power Plant buildings and land, the LPG Plant and the *Diadema* Wind Farm plant within property, plant and equipment in accordance with the revaluation method, as we believe that this method more reliably reflects the value of these assets. The revaluation increase amounted to Ps.1,143.9 million, which, net of deferred tax, amounted to a net revaluation effect of Ps.743.5 million. The share attributable to Capex amounted to Ps.739.9 million.

Comprehensive result for the year

2016/2015

Net comprehensive gain for the year ended April 30, 2016 was Ps.790.1 million, compared to a net comprehensive gain of Ps.743.9 million in the previous year.

2015/2014

Net comprehensive gain for the year ended April 30, 2015 was Ps.743.9 million, compared to a net comprehensive loss of Ps.225.4 million in the previous year.

Liquidity and Capital Resources

Our main source of liquidity has been cash generated by operating activities. Our main activities are energy generation, oil and gas exploration and production, the production and sale of liquid and gas derivatives (LPG), and other activities, including façon services for energy production and oxygen sales.

Our main cash requirements or uses relate to our investment and financing activities, including the development of our proved reserves, the exploration for additional reserves and capital expenditure for investment in property, plant and equipment required for the purpose of extracting and producing gas and oil, and generating and transmitting electricity and the servicing of our financial indebtedness.

Our liquidity and capital resources include our cash and cash equivalents. For the nine months ended January 31, 2017, we had working capital of Ps.1,463.6 million, at such date, we had cash and cash equivalents totaling Ps.1,325.2 million.

Cash Flows

The following table shows the sources and uses of our cash for the nine-month periods ended January 31, 2017, and 2016:

Cash Flow	Unaudited		For the Nine-Month Periods Ended January 31,
	2017	2016	
Net cash flows provided by (used in) operating activities	1,635.1	489.8	
Net cash flows provided by (used in) investing activities.....	(177.8)	(380.7)	
Net cash flows provided by (used in) financing activities	(442.2)	(12.0)	
Net increase (decrease) in cash.....	1,015.1	97.1	

The following table shows the sources and uses of our cash for the years ended April 30, 2016, 2015 and 2014:

Cash Flow	For the Years Ended April 30,		
	2016	2015	2014
Net cash flows provided by (used in) operating activities	824.4	639.6	385.8
Net cash flows provided by (used in) investing activities.....	(637.0)	(207.7)	(182.9)
Net cash flows provided by (used in) financing activities	(185.0)	(147.6)	(208.6)
Net increase (decrease) in cash.....	2.4	284.4	(5.7)

Net cash provided by (used in) operating activities

Nine-month periods ending January 31, 2017 and 2016

Net cash flows provided by operating activities increased to Ps.1,635.1 million for the nine-month period ended January 31, 2017 from Ps.489.8 million recorded for the nine-month period ended January 31, 2016. This increase of Ps.1,145.3 million was mainly attributable to:

- (i) an increase of Ps.372 million in accrued income tax;
- (ii) an increase of Ps.25.1 million in accrued interest on financial debt as a result of the increase in interest accrued by our U.S. dollar denominated Class I Notes. Although the principal amount of

such notes remained constant, the appreciation of the U.S. dollar against the Argentine peso generated a higher interest accrual in Argentine pesos;

- (iii) a decrease of Ps.134.3 million in the exchange difference generated by our financial instruments as a result of the appreciation of the U.S. dollar with respect to the Argentine peso;
- (iv) a decrease of Ps.362.7 million in trade receivables, as a result of the collection of CAMMESA receivables;
- (v) a decrease of Ps.102.8 million in other receivables as a result of the decrease in our advances to suppliers, tax on assets and value added tax partially offset by the increase in receivables from our propane gas supply agreement; and
- (vi) a decrease of Ps.168.3 million in the stock of spare parts and materials due to works carried out at the *Agua del Cajón* Power Plant.

This increase was partially offset by:

- (i) an increase of Ps.148.4 million in the amortization of property, plant and equipment, as a result of increased investments and technical revaluation;
- (ii) a decrease of Ps.714.3 million due to exchange difference generated by our financial debts resulting from the increase in the U.S. dollar exchange rate with respect to the peso;
- (iii) a decrease of Ps.1,252 million as a result of the revaluation of certain assets corresponding to our property, plant and equipment;
- (iv) a decrease of Ps.113 million in trade payables;
- (v) an increase of Ps.24.7 million in other debts; and
- (vi) an increase in our tax on assets paid of Ps.2.7 million.

2016 / 2015

Net cash flows provided by operating activities increased to Ps.824.4 million for the year ended April 30, 2016 from Ps.639.6 million for the year ended April 30, 2015. This increase of Ps.184.8 million was mainly attributable to:

- (i) an increase of Ps.154.9 million in accrued interest on financial debt as a result of the increase in interest accrued by our U.S. dollar denominated Class I Notes. Although the principal amount of such notes remained constant, the appreciation of the U.S. dollar against the Argentine peso generated a higher interest accrual in pesos;
- (ii) an increase of Ps.928.2 million in the exchange difference generated by financial debt as a result of the appreciation of the U.S. dollar with respect to the Argentine peso;
- (iii) an increase of Ps.10.7 million in the accrual of interest on loans and other credit;
- (iv) an increase of Ps.67.2 million in the amortization of property, plant and equipment, as a result of increased investments and technical revaluation;
- (v) an increase of Ps.73.7 million in trade payables;
- (vi) an increase of Ps.23.3 million in other debts due to the increase in royalties paid as a result of the increase in the royalty rate and the exchange rate; a lower tax on assets paid of Ps.4.9 million; and
- (vii) a decrease of Ps.140.8 million in accrued income tax.

This increase was partially offset by:

- (i) an increase of Ps.174.7 million in the exchange difference generated by financial instruments resulting from the appreciation of the U.S. dollar exchange rate with respect to the Argentine peso;

- (ii) an increase of Ps.14.3 million in the exchange difference due to assignment of rights in relation to a certain CAMMESA receivable;
- (iii) a decrease of Ps.98.3 million in provisions for the province of Río Negro exploration areas;
- (iv) an increase of Ps.306.5 million of other comprehensive results as a consequence of the technical revaluation;
- (v) an increase of Ps.266.4 million in commercial receivables given the increase in sales;
- (vi) an increase of Ps.23.6 million in other receivables mainly as a result of the increase in receivables under our propane gas supply agreement and advances to suppliers; and
- (vii) an increase of Ps.99.1 million in stock of spare parts and materials due to works carried out at the *Agua del Cajón* Power Plant.

2015 / 2014

Net cash flows provided by operating activities increased to Ps.639.6 million for the year ended April 30, 2015 from Ps.385.8 million for the year ended April 30, 2014. This increase of Ps.253.9 million was mainly attributable to:

- (i) a greater accrual of Ps.144.0 million in income tax;
- (ii) an increase of Ps.52.9 million in interest on financial debts as a result of the increase in interest under our Class I Notes. Although the principal of the notes remained constant, the appreciation of the U.S. dollar against the Argentine peso ;
- (iii) a decrease of Ps.75.0 million in the exchange difference generated by financial instruments resulting from the appreciation of the U.S. dollar with respect to the Argentine peso;
- (iv) a decrease of Ps.8.2 million in the exchange difference due to a certain assignment of rights;
- (v) an increase of Ps.68.4 million in amortization of property, plant and equipment, as a result of increased investments and technical revaluation; and
- (vi) an increase of Ps.175.0 million in the provisions for the province of Río Negro exploration areas.

This increase was partially offset by:

- (i) a decrease of Ps.414.8 million in currency exchange difference generated by financial debt as a result of the appreciation of the U.S. dollar exchange rate with respect to the Argentine peso;
- (ii) an increase of Ps.743.5 million of other comprehensive income as a result of the technical revaluation as of April 30, 2015;
- (iii) an increase of Ps.24.7 million in commercial receivables, as a result of the increase in sales;
- (iv) a decrease of Ps.53.5 million in trade payables; and
- (v) a higher tax on assets paid for Ps.4.2 million.

Net cash provided by (used in) investing activities

Nine-month ended January 31, 2017 / 2016

During the nine-month period ended on January 31, 2017, Ps.177.8 million were used in investment activities, compared with the Ps.380.7 million used during the same period in 2016. This was mainly the result of payments of Ps.248.5 million as consideration for the acquisition of property, plant and equipment and a decrease of Ps.451.3 million in financial instruments valued at amortized cost and not considered cash or cash equivalents. These holdings were reinvested for a term of less than three months.

2016 / 2015

Net cash flows used in investing activities totaled Ps.637 million for the year ended April 30, 2016, compared to Ps.207.7 million used in investing activities for the year ended April 30, 2015. This increase of Ps.429.4 million was mainly attributable to acquisitions of property, plant and equipment amounting to Ps.283.4 million, an increase of Ps.5 million in financial instruments not considered cash (or cash equivalents) and a decrease due to the one-time sale of the Vicente López headquarters building during the year ended April 30, 2015 for Ps.141.0 million in cash.

2015 / 2014

Net cash flows used in investing activities increased to Ps.207.7 million for the year ended April 30, 2015 from Ps.182.9 million for the year ended April 30, 2014. This increase of Ps.24.8 million was mainly attributable to acquisitions of property, plant and equipment amounting to Ps.158.6 million, an outflow of Ps.5.8 million in financial instruments not considered cash (or cash equivalents) and the contribution of Ps.1.4 million in subsidiaries for the year ended April 30, 2014. These payments were partially offset by an inflow of Ps.141.0 million from the sale of the Vicente López headquarters building for cash during the year ended April 30, 2015.

Net cash provided by (used in) financing activities

Nine-month ended January 31, 2017 / 2016

Net cash flows used in financing activities amounted to Ps.442.2 million for the period of nine-month ended on January 31, 2017, compared to the Ps.12 million used during the same period in 2016. This was the result of the differences in the repayment of financial debt and loans for Ps.167.7 million in capital and Ps.60 million in interest, the increase of loans paid through set off (Ps.42.2 million) and the lower indebtedness raised (Ps.171.8 million). These payments were compensated by contributions from third parties amounting to Ps.11.5 million in our subsidiaries.

2016 / 2015

Net cash flows used in financing activities increased to Ps.185 million for the year ended April 30, 2016 from Ps.147.6 million for the year ended April 30, 2015. This increase was mainly attributable to higher debt repayments of Ps.1.6 million and interest payments of Ps.125.9 million, partially offset by an increase in financial debts of Ps.90.1 million.

2015 / 2014

Net cash flows used in financing activities decreased to Ps.147.6 million for the year ended April 30, 2015 from Ps.208.6 million for the year ended April 30, 2014. This decrease of Ps.61 million was attributable to higher debt repayments of Ps.64.0 million and interest payments of Ps.19.3 million, offset by the increase in financial debts of Ps.144.3 million.

Financial Liabilities

Total financial liabilities outstanding as of January 31, 2017 and April 30, 2016 was Ps.3,573.7 million and Ps.3,390.8 million, respectively, consisting of short-term debt (including the current portion of long-term debt) of Ps.148.4 million and long-term debt of Ps.3,425.3 million as of January 31, 2017, and short-term debt (including the current position of long-term debt) of Ps.238.2 million and long-term debt of Ps.3,152.6 million as of April 30, 2016. As of January 31, 2017 and April 30, 2016, a significant part of our debt was denominated in U.S. dollars.

As of January 31, 2017, our outstanding financial liabilities comprise the following:

- Class I Notes and outstanding principal amount of U.S.\$200 million;
- Inter-American Investment Corporation loan in an outstanding principal amount of U.S.\$7.7 million; and

- Advance financing from CAMMESA for maintenance of the *Agua del Cajón* Power Plant in an outstanding amount of approximately U.S.\$9.2 million.

The break-down of our current and non-current financial liabilities as of January 31, 2017 was the following:

Financial liabilities	As of January 31, 2017		
	Current	Non-current	Total
	(in millions of Ps.)		
Class I Notes ⁽¹⁾	124.8	3,179.4	3,304.2
Inter-American Investment Corporation ⁽²⁾	25.9	100.2	126.1
Maintenance of <i>Agua del Cajón</i> Power Plant ⁽³⁾	—	146.4	146.4
Fees and expenses to be accrued	(2.3)	(0.7)	(3.0)
Total	148.4	3,425.3	3,573.7

Notes:—

- (1) Class I Notes are denominated and payable in U.S. dollars.
- (2) Debt with the Inter-American Investment Corporation is denominated and payable in U.S. dollars.
- (3) Debt with CAMMESA in connection with the maintenance of the *Agua del Cajón* Power Plant is denominated in U.S. dollars and payable in Argentine pesos.

Our short-term financial requirements have been satisfied, mainly, through lines of credit granted by local financial entities. We believe that we have sufficient lines of credit to satisfy our working capital requirements.

Qualitative and Quantitative Disclosure about Market Risk

The following quantitative and qualitative information is provided about financial instruments to which we are a party as of January 31, 2017, and from which we may incur future gains or losses from changes in market conditions, interest rates or foreign exchange rates. We do not enter into derivative or other financial instruments for trading purposes.

This discussion contains forward-looking statements that are subject to risks and uncertainties. Actual results could vary materially as a result of a number of factors including those set forth in “Risk Factors.”

Foreign exchange risk

Foreign exchange risk arises whenever future business transactions or recognized assets or liabilities are stated in a currency different to the functional currency of the entity.

Our results and equity are exposed to the variations in the foreign exchange rates in the currencies with which it operates. The currency generating the greatest exposure is the U.S. dollar.

In December 2015, Argentina’s economic context was affected by a devaluation of the Argentine peso of approximately 39.5%, a circumstance that impacted the results of these financial statements, due to the fact that approximately 88.8% of our financial liabilities as of April 30, 2016 were denominated in U.S. dollars. The due date of 100% of the principal of the debt in U.S. dollars is March 2018; therefore, even when the economic results are exposed to the foreign exchange variation, including the principal of the debt, from the financial point of view the foreign exchange variation risk in the short term is limited to the amount of interest payable.

We do not hedge the risk of changes in the exchange rate through derivative financial instruments. However, it should be mentioned that the price of the hydrocarbons (oil and gas) produced by the Company and the wind electric power produced by Hychico are denominated in U.S. dollars, representing

approximately 67.0% and 1.8%, respectively, of our income during the year ended April 30, 2016. In the case of the prices of propane and butane, their value is stated in pesos but it is related to an export parity price in U.S. dollars, and the income from these products represented approximately 6.7%, of our total sales during the years ended April 30, 2016.

The table below presents our exposure to foreign exchange risk for those financial assets and liabilities stated in a currency other than our functional currency:

	As of April 30,	
	2016	2015
Net Asset (liability) position (in millions of U.S. dollars)	(171.3)	(169.1)
U.S. Dollar (buyer).....	14.15	8.807
U.S. Dollar (seller).....	14.25	8.907
Total (in millions of Ps.).....	(2,446.5)	(1,517.0)

In addition, pursuant to Resolution SE 19/2017, effective February 1, 2017, energy prices are set in U.S. dollars and payable in pesos at the relevant exchange rate which should further mitigate our foreign exchange exposure.

Interest rate risk

The variations in the interest rates may affect the income or expenses for interest of financial assets and liabilities with reference to a variable interest rate. Indebtedness at variable rates exposes us to interest rate risk on its cash flows due to their volatility. Indebtedness at fixed rates exposes us to interest rate risk on the fair value of its liabilities, since they can be considerably higher than variable rates.

As of April 30, 2016, we had 85.2% of our financial liabilities at a fixed rate, which reduces our exposure to interest rate variations.

Price risk

We are not significantly exposed to hydrocarbons price risk, basically because government regulatory and economic policies, among others, determine that local prices are not directly affected by the short-term volatility of prices in the international market. Within this framework, the price of oil is fixed in the negotiations between refiners and producers in accordance with the mechanics of the internal market, its framework being the transfer of these values to the final price of liquid fuels. As regards the price of gas, it is fixed by the SE for each of the market segments.

The price of LPG is based on a monthly publication issued by the SE, who sets the prices in pesos according to the export parity.

However, there can be a risk that the selling prices regulated in the local market can change in the face of significant variations in international prices of hydrocarbons.

Regarding the generation of energy, the remuneration received by the generating companies is not in relation to its demand. The fixing of the remuneration has been until now the responsibility of the federal government.

Credit Risk

Credit risk is defined as the potential that a third party will fail to meet its contractual obligations, generating losses for us. Our credit risk is measured and controlled per customer or individual third party.

The provisions for insolvency are determined based on the following criteria:

- Aging of credits

- Existence of bankruptcy proceedings
- Analysis of the customers' capacity to repay the loan granted

Our exposure to the credit risk is mainly attributable to commercial receivables due to sales transactions of electricity, oil, gas and LPG; nonetheless, we have not had to set up provisions for uncollectibility in the past years.

During last year, CAMMESA reduced its average delay in the payments, from 60 days for the year ended April 2015 to an average of 45 days for the year ended April 30, 2016. The generators that sell electricity in the spot market have little management capacity to ensure collection of their receivables. Also, by applying Resolution SE 95/2013 as amended, the credit risk of the energy sale transactions came to be exclusively related to CAMMESA, in view of the temporary prohibition on the entering into a contract between private parties. As from January 2016, the Ministry of Energy and Mining has been issuing resolutions to update the price of electric power, transferring a greater part of the price to end users, which could contribute to ease the deficit that CAMMESA has been recording and thus to regularize the delay in payments.

Our investment policy only accepts banks, financial institutions and mutual funds with at least "A" risk rating from independent parties, or which consolidate with institutions having that rating.

Liquidity risk

Our Administration and Finance Division monitors current and future business projections aimed at:

- (i) structuring financial liabilities so that their maturity in the short and medium term does not affect the current flow of business, considering the conditions prevailing at each time, in the credit markets to which it has access, and
- (ii) maintaining active positions in instruments with proper liquidity.

Within the framework of this strategy, we structured practically all of our liabilities on the basis of issuing the Class I Notes in March 2011, with a term of 7 years, with the principal to be repaid in one installment at maturity date, in March 2018. The covenants governing this debt refer to incurrence rather than maintenance of debt.

Our Administration and Finance Division invests cash surplus in interest-bearing investments, such as time deposits, mutual funds and corporate bonds, by choosing instruments with the proper maturities.

The table below analyzes financial liabilities and trade payables grouped based on contractual terms pending and not discounted, as from the date of the financial statements and until maturity and considering the prevailing exchange rates at April 30, 2016 and 2015.

	As of April 30, 2016			
	(in Ps.)			
	Less than three months	Between three months and one year	Between one and two years	More than two years
Financial liabilities	56,122,402	464,701,032	3,217,128,366	79,800,000

As of April 30, 2016				
	(in Ps.)			
	Less than three months	Between three months and one year	Between one and two years	More than two years
Trade payables	334,119,638	7,473,558	7,853,185	32,931,764

At April 30, 2015				
	(in Ps.)			
	Less than three months	Between three months and one year	Between one and two years	More than two years
Financial liabilities	172,607,605	235,657,081	270,484,966	2,036,500,546
Trade payables	214,828,051	3,571,961	4,014,160	20,689,952

Description of Indebtedness

Class I Notes

On December 28, 2010, our Board of Directors approved the terms and conditions of our Global Notes Program. On March 10, 2011, we issued our Class I Notes in the amount of U.S.\$200 million with a maturity date of March 10, 2018. Interest on the Class I Notes accrues at a rate of 10% per annum and is payable semi-annually on March 10 and September 10 of each year per annum. The Class I Notes are listed and traded on the Buenos Aires Stock Exchange and on the Luxembourg Stock Exchange. Class I Notes contain several restrictions, including limitations on the incurrence of indebtedness, sale of assets and transactions with related parties, among others.

As of January 31, 2017, the principal amount outstanding under our Class I Notes amounted to U.S.\$200 million.

Inter-American Investment Corporation

In March 2012, Hychico entered into a loan agreement with the Inter-American Investment Corporation for a tranche A of up to U.S.\$8 million and a tranche B of up to U.S.\$6 million and for a term of ten years, for the refinancing of liabilities incurred in connection with the construction and operation of the *Diadema* Wind Farm. The loan has a ten-year term and amortizes in 20 semi-annual installments. The loan accrues interest at an annual rate equivalent to the sum of LIBO plus a rate of 8.75% per annum. The loan is guaranteed by the Company and secured by certain assets of the *Diadema* Wind Farm. The loan agreement contains restrictions on the level of indebtedness that we may incur and other customary restrictions.

As of January 31, 2017, the principal amount outstanding under the loan amounted to U.S.\$7,700,000.

CAMMESA Debt

In addition to the aforementioned loans, we signed a Maintenance Program for the electric power generation units with CAMMESA, the characteristics of which are detailed below:

In June 2011, we started negotiating with the SE and CAMMESA, the financing of a plan for major and extraordinary maintenance (lifetime extension) to be carried out in all units of the *Agua del Cajón* Power Plant, with the aim of enabling the continuity of the operation of our generating units.

The SE, through its Note No. 1,873 dated April 12, 2013, approved the execution of the proposed works for a total amount of Ps.158,470,000 (equivalent to U.S.\$30,891,000), subject to CAMMESA

developing together with us the necessary administrative instruments to the effect that such documents were authorized by the SE.

On March 27, 2014, we submitted to CAMMESA the proposal for financing and assignment of receivables as collateral for the maintenance of the *Agua del Cajón* Power Plant within the framework of Resolution SE No. 146/02.

The main features of the proposal are:

- The amount of the financing will be the equivalent in pesos of up to U.S.\$30,891,000, to which the credits mentioned in the following paragraph should be discounted.
- We undertake to use, for the maintenance of the units of the *Agua del Cajón* Power Plant, the unpaid credits that correspond to us pursuant to Articles 4 and 5 of the “SE Generators Agreement 2008-2011”.
- The financing will be carried out in accordance with the estimated flow of funds, control of progress of the works and subject to the availability of CAMMESA funds, through the delivery of partial advances. After each advance, we must certify the use of the funds received during the previous month.
- For each machine to which funds have been advanced for maintenance and following the start up of each of the generating units to be repaired, we must make payment in 36 equal consecutive monthly installments.
- The cancellation of this financing will be carried out in the first term by applying the Remuneration for Extraordinary Maintenance (created by Resolution SE No. 529/14 - Remuneration of Non-Recurring Maintenance), and if not sufficient, the Direct Additional Remuneration Generators (established by Resolution SE No. 95/13 and modified by Resolution SE No. 529/14) corresponding to each machine. Resolution E19/2017 launched by the SE, established, that as from February 1, 2017, CAMMESA will deduct, on a monthly basis, U.S.\$1/MWh generated to be applied to the repayment of such loan. SE Resolution E19/2017 replaces the abovementioned cancellation scheme.
- If the remuneration mentioned above is not sufficient to fully refund the applicable monthly installment, the difference will be aggregated with the balance of the unpaid debt, so that in the event that such remuneration exceeds the amount of the installment to be paid, the resulting surplus will be applied to the amounts not paid.
- If at the end of the 36-month repayment period an unpaid balance of the financing remains, the repayment term will be extended for a maximum of 12 additional installments (“Additional Period”), and we must repay the Remuneration of the Non-Recurring Maintenance, or in its absence the Generators Additional Remuneration (in force at the date of the proposal), of the associated machine.
- If, at the end of the Additional Period, the total repayment of the loan has not materialized, we will allocate 30% of the Remuneration for Non-Recurring Maintenance, or in its absence, 30% of the Additional Remuneration Generators (in force at the date of this proposal) of the associated machine. At our option, we may use all of the Remuneration of Non-Recurrent Maintenance and/or all of the Additional Remuneration Generators.
- We guarantee, for each month subsequent to the subsequent entry into operation of having performed the maintenance work financed and until the completion of the repayment period, a minimum availability for each of the generating units to be repaired.
- In guarantee of the faithful fulfillment of each and every one of our obligations assumed, we transfer to CAMMESA 100% of our current and future credits accrued and to accrue in our favor derived exclusively from remunerations for fixed costs, variable costs (non-fuel) and additional

remuneration generators against CAMMESA, for up to a maximum amount of U.S.\$20 million at any time and up to the limit of the value of unpaid installments.

- We may, with prior notice to CAMMESA, cancel part or all of the financing in advance. CAMMESA is obliged to accept the early cancellation.

Subsequently, we requested the extension of the original amount of the financing in U.S.\$20,000,000 (VAT included) to meet an increased scope of works due to:

- Changes to the original maintenance plan, and
- Higher costs as compared to those originally estimated.

On November 18, 2015, this extension was approved by the SE and accepted by CAMMESA through the entering into of an addendum to the original Agreement, such that the total amount of the financing amounts to U.S.\$50,891,000 (VAT included) as of the date hereof.

The amount owed net of the Remuneration for Non-Recurring Maintenance and accrued interest amounts to Ps.149,763,237 and Ps.62,694,874 as of April 30, 2016 and 2015, respectively. The amount owed net of the Remuneration for Non-Recurring Maintenance and accrued interest amounts to Ps.146,435,457 and Ps.103,083,602 as of January 31, 2017 and 2016, respectively.

BUSINESS

Overview

We are a fully integrated energy generator in Argentina. Our energy generation operations are carried out in the province of Neuquén through a combined cycle plant with a maximum generation capacity of 672 MW (ISO). We source most of the natural gas used to generate energy at our *Agua del Cajón* Power Plant from our own gas field in the *Agua del Cajón* area, where our *Agua del Cajón* Power Plant is also located. In addition, we extract and sell oil from our *Agua del Cajón* and *Salitral* fields in our *Agua del Cajón* area and are currently conducting research over unconventional reserves contained in tight sand and shale formations in our fields. Gas extracted from our fields is processed in a natural gas liquefaction plant, (the “LPG Plant”), where it is dried prior to being used as fuel for energy generation. Through this process, in addition to the gas used to fire our *Agua del Cajón* Power Plant, we obtain propane and butane, which are sold separately, and stabilized gasoline which is mixed and sold with our oil production. Through our subsidiary, Hychico, we have developed new lines of business mainly related to renewable energies such as wind produced energy and hydrogen generation, as well as oxygen production and sales.

Our History

We were created as a subsidiary of CAPSA (an Argentina oil producer) to conduct oil and gas exploration and development activities in Argentina, and were incorporated as a *sociedad anónima* under the laws of Argentina in 1988.

In January 1991, we acquired 100% of the rights to a concession for the *Agua del Cajón* area, in the *Neuquina* Basin (one of Argentina’s main hydrocarbons basins) for U.S.\$26.0 million. This concession was awarded to us for 25 years, with an option to extend it for an additional 10 years, subject to the approval of the government of the province of Neuquén. In 2009, through Decree No. 773/09, the province of Neuquén approved the 10-year extension of the *Agua del Cajón* concession through January 2026, subject to our undertaking to:

- pay the province of Neuquén a bonus of U.S.\$17.0 million, in 20 equal and consecutive installments from May 2009 through December 2010;
- effect investments and expenses totaling U.S.\$144.0 million through the expiration of the concession term;
- pay the province of Neuquén an additional extraordinary 3% of royalties, commencing in June 2009, which resulted in an increase of royalties from 12% to 15%; and
- pay the province of Neuquén an additional extraordinary rent of 1% to 3%, depending on the price of oil, commencing on June 2009.

As of the date of this offering memorandum, we have paid in full the U.S.\$17.0 million bonus and have complied with all other requirements to which the extension of the *Agua del Cajón* concession was subjected.

In April, 2017 we entered into a new agreement with the province of Neuquén, which agreement was ratified by the province of Neuquén’s executive branch in April, 2017, by means of Decree No. 556/17, 2017, pursuant to which agreement a new unconventional exploitation concession over the *Agua del Cajón* area is granted to us for a 35-year period ending on 2052, subject to us undertaking to:

- pay the province of Neuquén a bonus of U.S.\$4.97 million, payable within five days of commencement of the new concession;
- make investments expenses totaling U.S.\$126.0 million within the first five years of the concession starting on January 1, 2017; and

- pay the province of Neuquén an additional extraordinary contribution for social development of U.S.\$3.15 million and stamp taxes totaling U.S.\$0.88 million within five days of commencement of the new concession.

Pursuant to such agreement we will (i) continue to pay the province of Neuquén the same percentage of royalties as we currently do under the 2009 agreement for all wells, except those with production from geological formations designated as “shale gas” or “shale oil” or “schist or slate rocks”, and as from the year 2026, royalties are set to increase to 18%; (ii) with respect to unconventional wells with production from geological formations designated as “shale gas” or shale oil” or “schist or slate rocks” completed after the commencement of the new concession, we will pay a 12% royalty to the province of Neuquén.

The *Agua del Cajón* area is located in the *Neuquina* Basin, in the southeastern region of the province of Neuquén (approximately 1,000 kilometers southwest of the City of Buenos Aires). Most of the reserves identified in this area are located in two fields: *El Salitral* and *Agua del Cajón*. As a result of prospecting and development efforts in the area, we have identified significant reserves of natural gas and oil, and increased production significantly.

In order to add value to our gas production, after considering alternative industrial uses, between 1992 and 1999, we initiated the construction of our *Agua del Cajón* Power Plant, a gas-fixed electric power generation plant, which we situated in the *Agua del Cajón* field, as part of our strategy to become an integrated energy generator. The *Agua del Cajón* Power Plant was built in four stages. In 1999, we completed the necessary works to operate it as a combined cycle plant with a total capacity of 672 MW (ISO).

During 1998, we completed the construction of the LPG Plant owned by our subsidiary *Servicios Buproneu*, in furtherance of our vertical integration strategy.

During 2007 and 2008, we acquired oil and gas exploration rights for the *Loma de Kauffman*, *Lago Pellegrini*, *Villa Regina* and *Cerro Chato* areas, tendered by the province of Río Negro. After conducting intensive prospecting plans, complying with all of our investment commitments and fulfilling all exploratory work required concluded the reserves in those areas were not commercially viable and we reverted the *Lago Pellegrini*, *Villa Regina* and *Cerro Chato* areas to the province of Río Negro. With respect to the *Loma de Kauffman* area, on May 12, 2016, through Decree No. 470/16, the province of Río Negro extended the third exploratory stage through May 12, 2017, date on which we will revert the area to the province of Río Negro as we also concluded the reserves in such area were not commercially viable.

In 2009 and 2011, respectively, our subsidiary *Hychico* inaugurated our hydrogen plant and our wind farm, both located in the province of Chubut and which form part of our renewable energy business segment.

Business Strategy

Our main strategic goals consist of exploiting the competitive advantages we derive from our status as a vertically-integrated energy producer while also tapping into potential opportunities to expand our generation capacity both in conventional and renewable energy.

The location of our *Agua del Cajón* Power Plant within our main gas field allows us to efficiently source and operate our plant. During the year ended April 30, 2016, approximately 50% of our *Agua del Cajón* Power Plant gas needs were met by our own gas production. We also remain committed to continuing to operate our plant efficiently and sustainably, through environmentally friendly practices and “best in class” health and safety policies.

In addition, Argentina is in the midst of substantial changes to its energy sector with the current administration implementing a number of measures aimed at encouraging investments in new generation capacity. As a result, we intend to pursue one or more of the following initiatives: (i) increasing our thermal energy generation capacity if we can ensure the availability of natural gas to source it; (ii) adding hydrocarbon resources through the exploitation of unconventional resources in our *Agua del Cajón* area and the acquisition of active production areas if they meet our strict investment criteria, and (iii) taking

advantage of our experience as developers of one of the first wind farms installed in Argentina and our pioneer work in hydrogen production to expand our generation capacity from renewable energy sources.

Competitive Strengths

Vertical Integration. By generating electricity and LPG from our own hydrocarbons and developing our own sources of renewable energy, we are able to take advantage of the synergies between our various lines of business and reduce our operational costs.

Operational Efficiency. With our *Agua del Cajón* Power Plant and LPG Plant located within the *Agua del Cajón* area, we reduce our transportation, compression, and storage costs significantly, allowing for a more efficient and profitable operation.

Tight Sand and Shale Gas Reserves in Agua del Cajón. We have drilled exploratory wells and made other investments in the *Agua del Cajón* area to assess and evaluate tight sand gas reserves productivity. Our *Agua del Cajón* area also includes unconventional (shale oil and gas) hydrocarbon reserves in the *FM Los Molles* and *FM Las Lajas* reservoirs. We plan on extracting these in order to maintain the efficiency of our energy generating facilities and benefit from the Argentine government's plan to support the use of these unconventional hydrocarbon reserves.

Renewable Energy Development. Through our subsidiary, Hychico, we have developed and started operating the *Diadema* Wind Farm in 2011, and in 2009 commenced operations of an oxygen and hydrogen separation plant. These assets have allowed us to acquire experience in new areas of energy generation that are becoming increasingly significant globally and in which Argentina may become an important market participant.

Social and Environmental Best Practices. We are committed to the promotion of social and economic development in the communities in which we are present, the preservation of the environment and the health and safety of all the personnel involved in our operations. We have developed and implemented best practices on these matters and our oil extraction. Our *Agua del Cajón* Power Plant, our LPG Plant and Hychico's *Diadema* Wind Farm have obtained 14001 certification by the International Organization for Standardization ("ISO").

Committed and Qualified Management. Our team of directors, senior officers and managers is highly experienced and our directors have been with us for more than 20 years, on average. This has allowed us to continue operating successfully even under very difficult economic and market conditions.

Assets

The map below shows the location of our assets.



Energy generation

Following our acquisition of the gas reserves in the *Agua del Cajón* area in 1991, we considered alternative industrial uses for our gas production and undertook the construction of our *Agua del Cajón* Power Plant which we completed in November 1999 by conversion of the plant into a combined cycle operation. See “—Property, Plant and Equipment—Energy Generation and Transmission Facilities.”

As of January 31, 2017, our *Agua del Cajón* Power Plant had an installed capacity of 672 MW, which represented 2.0% of Argentina’s total installed energy generation capacity and 3.5% of its installed thermal energy generation capacity.

During the fiscal years ended April 30, 2016, 2015 and 2014 and the nine months ended January 31, 2017 and 2016, we produced 2.5%, 2.6%, 2.2%, 3% and 2.3%, respectively, of Argentina’s total energy generation for those periods.

The following table shows the volumes of energy we generated and our load factors for the periods indicated:

	Unaudited For the Nine-Month Periods Ended January 31,				
	For the Years Ended April 30,			2017	2016
	2016	2015	2014		
Energy Production in GWh	3,672	3,636	3,066	3,278	2,515
Load factor ⁽¹⁾	62%	62%	52%	74%	56%

Note:—

(1) Load factors were calculated based on gross capacity of 672MW (ISO).

Approximately 4.5% of the energy generated by our *Agua del Cajón* Power Plant is used in our energy generation activities.

We had total energy net sales (the result of deducting energy used by our *Agua del Cajón* Power Plant, power losses during transmission and purchases in the wholesale market from our total energy generation) for the fiscal years ended April 30, 2016, 2015 and 2014 of 3,381 GWh, 3,403 GWh and 2,839 GWh, respectively. These sales totaled Ps.968.1 million, Ps.679.6 million and Ps.457.1 million, respectively, representing 52.5%, 53.9% and 56.0% of our total net sales for the corresponding periods. In the nine-month periods ended January 31, 2017 and 2016, we had total energy net sales of 3,129 GWh and 2,318 GWh, respectively; our total energy sales totaled Ps.1,642.3 million and Ps.599.5 million, respectively, representing 76.6% and 49.9% of our total net sales, respectively, for such periods.

Revenues from our *Agua del Cajón* Power Plant are comprised of (i) revenues derived from our energy generation activities, and (ii) revenues derived from the payments made to us by CAMMESA for the gas we produce in our *Agua del Cajón* area, and which we use in our energy production activities. Revenues derived from generation amounted to Ps.448.6 million, Ps.296.2 million, and Ps.174.2 million for the years ended April 30, 2016, 2015 and 2014, respectively, and to Ps.515.9 million and Ps.282.0 million for the nine-month period ended January 31, 2017 and 2016, respectively. Payments from CAMMESA for the use of our own gas consumption amounted to Ps.519.4 million, Ps.383.4 million, and Ps.282.9 million for the years ended April 30, 2016, 2015 and 2014, respectively, and to Ps.1,126.3 million and Ps.317.5 million for the nine-month period ended January 31, 2017 and 2016, respectively.

The table below shows our thermal *Agua del Cajón* Power Plant’s energy sales for the periods indicated:

	For the Years Ended April 30,			Unaudited For the Nine-Month Periods Ended January 31,	
	2016	2015	2014	2017	2016
Energy net sales (in thousands of Ps.)	968,069	679,571	457,077	1,642,284	599,508
Revenue from energy generation (in thousands of Ps.)	448,619	296,177	174,188	515,941	282,010
Revenues from own gas used for energy production (in thousands of Ps.)	519,450	383,394	282,889	1,126,343	317,498
Energy sales (in GWh)	3,381	3,403	2,839	3,129	2,318
Average prices for energy sales (in Ps. per MWh)	132.7	87.0	61.4	164.9	121.7
Average prices for energy sales (in U.S. \$ per MWh) ⁽¹⁾	11.6	10.2	9.4	10.8	11.9

Note:—

(1) Calculated using the average of the daily exchange rates for each of the relevant periods.

Raw Materials

The main raw materials used in the generation of energy are the natural gas we produce (or that we receive from third parties to cover any shortfalls in production), water (which we treat in our water treatment facility), electricity generated by our own plants and other lubricants, gases and chemicals. The turbine generators of our *Agua del Cajón* Power Plant can only be powered with natural gas. During the nine months ended January 31, 2017, our *Agua del Cajón* Power Plant consumed 2.8 million cubic meters of gas per day on average, sourced approximately 50% from the *El Salitral* and *Agua del Cajón* fields, both in the *Agua del Cajón* area. Gas consumption per day for the purpose of generating electricity during the years ended April 30, 2016, 2015 and 2014 was, on average, 2.4, 2.4 and 2.0 MMm³, respectively. Pursuant to current regulations, CAMMESA pays for the gas that we produce and use for the production of energy. Similarly, if our own gas production in the *Agua del Cajón* area is not sufficient to fuel the *Agua del Cajón* Power Plant, CAMMESA provides us with the gas required to operate the plant at no charge.

Natural gas used in energy generation is low and mid-pressure gas which is sourced from our own fields. Our low and mid-pressure system routes the gas from the field to the *Agua del Cajón* Power Plant. Our system has enough capacity to provide the *Agua del Cajón* Power Plant with 2.8 million cubic meters of mid-pressure gas, and 0.7 million cubic meters of low-pressure per day, which produces a total daily capacity of 3.5 million cubic meters of gas. Control of gas fields and other functions integrate our operating structure, including state-of-the art technology which permits the generation of optimal sequences for purposes of operations and safety.

During the years ended April 30, 2016, 2015 and 2014, we received from CAMMESA 455.3, 419.4 and 293.8 MMm³ of natural gas, respectively, to supply our *Agua del Cajón* Power Plant. For the nine-month periods ended January 31, 2017 and 2016, we received from CAMMESA 398.7 and 283.4 million cubic meters of natural gas, respectively.

In order to improve the efficiency of our gas turbine generators and reduce our NOx emissions, we utilize de-mineralized water in our *Agua del Cajón* Power Plant. The water is obtained from our demineralization plant situated next to the *Agua del Cajón* Power Plant. Our de-mineralization facility utilizes a reverse osmosis process yielding a high purity degree of water. By utilizing this plant we are able to reduce our NOx emissions while also enhancing our six gas turbo-generators' capacity by approximately 7.0%. We pay the province of Neuquén a fee to use the water that we de-mineralize prior to injecting it to our turbines. The water that we use for cooling our combined cycle plant is obtained from the *Limay* river, 7.5 km away from the *Agua del Cajón* Power Plant.

Oil and Gas

We have significantly increased our daily oil and gas production since the *Agua del Cajón* area was acquired, mainly due to the increase of condensate flows associated with the gas and the discovery and development of various production fields.

When we acquired the area in 1991, gas production totaled 87,000 m³ per day and oil production reached 35 m³ per day. The table below shows our oil and gas production for the periods indicated:

Oil and Gas Production	For the Years Ended April 30,			Unaudited For the Nine-Month Periods Ended January 31,	
	2016	2015	2014	2017	2016
Average daily oil production (bbl/day).....	719.3	613.9	702.2	784.7	727.6
Average daily gas production (Mm ³ /day)	1,528.8	1,515.9	1,500.9	1,551.6	1,527.4
Total oil production (Mbbl).....	262.6	224.1	256.3	216.6	200.8
Total gas production (MMm ³).....	558.0	553.3	547.8	428.2	421.6

Repairs of existing wells and drilling of deeper wells, together with well stimulation the use of new techniques and 3D seismic registration have allowed us to confirm and increase our hydrocarbons reserves in the *Agua del Cajón* area.

For the years ended April 30, 2016, 2015 and 2014, our gas production was 558.0 MMm³, 553.3 MMm³ and 547.8 MMm³, respectively, representing 1.3%, 1.3% and 1.3% of Argentina's total production for each period. For the nine month periods ended January 31, 2017 and 2016, our gas production was 428.2 MMm³ and 421.6 MMm³ representing 1.3% and 1.2% of Argentina's total production for each such period

For the years ended April 30, 2016, 2015 and 2014, our oil production was 41,743 m³, 35,623 m³ and 40,747 m³, respectively; representing 0.14%, 0.12% and 0.13% of Argentina's total oil production for each period. For the nine months ended January 31, 2017 and 2016 our oil production was 34,433 m³ and 31,929 m³, or 216.6 mbbl and 200.8 mbbl representing 0.16% and 0.14% of Argentina's total production for each such period.

The table below shows our oil sales for the periods indicated.

Oil Sales	For the Years Ended April 30,			Unaudited For the Nine-Month Periods Ended January 31,	
	2016	2015	2014	2017	2016
Oil net sales (including <i>Programa Estímulo de Petróleo</i>) (in thousands of Ps.)	386,375	293,275	221,679	340,350	263,670
Oil net sales (in thousands of Ps.).....	383,155	292,631	221,679	340,350	260,450
<i>Programa Estímulo de Petróleo</i> (in thousands of Ps.)	3,220	644	—	—	3,220
Oil net sales (in Mbbl) ⁽¹⁾	467.9	426.4	445.9	357.9	345.4
Average oil sales price, net (<i>Programa Estímulo de Petróleo</i>) (in Ps.per bbl).....	825.7	687.8	497.2	951.0	763.3
Average oil sales price, net (<i>Programa Estímulo de Petróleo</i>) (in U.S.\$ per bbl)...	72.3	81.0	76.4	62.4	74.5
Average oil sales price, net (in Ps.per bbl)...	818.8	686.3	497.2	951.0	754.0
Average oil sales price, net (in U.S.\$ per bbl)	71.7	80.8	76.4	62.4	73.6

Note:—

(1) Including sales of stabilized gasoline sold together with crude oil production of 28,022 m3, 27,644 m3 and 26,729 m3 for the fiscal years ended April 30, 2016, 2015 and 2014, respectively. See “Business—Gas Liquid Sub-products (LPG)”.

Oil net sales (including *Programa Estímulo de Petróleo*) for the fiscal years ended April 30, 2016, 2015 and 2014 amounted to Ps.386.4 million, Ps.293.3 million and Ps.221.7 million, which represented 20.9%, 23.3% and 27.2% of our total net sales, respectively, and Ps.340.4 million and Ps.263.7 million for the nine-month periods ended January 31, 2017 and 2016, which represented 15.9% and 21.9% of our total net sales.

Oil sales are made at the prices negotiated between us and the oil refineries to which we sell our oil, mainly Shell C.A.P.S.A. Such prices are established taking into consideration the prevailing international price of Brent oil, the current prices paid by the general public for fuel and derived products at retail price, and taking into account forecasts for changes in price, and the guidelines and requirements established by the federal government.

The table below shows our gas sales for the periods indicated.

Gas Sales	For the Years Ended April 30,			Unaudited For the Nine-Month Periods Ended January 31,	
	2016	2015	2014	2017	2016
Gas net sales (including <i>Programa Estímulo de gas</i> (in thousands of Ps.))	365,262	159,581	34,826	11,525	251,259
Gas net sales (in thousands of Ps.)	108,729	43,511	31,866	11,525	72,632
<i>Programa Estímulo de Gas</i> (in thousands of Ps.)	256,533	116,071	2,959	—	178,627
Recognition for our own gas used for energy generation (in thousands of Ps.) ⁽¹⁾	519,450	383,394	282,889	1,126,343	317,498
Gas sales (in Mm3).....	61,632	28,837	29,598	4,186	44,548
Own gas injected in the <i>Agua del Cajón</i> Power Plant (in Mm3).....	426,968	450,241	443,505	369,508	323,709
Average gas sales price, net (in Ps. per Mm3).....	1.8	1.5	1.1	2.8	1.6
Average gas sales price, net (in U.S.\$ per Mbtu).....	4.2	4.8	4.5	4.9	4.3
Average gas income price (in Ps. per Mm3)	1.8	1.1	0.7	3.0	1.5
Average gas income price (in U.S.\$ per Mbtu).....	4.3	3.6	2.8	5.4	4.1

Note:—

(1) Already included as income generated by the *Agua del Cajón* Power Plant (we receive payments from CAMMESA for the use of our own gas, which we record as sales of energy on account of such payment being received as part of the compensation we receive for the sale of energy; however, as required by IFRS 8 “Operating Segment”, we then allocate such revenue derived from the use of our own gas to the oil and gas segment).

Although almost all of our gas production is used to generate energy in our *Agua del Cajón* Power Plant after being processed for LPG extraction, we receive payments from CAMMESA for the use of our own gas, which we record as sales of energy on account of such payment being received as part of the compensation we receive for the sale of energy; however, as required by IFRS 8 “Operating Segment”, we then allocate such revenue derived from the use of our own gas to the oil and gas segment. Gas net sales (including *Programa Estímulo de Gas*) for the fiscal years ended April 30, 2016, 2015 and 2014 amounted to Ps.365.3 million, Ps.159.6 million, and Ps.34.8 million, which represented 19.8%, 12.7% and 4.3% of our total net

sales, respectively, and Ps.11.5 million and Ps.251.3 million for the nine-month periods ended January 31, 2017 and 2016, which represented 0.5 % and 20.9% of our total net sales, respectively.

Further, compensation recognized by CAMMESA to us as generator for the gas produced in the *Agua del Cajón* area and utilized in the *Agua del Cajón* Power Plant during the years ended April 30, 2016, 2015 and 2014 amounted to Ps.519.5 million, Ps.383.4 million, and Ps.282.9 million, respectively, and Ps.1,126.3 million and Ps.317.5 million for the nine-month periods ended January 21, 2017 and 2016, respectively.

During 2007 and 2008, we acquired exploration rights for the *Loma de Kauffman*, *Lago Pellegrini*, *Villa Regina* and *Cerro Chato* areas, which were offered by the province of Río Negro.

After conducting intensive prospecting plans, complying with all of our investment commitments and fulfilling all exploratory work required, in the *Lago Pellegrini*, *Villa Regina* and *Cerro Chato* areas, we determined the inexistence of commercially viable reserves. Accordingly, we reverted the *Lago Pellegrini*, *Villa Regina* and *Cerro Chato* areas to the province of Río Negro in 2015, 2013, and 2012, respectively.

We drilled eight wells in the *Loma de Kauffman* area, four of which were dry. Out of the remaining four wells, three were gas wells and one was an oil well. The three gas wells proved not to be commercially viable due to their low productivity, their location, and the substantial investments that would have been required to connect these wells to the gas transportation system. The remaining oil well was in production until February 2014. With respect to that oil well, we decided to enter into the third exploratory stage (which entails reverting fifty percent of the area back to the province of Río Negro). On May 12, 2016, through Decree No. 470/16, the province of Río Negro extended the third exploratory stage through May 12, 2017, date on which we will revert the area to the province of Río Negro as the reserves in that area are not commercially viable.

Oil and Gas Royalties

Oil royalties collected by provincial governments are calculated at a rate of (i) 12% of wellhead value, net of deductions for transport cost, plus (ii) 3% of wellhead value, net of deductions for transport cost as an extraordinary tax, plus (iii) a percentage of 0-3% of wellhead value, net of deductions for transport cost, depending on the actual prices received by us for the oil we produce. Royalties are calculated in U.S. dollars and payable either in cash, in pesos, at the prevailing exchange rate at that time, or in kind.

On March 29, 2009, we signed an agreement with the Secretariat of Natural Resources of Neuquén to establish the methodology for calculating the royalties on gas. Royalties paid on natural gas produced by us and used in the generation of energy of our *Agua del Cajón* Power Plant are calculated at the maximum price authorized by the Secretariat of Energy for the valuation of gas used as raw material at our *Agua del Cajón* Power Plant.

Gas Liquid Sub-products (LPG)

The gas we extract from the *Agua del Cajón* area is rich in components, such as butane and propane. To maximize the use of these liquefiable components, we process the gas in our LPG Plant, which is owned by our subsidiary Servicios Buproneu. The LPG Plant is designed to process up to 2.4 MMm³ of gas per day using a cryogenic turbo-expansion process. At the LPG Plant, we produce propane, butane and stabilized gasoline. We sell propane and butane separately, and the stabilized gasoline is blended and sold together with crude oil.

The table below shows our propane, butane and fuel production for the periods indicated:

	Unaudited For the Nine-Month Periods Ended January 31,				
	For the Years Ended April 30,			For the Nine-Month Periods Ended January 31,	
	2016	2015	2014	2017	2016
Propane production (in ton).....	18,873	22,015	21,718	15,937	14,614

	Unaudited For the Nine-Month Periods Ended January 31,				
	For the Years Ended April 30,			2017	2016
	2016	2015	2014		
Butane production (in ton).....	13,882	15,114	16,285	10,535	10,820
Gasoline production (in m ³) ⁽¹⁾	28,022	27,644	26,729	20,582	21,081
Daily propane production (in ton/day)	51.7	60.3	59.5	57.7	52.9
Daily butane production (in ton/day)	38.0	41.4	44.6	38.2	39.2
Gasoline production (in m ³ /day) ⁽¹⁾	76.8	75.7	73.2	74.6	76.4

Note:—

(1) Stabilized gasoline derived from our LPG operations is blended and sold with our crude oil production.

For the year ended December 31, 2016, we produced approximately 34,000 tons of LPG (60% propane, 40% butane), representing an estimated 1.6% of Argentina's total LPG production.

Propane production for the years ended April 30, 2016, 2015 and 2014 totaled 18,873 tons, 22,015 tons and 21,718 tons, respectively. Propane sales for the fiscal years ended April 30, 2016, 2015 and 2014 totaled Ps.50.8 million, Ps.57.5 million and Ps.43.8 million, respectively, representing 2.8%, 4.6% and 5.4% of our total net sales for these periods. Propane production for the nine-month periods ended January 31, 2017 and 2016 totaled 15,937 tons and 14,614 tons, respectively. Propane sales for the nine-month periods ended January 31, 2017 and 2016 totaled Ps.68.7 million and Ps.35.6 million, respectively, representing 3.2% and 3.0% of our total sales for these periods.

Butane production for the years ended April 30, 2016, 2015 and 2014 totaled 13,882 tons, 15,114 tons and 16,285 tons, respectively, and butane sales for the fiscal years ended April 30, 2016, 2015 and 2014 totaled Ps.36.7 million, Ps.40.2 million and Ps.35.1 million, representing 2.0%, 3.2% and 4.3% of our total net sales for these periods. Butane sales for the nine-month periods ended January 31, 2017 and 2016 totaled Ps.46.7 million and Ps.24.9 million, representing 2.2% and 2.1% of our total net sales for these periods.

Gasoline production for the years ended April 30, 2016, 2015 and 2014 totaled 28,022 m³, 27,644 m³ and 26,729 m³, respectively. Gasoline production for the nine-month periods ended January 31, 2017 and 2016 totaled 20,582 m³ and 21,081 m³, respectively. Given that gasoline is blended and sold with crude oil, we do not record sales of gasoline separately from sales of oil.

Reserves

On March 31 2017, independent international reserves certifiers DeGolyer and MacNaughton produced a reserves certification of the *Agua del Cajón* area as of December 31, 2016.

The table below presents a summary of the results of such reserves audit:

	Reserves ⁽¹⁾⁽¹¹⁾					
	Proved ⁽²⁾			Contingent Resources ⁽⁷⁾		
	Developed ⁽³⁾	Undeveloped ⁽⁴⁾	Total	Probable ⁽⁵⁾	Possible ⁽⁶⁾	1C ⁽⁸⁾
Gas (in MMm ³) ⁽⁹⁾	3,578	1,559	5,137	1,046	260	15,315
Oil (in Mm ³) ⁽¹⁰⁾	253	147	400	110	91	332

Notes:—

(1) Reserves set forth in this table were calculated prior to the 2017 extension of our concession over the *Agua del Cajón* area and therefore use year 2026 rather than year 2052 as the end date of the concession.

- (2) Proved reserves are those quantities of petroleum, which by analysis of geosciences and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods and government regulations.
- (3) Developed reserves are expected quantities to be recovered from existing wells and facilities.
- (4) Undeveloped reserves are quantities expected to be recovered through future investments.
- (5) Probable reserves are those additional reserves which analysis of geosciences and engineering data indicate are less likely to be recovered than proved reserves but more certain to be recovered than possible reserves.
- (6) Possible reserves are those additional reserves which analysis of geosciences and engineering data indicate are less likely to be recoverable than probable reserves.
- (7) Contingent resources are quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies.
- (8) 1C denote those quantities associated with technically feasible projects that are either currently economic or projected to be economic under reasonably forecasted improvements in commercial conditions but are not committed for development because of one or more contingencies.
- (9) Volume of gas at separator expressed in 9,300 Kcal per m³.
- (10) Includes condensate.
- (11) The reserves depicted in this table were also audited by licensed reserves certifier Mr. Héctor López on March 31, 2017.

Estimates of proved reserves presented in the DeGolyer and MacNaughton report have been prepared in compliance with SEC regulations. Estimates of probable and possible reserves and contingent resources presented in the DeGolyer and MacNaughton report have been prepared in accordance with the Petroleum Resources Management System (PRMS) approved by the Society of Petroleum Engineers (SPE), the World Petroleum Council, the American Association of Petroleum Geologists, and the Society of Petroleum Evaluation Engineers.

Renewable Energy

Diadema Wind Farm

The Argentine Patagonia, with its availability of strong winds, and large undeveloped areas, is a suitable location for wind farm projects. In 2006, Hychico began activities related to the installation of the *Diadema* Wind Farm close to the city of Comodoro Rivadavia, province of Chubut. In 2008, after satisfactory completion of wind studies, Hychico acquired certain rights to install windmills in an oil and gas field operated by our controlling shareholder, CAPSA. In addition, it contracted with Wobben Windpower Industria e Comercio Ltda. (a subsidiary of Germany's Enercon GmbH) for the construction of seven windmills. These seven initial mills have been designed to have a maximum aggregate generation capacity of 6.3 MW. Electricity generated at Hychico's wind farm is supplied to the national electricity grid pursuant to a power purchase agreement entered with CAMMESA. This power purchase agreement came into force on April 1, 2012, pursuant to the terms of Resolution 108/11 of the SE, and provides a commitment to purchase by CAMMESA up to 361,755 MWh from us and a 15-year term, the first to occur and a price of US\$115.896 per MWh, payable in pesos at the applicable exchange rate published by the Central Bank.

The following table shows the monthly and annual net electricity ("Enet") delivered to the WEM, as well as the respective capacity factors ("CF"), calculated as Enet produced, divided by the gross energy that would have been produced if the wind turbines would have worked at their nominal rate during such period.

	2016		2015		2014		2013		2012	
	Enet MWh	CF %								
January.....	1,585.7	33.8	2,186.6	46.7	3,027.0	64.6	2,121.2	45.3	2,024.0	43.2
February.....	2,130.2	48.6	1,792.1	42.3	2,302.5	54.4	1,483.2	35.0	1,844.0	42.1
March.....	1,868.9	39.9	2,455.0	52.4	2,488.0	53.1	1,721.4	36.7	2,115.0	45.1
April.....	1,544.9	34.1	1,872.3	41.3	1,884.7	41.5	1,955.7	43.1	2,177.9	48.0

	2016		2015		2014		2013		2012	
	Enet MWh	CF %								
May	471.1	10.1	2,409.5	51.4	2,419.1	51.6	2,206.4	47.1	2,665.1	56.9
June	1,951.8	43.0	2,416.7	53.3	2,523.9	55.6	3,052.6	67.3	2,702.7	59.6
July	1,778.6	37.9	2,729.0	58.2	2,377.1	50.7	2,520.3	53.8	3,022.4	64.5
August	1,877.4	40.1	1,840.7	39.3	2,429.4	51.8	2,687.6	57.3	2,317.0	49.4
September	1,355.1	29.9	2,075.9	45.8	2,304.4	50.8	1,464.7	32.3	2,324.4	51.2
October	1,821.0	38.9	1,979.5	42.2	2,417.5	51.6	2,320.3	49.5	2,107.0	45.0
November	1,788.1	39.4	2,112.6	46.6	2,662.2	58.7	2,169.0	47.8	2,331.5	51.4
December	2,591.5	55.3	2,813.3	60.0	2,644.0	56.4	2,726.1	58.2	2,740.9	58.5
Annual.....	20,764.2	37.5	26,683.0	48.3	29,479.8	53.4	26,428.5	47.9	28,372.0	51.3

The Enet produced since January 1, 2012 through December 31, 2016 was of 131,727.5 MWh and the capacity factor for that same period was 47.7%. Winds during the year ended December 31, 2016 were unusually slow, placing the year 2016 within the 96th percentile of years with slowest winds in the area.

The table below shows the energy net sales from our *Diadema* Wind Farm, the percentage that such net sales represent of our total sales, energy sales expressed in GWh, and the average price received from the sale of electricity sold from our *Diadema* Wind Farm.

	For the Years Ended April 30,		Unaudited For the Nine-Month Periods Ended January 31,		
			2016	2015	2014
			2017	2016	2016
Energy net sales (in thousands of Ps.)	33,597	27,885	22,057	30,747	23,984
Energy net sales (as percentage of our total net sales)	1.8%	2.2%	2.7%	1.4%	2.0%
Energy sales (in GWh)	25.6	28.1	28.8	15.0	20.0
Prices for energy sales (in Ps. per MWh)	1,312.4	992.4	765.9	2,049.8	1,199.2
Prices for energy sales (in U.S.\$ per MWh) ⁽¹⁾	115.9	115.9	115.9	115.9	115.9

Note:—

(1) Pursuant to Resolution 108/11 of the SE we receive a price of US\$115.896 per MWh, payable in pesos at the applicable exchange rate published by the Central Bank.

Hydrogen and Oxygen Production

Hychico operates a separation plant for the production of hydrogen¹ and oxygen in the province of Chubut.

In 2008, Hychico acquired two 325 KV electrolyzers, each with an aggregate production capacity of 120 m3/h for hydrogen and 60 m3/h for oxygen, an oxygen compressor, a 1.4 MW gas engine generator, as well as hydrogen and oxygen storage systems. This pilot plant for hydrogen and oxygen production through the electrolysis of water was inaugurated in December 2008, and is operating at maximum capacity since May 2010.

We currently conduct two main businesses using our oxygen-hydrogen producing plant (i) façon services and (ii) oxygen sales. However, we believe that there is great potential for other applications which we are currently studying and which could result in further business for our plant.

Façon Services

Since March 1, 2009, Hychico has provided façon services (i.e. the provision of processing or transformation services over a raw material provided by a third party) at a price calculated pursuant to a formula included in such agreement to our controlling stockholder, CAPSA, pursuant to a supply agreement under which CAPSA delivers to Hychico up to 7,000 m³ of natural gas per day at 9,300 Kcal/Mmbtu. The façon services rendered by Hychico consist of providing energy at 1 MW/hour for each 270 m³ of gas received from CAPSA. Energy delivered by Hychico to CAPSA is obtained by adding hydrogen produced in the separation plant to the gas received from CAPSA. Furthermore, the high purity oxygen is sold to an international industrial gas company. Hychico has committed to use 100% of its separation plant capacity and 100% of its hydrogen production to provide façon services for an 18-year period pursuant to the agreement with CAPSA.

The table below shows our net sale of façon services, the percentage that such net sales represent of our total sales, energy sales expressed in MWh, and the average price received for such services.

	Unaudited				
	For the Years Ended April 30,			For the Nine-Month Periods Ended January 31,	
	2016	2015	2014	2017	2016
Façon net sales (in thousands of Ps.).....	3,078	2,068	1,111	3,288	2,056
Façon net sales (as percentage of our total net sales).....	0.2%	0.2%	0.1%	0.2%	0.2%
Façon sales (in MWh)	8.3	6.7	5.2	5.7	5.0
Average prices for façon sales (in Ps. per MWh).....	370.8	308.6	213.7	576.8	411.2
Average prices for façon sales (in U.S.\$ per MWh) ⁽¹⁾	32.5	36.3	32.8	37.9	40.1

Note:—

(1) Calculated using the average of the daily closing exchange rates for each of the relevant periods.

Oxygen Sales

Hychico's separation plant produces 30m³ of oxygen per hour. On November 18, 2008, Hychico entered into an agreement with Air Liquide Argentina S.A., which originally expired in 2014 and has been renegotiated and extended through May 31, 2018. Pursuant to this agreement, Hychico has committed to deliver and Air Liquide Argentina S.A. has committed to purchase on a "take or pay" basis up to 10,500 Nm³ of oxygen per month at an average price of U.S.\$1/Nm³, to be adjusted on a monthly basis. Hychico is also given the priority for the sale of incremental volumes of oxygen in the province of Chubut.

Oxygen sales for the fiscal years ended April 30, 2016, 2015 and 2014 totaled Ps.1 million, Ps.0.8 million and Ps.0.6 million, respectively, representing 0.1% of our total net sales in each respective year. Oxygen sales for the nine-month periods ended January 31, 2017 and 2016 totaled Ps.1.5 million and Ps.0.7 million, respectively, representing 0.1% and 0.1% of our total sales for these periods.

The table below shows our net sales of oxygen, the percentage that such net sales represent of our total sales, and the average price received for the sale of our oxygen.

	For the Years Ended April 30,			Unaudited For the Nine-Month Periods Ended January 31,	
	2016	2015	2014	2017	2016
Oxygen net sales (in thousands of Ps.)	995	820	600	1,532	728
Oxygen net sales (as percentage of our total net sales).....	0.1%	0.1%	0.1%	0.1%	0.1%
Oxygen sales (in Mm3)	114.0	127.4	128.7	90.8	85.5
Average prices for oxygen sales (in Ps. per Mm3).....	8.7	6.4	4.7	16.9	8.5
Average prices for oxygen sales (in U.S.\$ per Mm3) ⁽¹⁾	0.8	0.8	0.7	1.1	0.8

Note:—

(1) Calculated using the average of the daily closing exchange rates for each of the relevant periods.

The Green Methane Business

We believe that there is great potential in the renewable energy field and due to our research in connection with our Hychico hydrogen-oxygen plant, we consider we are well placed to take advantage of such opportunity. In particular, we are exploring the possibility of using hydrogen as an energy carrier. We are currently conducting research into how to store hydrogen into depleted hydrocarbon reservoirs as a means of storing energy. We are also studying the possibility of creating “green” methane by injecting hydrogen in depleted reservoirs and combining it with carbon dioxide through microbial action taking advantage of the big volumes and geothermic energy involved in the reservoirs. Such methane could then be used for a number of applications, such as fueling turbines and heating, among others.

We have partnered with the French Institute for Geologic and Mining Investigation through a scientific-technological contribution agreement, for the institute to advise on our “Green Methane” project.

Additional Wind Farm Business

We are also currently looking into expanding our wind farm business in order to supply more energy to the system. The Argentine energy sector, in particular, must grow to cover unsatisfied demand at peak times, and significant investments are needed in order to meet that challenge. The energy market in Argentina is characterized by increasing demand for electric power, coupled with aging, inefficient generating capacity and high operating costs, which has created a very narrow demand and supply gap at peak times.

In October 2015 the Argentine Congress amended the Renewable Energy Law, which aims to increase to 8% by 2017 and 20% by 2025 the total domestic demand of renewable energy, by mandating certain consumers and CAMMESA to cover a portion of their consumption from renewable energy sources of renewable energy and granting tax and other benefits to new renewable energy projects. In July and October 2016, the Ministry of Energy and Mining instructed CAMMESA to call for bids under the Renewable Energy Program to install additional generation units from renewable sources. In addition, Law 27,191 provided further incentives, including tax breaks, for the construction of wind power projects. As of the date of this offering memorandum, under round 1 and round 1.5 of the Renovar Program the government has received offers for 8.8 GW of new renewables generation capacity, multiple times more than the government originally anticipated, and the government has awarded 2.4 GW of new renewables capacity, mainly to wind and solar energy projects, to be installed within one to two years for wind farm projects.

We submitted a bid under round 1 of the Renovar Program to build the Diadema 2 wind farm. However, although technically approved, our offer was not adjudicated. As part of our business strategy we intend to take advantage of our expertise as one of the first wind farm energy producers in Argentina to opportunistically expand our renewable energy business.

Property, Plant and Equipment

Energy Generation Facilities

Agua del Cajón Power Plant

Our *Agua del Cajón* Power Plant is located within a 11,000-hectare land owned by us, in the *Agua del Cajón* area in the province of Neuquén, approximately 283 meters above sea level. Our facilities are located above the *El Salitral* field, from which we extract gas used in energy generation. The *Agua del Cajón* Power Plant, together with the gas treatment facilities and the 132 kV and 500 kV sub-stations, occupies an area of 68,800 m².

We undertook the construction of the *Agua del Cajón* Power Plant which we developed to its current capacity in four stages:

- December 1993 – we incorporated two gas turbine generators with an installed capacity of 96 MW;
- October 1994 – we added three gas turbine generators with an installed capacity of 144 MW;
- August 1995 – we added an additional turbine generator with an installed capacity of 131 MW to 371 MW; and
- November 1999 – we converted the plant to combined cycle by adding a steam turbine and associated equipment, with an installed capacity of 301 MW.

Out of the six gas turbine generators, five are Westinghouse W251B11A Econopac, with a nominal output of 48 MW (gross) each, while the other is a Mitsubishi M701D, with a nominal output of 131 MW (gross), which in the aggregate results in an installed design capacity of 371 MW (354 MW net)

Our turbine generators are of the industrial (heavy duty) type, and can run continuously, 24 hours a day 365 days a year, except for scheduled maintenance and upkeep work.

In order to recover heat from the hot exhaust gases generated by the gas turbines, we converted the *Agua del Cajón* Power Plant into a combined cycle power plant, which started operating in January 2000. Combined cycle operation involves recovering exhaust gases from the open cycle gas turbines using a heat recovery steam generator for each gas turbine. In addition, the heat recovery steam generators were equipped with, supplementary burners in order to increase the amount of steam produced, allowing for additional energy generation. The combined cycle improves the plant's efficiency and reduces the fuel cost to produce additional electricity. The supplementary burners allow to increase the steam turbine generator's output by approximately 114 MW in order to reach a total of 301 MW gross capacity (286 MW net).

Total capacity is therefore 672 MW gross and 640 MW net.

In December 1995, in order to reduce the environmental footprint of our operations and to improve our total output capacity by up to 7.0%, we installed a water demineralization plant. This allows us to inject demineralized water into our six turbine generators. After being de-mineralized, water is stored in tanks and pumped to the turbines and to the de-mineralized water tank of the steam cycle. Water obtained through this method is of a high degree of purity and with very low conductivity, which ensures the correct functioning of the whole injection system. By using this plant, we are able to reduce nitrous oxygen (NOx) in the exhaust gases to the levels required by local and international regulations.

In April 2010, we entered into an agreement with the SE, through which we committed to undertake certain modifications to the *Agua del Cajón* Power Plant in order to increase its availability. The SE committed to pay for such modifications through the release of certain withholdings made by CAMMESA since 2008 and which amounted to approximately Ps.15.1 million.

Since June 2011, we have negotiated an entered into agreements with CAMMESA and the SE for the financing of a lifetime extension plan for our *Agua del Cajón* Power Plant designed to extend our plants operating life. On April 12, 2013, through Note No. 1,873, the SE approved the financing for the execution of maintenance activities for an amount of approximately up to Ps.158.5 million or U.S.\$30.9 million. We later requested that the financing be increased by an additional U.S.\$20 million in order to increase the scope

of the works to be done and due to higher costs than those originally estimated. On November 18, 2015, such request was approved through an addendum to the original financing, and the financing was extended to a total amount of up to approximately U.S.\$50.9 million. As of January 31, 2017, we had received Ps.443.1 million from CAMMESA under such financing of which Ps.146.4 million were outstanding.

Since 2014, we have been working on the lifetime extension of our *Agua del Cajón* Power Plant which includes the repair or replacement of the gas turbine rotors and a major overhaul of the steam turbine.

Energy Transmission Facilities

Energy produced by us in the *Agua del Cajón* Power Plant is transmitted to distributors and end-users mainly through the SADI, an interconnected system of aerial and underground lines and sub-stations reaching approximately 90% of Argentina. The main operator of the privatized section of the SADI, including the 500 kV transmission system, is *Compañía de Transporte de Energía Eléctrica en Alta Tensión* (Transener S.A. or “Transener”). The SADI connects the main energy generators with the main distribution companies and end users in the country.

Energy generation companies are guaranteed access to the SADI or any sub-transmission system so long as there is capacity available in the relevant system. Charges for energy transmission must be applied on a non-discriminatory basis. Through CAMMESA and the *Ente Nacional Regulador de la Electricidad* (National Regulatory Entity for Electricity or “ENRE”), we have obtained from the SEE the necessary licenses for energy generation.

Originally, when operating as a simple cycle plant (gas turbine generators only), we built three 132 kV high-voltage lines covering a distance of 111 km, comprising of two lines of 29 km and one line of 50 km, in order to connect the plant to the SADI through the Arroyito and Chocón Oeste 132 kV substations.

Due to the operating requirements of the combined cycle, we built an additional 500 kV high-voltage line with a connection point at *Chocón Oeste 500 kV Substation*.

Through these investments, we achieved high reliability and flexibility on our power delivery. Transener, as operator of the 500kV transmission system, charges for the use of this system. The cost we pay for the use of this system is in direct proportion to the energy transmitted through the system and the distance for which this is transmitted, and is in inverse proportion to the capacity used by third parties. As of the date of this offering memorandum, we have all the necessary permits to connect our transmission lines to the SADI. We plan to maintain our two 132 kV transmission lines to the Arroyito sub-station and the 132 kV line to the *El Chocón Oeste* sub-station, which give us the flexibility to choose between the 132 kV or the 500 kV lines in order to transport the energy generated by our *Agua del Cajón* Power Plant.

Oil and Gas Production Areas

Agua del Cajón Area

Our *Agua del Cajón* area covers 355 km² and is located in the Neuquina sedimentary basin, in the province of Neuquén. The *Agua del Cajón* area was discovered and developed by YPF and was considered a marginal area until we acquired it in 1991.

Our oil and gas production comes mainly from two fields in the *Agua del Cajón* area: *Agua del Cajón* and *El Salitral*.

The *Agua del Cajón* field is located in the central northern part of the *Agua del Cajón* area and occupies approximately 8.4 km². The *El Salitral* field is located in the central southern part of the *Agua del Cajón* area and occupies approximately 83.6 km².

The table below shows the areas and wells, by size and number of wells as of December 31, 2016. We currently own 100% of the rights to these areas and fields where these wells are located:

	As of December 31, 2016			
	Area		Productive Wells	
	Total	Productive Area (in Km ²)	Share	Oil / Gas
Agua del Cajón (Km ²)		355		
Agua del Cajón field.....			8.4	100% 19
El Salitral field			83.6	100% 153

Río Negro Areas

During 2007 and 2008, we acquired exploration rights for the *Loma de Kauffman*, *Lago Pellegrini*, *Villa Regina* and *Cerro Chato* areas, which were offered by the province of Río Negro.

After conducting intensive prospecting plans, complying with all of our investment commitments and fulfilling all exploratory work required, in the *Lago Pellegrini*, *Villa Regina* and *Cerro Chato* areas, we determined the inexistence of commercially viable reserves. Accordingly, we reverted the *Lago Pellegrini*, *Villa Regina* and *Cerro Chato* areas to the province of Río Negro in 2015, 2012, and 2013, respectively.

We drilled eight wells in the *Loma de Kauffman* area, four of which were dry. Out of the remaining four wells, three were gas wells and one was an oil well. The three gas wells proved not to be commercially viable due to their low productivity, their location, and the substantial investments that would be required to connect these wells to the gas transportation system. The remaining oil well was in production until February 2014. With respect to that oil well, we decided to enter into the third exploratory stage (which entails reverting fifty percent of the area back to the province of Río Negro). On May 12, 2016, through Decree No. 470/16, the province of Río Negro extended the third exploratory stage through May 12, 2017, date on which we will revert the area to the province of Río Negro as the reserves in that area are also not commercially viable.

Oil and Gas Transport

Argentina has three main oil pipelines, connecting the following regions:

- (a) *Neuquina* Basin (in the province of Neuquén) and *Puerto Rosales* (in the province of Buenos Aires);
- (b) *Neuquina* Basin (in the province of Neuquén) and the *Luján de Cuyo* refinery (in the province of Mendoza); and
- (c) *Puerto Rosales* (in the province of Buenos Aires) and the *La Plata* refinery (in the province of Buenos Aires).

We own a 16.0 km pipeline linking our fields to the *Cuenca Neuquina — Puerto Rosales* pipeline, which enables us to deliver our oil production to the city of Bahía Blanca, where our main customers are located.

Since April 1994, we have used our gas production as fuel for energy generation by our *Agua del Cajón* Power Plant. Gas from our fields is transported through an internal network comprising 17.5 km of low-pressure and 20.2km of mid-pressure pipelines.

As our own gas production is not enough to meet our *Agua del Cajón* Power Plant's fueling needs, we are also connected through a 14 km pipeline to the NEUBA I pipeline, with a capacity of 3 million m³ per day, from where we can offtake gas exclusively from CAMMESA. We are also connected to the Huinca-Senilloza local pipeline with a maximum capacity of 900,000m³ per day.

LPG Plant

The LPG Plant uses gas from our own fields and separates it to obtain propane, butane and stabilized gasoline. Construction of the LPG Plant was completed in July 1998 at a total cost of U.S.\$22.5 million.

Prior to its use for energy generation, our natural gas is compressed and dehydrated at our turbo-expander plant. This gas is then processed at a cryogenic section where propane (C3), butane (iC4 and nC4) and Pentanes and Superiors (C5+) are recovered. Turboexpansion lowers the gas temperature and condenses propane and superior components for recovery. These are later separated in special towers into propane, butane and stabilized gasoline.

The turboexpander activates a centrifugal compressor which increases residual gas pressure out of the de-ethanization tower, which is used in the *Agua del Cajón* Power Plant for energy generation.

Diadema Wind Farm

In late 2010 we started the construction of our *Diadema* Wind Farm after successful wind evaluations of the site. The *Diadema* Wind Farm is located on a 140-hectare plot of land near Comodoro Rivadavia in the province of Chubut, which Hychico leases from CAPSA. For the purposes of building the *Diadema* Wind Farm, Hychico contracted with Wobben Windpower Industria e Comercio Ltda. (a subsidiary of Germany's Enercon GmbH) for the construction of our seven ENERCON E-44 wind turbines. Our seven wind turbines have nominal power of 900KW each and a maximum aggregate generation capacity of 6.3 MW.

Hydrogen and Oxygen Plant

Hychico operates a separation plant for the production of hydrogen and oxygen in the province of Chubut. In 2008, Hychico acquired two 325 KW electrolyzers, each with an aggregate production capacity of 120 m3/h for hydrogen and 60 m3/h for oxygen, an oxygen compressor, a 1.4 MW gas engine generator, as well as hydrogen and oxygen storage systems. This pilot plant for hydrogen and oxygen production through the electrolysis of water was inaugurated in December 2008, and is operating at maximum capacity since May 2010.

Other Property

On September 20, 2014, we sold our Vicente Lopez headquarters offices in Buenos Aires to Alparamis S.A., an affiliate of ours, for Ps.141 million. We also entered into a three-year lease agreement with Alparamis S.A., ending on September 2017, through which we leased such offices after the sale.

Environmental Matters

We are subject to annual environmental audits performed by independent auditors with a view to monitoring the environmental impact of our operations and other activities. We also develop an environmental plan that involves simulating and testing potential environmental contingencies to ensure an adequate and timely response.

In 2000 and 2001, we obtained ISO 14001 certification for our hydrocarbon extracting activities in the *Agua del Cajón* area and for our *Agua del Cajón* Power Plant, respectively.

The completion of the combined cycle development for the *Agua del Cajón* Power Plant resulted in a substantial reduction of our environmental footprint, as it involves reducing the exhaust gases emissions.

We have periodically renewed our ISO 14001-4 environmental management standards, with the last renewals taking place on June 7, 2016 in the case of the *Agua del Cajón* Power Plant and January 13, 2015 in the case of the hydrocarbon extracting activities in the *Agua del Cajón* and the LPG Plant. We continue to monitor our production of gases and their environmental impact. We also monitor and properly dispose of fluid emissions to eliminate any potential environmental impact.

We continue to develop extensive afforestation in the *Agua del Cajón* area, which has positive effects in the surrounding environment. We plan to continue with this practice for the foreseeable future.

In 2012, through our subsidiary Hychico, we obtained ISO 140001 certification for the *Diadema* Wind Farm, such certification was renewed in 2015.

Health, Safety and Insurance

We have implemented procedures of risk management that allowed us to establish lines of action aimed at improving our safety performance and occupational health, define operating procedures, train staff, monitor their activities, set objectives and achievable goals and develop our security policy.

Occupational Health

We have developed training programs aimed at reducing occupational illnesses and accidents. These programs involve all our operational areas and are based on the control and distribution of risks to which our staff is exposed daily.

Security

Work areas are audited weekly by Security Department personnel and detected deviations are carefully tracked. Those tasks that pose a greater risk to the integrity of persons or facilities are monitored according to specific procedures.

On a monthly basis, we analyze the values obtained by the indicators of organizational performance, such as “frequency index”, “severity index” “effect index” and “vehicle incidents,” among others.

Operational Risks and Insurance

Our operations are subject to various risks. We have insurance to cover some of these risks, including risks relating to the assets involved in energy and oil operations, third-party liability, vehicles, buildings and other activities. Together with our insurance broker, we perform a periodic review of our risk management policies and insurance coverage, to determine risk levels and insurance for such risks.

We consider that we have adequate insurance for our operations in a manner consistent with the activities involved. As required by local standards, insurance is taken out with local insurance companies that reinsurance their risks, in whole or in part, with foreign syndicates. Our insurance policies are annual and begin at different times of the year. Historically, we have not made significant claims under our insurance policies.

Legal Proceedings

We are periodically subject to proceedings in the ordinary course of business, none of which individually have or are expected to have a material adverse effect on our business, financial situation or results of operations.

We are party to various legal proceedings and judicial actions, including labor disputes, welfare and unresolved third-party claims and disputes related to taxation, royalties or other benefits, involving Argentine provinces, municipalities and federal tax authorities. We believe that most cases will be resolved favorably for us or be subject to settlement and will not have a material adverse effect to the Company that has not been reflected in our financial statements as we may have deemed reasonable. For further information in connection with the legal proceedings in which we are involved, please see Note 25 to our Audited Annual Financial Statements.

REGULATORY FRAMEWORK

The following section summarizes the material regulations applicable to our business and operations.

The Electricity Industry in Argentina

Historical Background

By 1990, virtually all of the electricity supply in Argentina was controlled by the public sector (97% of total generation). The Argentine government had assumed responsibility for the regulation of the industry at the national level and controlled all of the national electricity companies. The Argentine government also represented Argentine interests in generation facilities developed or operated jointly with Uruguay, Paraguay and Brazil. In addition, several of the Argentine provinces operated their own electricity companies. Inefficient management and inadequate capital spending, which prevailed under national and provincial government control, were in large measure responsible for the deterioration of physical equipment, decline in quality of service and proliferation of financial losses that occurred during this period.

In 1991, the Argentine government undertook an extensive privatization program of all major state-owned industries, including within the energy generation, transmission and distribution sectors. In January 1992, the Argentine federal congress adopted the Regulatory Framework Law (Law No. 24,065), which established guidelines for the restructuring and privatization of the electricity sector.

The ultimate objective of the privatization process was to achieve a reduction in rates paid by users and improve quality of service through competition. The privatization process commenced in February 1992 with the sale of several large thermal generation facilities formerly operated by a government-owned entity, and continued with the sale of transmission and distribution facilities and additional thermoelectric and hydroelectric generation facilities.

Regulatory and Legal Framework

Limits and Restrictions

The regulatory framework establishes restrictions that apply to the different sub-sectors of the electricity market.

- Generation companies and their affiliates cannot own or have a majority interest in transmission companies or their affiliates;
- distribution companies cannot own generation units, and owners of generation units cannot own distribution concessions;
- transmission companies and their affiliates cannot own or have a majority interest in generation or distribution companies;
- transmission companies cannot buy or sell electricity;
- distribution companies and their affiliates cannot own or have a majority interest in transmission companies; and
- distribution companies cannot own generation units.

2001/2002 Crisis

At the end of 2001 and beginning of 2002, Argentina experienced an unprecedented crisis that virtually paralyzed the country's economy through most of 2002 and led to radical changes in government policies. The crisis and the government's policies during this period severely affected the electricity sector. Pursuant to the Public Emergency Law that the Argentine Congress enacted to address the crisis, the Argentine government, among other measures:

- converted public utility tariffs from their original U.S. dollar values to pesos at a rate of Ps.1.00 per U.S.\$1.00;

- froze all regulated distribution margins relating to the provision of public utility services (including electricity distribution services);
- revoked all price adjustment provisions and inflation indexation mechanisms in public utility concessions (including energy concessions);
- empowered the executive branch to conduct a renegotiation of public utility contracts (including energy concessions), including the tariffs for public utility services;
- converted spot prices paid to generators to pesos; and
- set maximum spot prices paid to generators.

These measures, combined with the devaluation of the peso and high rates of inflation, had a severe effect on public utilities in Argentina. Because public utilities were no longer able to increase tariffs to cover their cost increases, the impact of inflation on costs led to decreases in their revenues in real terms and a deterioration of their operating performance and financial condition. Most public utilities had also incurred large amounts of foreign currency indebtedness under the fixed one-to-one peso per U.S. dollar exchange rate of the Convertibility Law regime and, following the elimination of the Convertibility Law regime and the resulting devaluation of the peso, the debt service burden of these utilities increased sharply, which led many of these utilities to suspend payments on their foreign currency debt in 2002. This situation caused many Argentine electricity generators, transmission companies and distributors to defer making further investments in their networks. As a result, Argentine electricity market participants, particularly generators, are currently operating at near full capacity, which could lead to insufficient supply to meet a growing national energy demand. In addition, the economic crisis and the resulting emergency measures had a material adverse effect on other energy sectors, including oil and gas companies, which has led to a significant reduction in natural gas supplies to generation companies that use this commodity in their generation activities.

The Argentine government has repeatedly intervened in and modified the rules of the WEM since 2002 in an effort to address the electricity crisis generated by the economic crisis. These modifications include the establishment of caps on the prices paid by distributors for electricity power purchases and the requirement that all prices charged by generators be calculated based on the price of natural gas (also regulated by the Argentine government) regardless of the fuel actually used in generation activities. These modifications have created a major structural deficit in the operation of the WEM. The Argentine government has made some attempts at correcting these problems, including proposing new rules to structure the WEM in December 2004 and creating a special fund to finance infrastructure improvements in the energy sector in April 2006, but little progress has been made in advancing a system-wide solution to the problems confronting Argentina's electricity sector.

In 2009, the Argentine government completed construction and began operation of two new 800 MW combined cycle generators to increase energy supply. The costs of construction were financed with net revenues of generators derived from energy sales in the spot market and through specific charges from CAMMESA applicable to large users. These funds had been deposited in the *Fondo Para Inversiones Necesarias que permitan Incrementar la Oferta de Energía Eléctrica en el Mercado Eléctrico Mayorista* ("FONINVEMEM").

Regulatory Authorities

The principal regulatory authorities responsible for the Argentine energy sector are:

- (1) the SEE of the Ministry of Energy and Mining, and
- (2) the ENRE (*Ente Nacional Regulador de la Electricidad*).

The SEE advises the Argentine government on matters related to the energy sector and is responsible for the application of the policies concerning the Argentine energy sector.

The ENRE is an autonomous agency created by the Regulatory Framework Law, under the control of the SE. The ENRE has a variety of regulatory and jurisdictional powers, including, among others:

- enforcement of compliance with the Regulatory Framework Law and related regulations;
- control of the delivery of electric services and enforcement of compliance with the terms of concessions;
- adoption of rules applicable to generators, transmitters, distributors, electricity users and other related parties concerning safety, technical procedures, measurement and billing of electricity consumption, interruption and reconnection of supplies, third-party access to real estate used in the electricity industry and quality of services offered;
- prevention of anticompetitive, monopolistic and discriminatory conduct between participants in the electricity industry;
- imposition of penalties for violations of concessions or other related regulations;
- arbitration of conflicts between electricity sector participants;
- promotion of a free-access policy to the transmitting and distribution grid;
- authorization of works for new generation, distribution or transmitting infrastructure, as well as the expansion of those existent; and
- providing the Regulatory Framework Law public hearing procedure, for certain matters such as mergers between transmitters or distributors; expansion works of transmission or distribution grid; public utility tariffs (increase or claims); etc.

The ENRE is managed by a five-member board of directors appointed by the executive branch of the Argentine government, headed by a Chairman. Two of these five members are nominated by the Federal Council on Electricity, or CFEE (*Consejo Federal de la Energía Eléctrica*). The CFEE is funded with a percentage of revenues collected by CAMMESA for each MWh sold in the market. Sixty percent of the funds received by the CFEE are reserved for the Regional Tariff Subsidy Fund for End Users (*Fondo Subsidiario para Compensaciones Regionales de Tarifas a Usuarios Finales*), from which the CFEE makes distributions to provinces that have met certain specified tariff provisions. The remaining forty percent is used for investments related to the development of electrical services in the interior regions of Argentina.

The Wholesale Electricity Market (WEM)

Overview

The SE established the WEM in August 1991 to allow electricity generators, distributors and other agents to buy and sell electricity in spot transactions or under long-term supply contracts at prices determined by the forces of supply and demand.

The WEM consists of:

- a term market in which generators, distributors and large users enter into long-term agreements on quantities, prices and conditions;
- a spot market, in which prices are established on an hourly basis as a function of economic production costs, represented by the short-term marginal cost of production measured at the Ezeiza 500 kV substation, the system's load and demand center; and
- a stabilization fund, managed by CAMMESA, which absorbs the differences between purchases by distributors at seasonal prices and payments to generators for energy sales at the spot price (the “Stabilization Fund”).

Operation of the WEM

The operation of the WEM is administered by the Wholesale Electricity Market Administration Company (CAMMESA). CAMMESA was created in July 1992 by the Argentine government, which currently owns 20% of CAMMESA's capital stock. The remaining 80% is owned by various associations that represent WEM participants, including generators, transmitters, distributors, large users and electricity brokers.

CAMMESA is in charge of:

- managing the SADI pursuant to the Regulatory Framework Law and related regulations, which includes:
 - determining technical and economic dispatch of electricity (i.e., schedule of production for all generating units on a power system to match production with demand) in the national interconnection system;
 - maximizing the system's security and the quality of electricity supplied;
 - minimizing wholesale prices in the spot market;
 - planning energy capacity needs and optimizing energy use pursuant to the rules set out from time to time by the SE, and
 - monitoring the operation of the term market and administering the technical dispatch of electricity pursuant to any agreements entered into in such market;
- acting as agent of the various WEM participants;
- purchasing or selling electricity from or to other countries by performing the relevant import/export operations; and
- providing consulting and other services related to these activities.

The operating costs of CAMMESA are covered by mandatory contributions made by WEM participants. CAMMESA's annual budget is subject to a mandatory cap equivalent to 0.85% of the aggregate amount of transactions in the WEM projected for that year.

WEM Participants

The main participants in the WEM are generation, transmission and distribution companies. Large users and traders participate also in the WEM, but to a lesser extent.

Generators

According to the December 2016 report issued by CAMMESA, there are 288 generation companies and 25 auto-generation companies, most of which operate more than one generation plant. As of December 31, 2016, Argentina's installed power capacity was 33,901 MW. Of this amount, 61.25% was derived from thermal generation, 31.51% from hydraulic generation, 5.18% from nuclear generation, and 2.06% from renewable sources. Private generators participate in CAMMESA through the Argentine Association of Electric Power Generators (*Asociación de Generadores de Energía Eléctrica de la República Argentina*, or AGEERA), which is entitled to appoint two acting and two alternate directors of CAMMESA.

Transmission Companies

Electricity is transmitted from power generation facilities to distributors through high voltage power transmission systems. Transmission companies cannot engage in purchases or sales of power. Transmission services are governed by the Regulatory Framework Law and implementing regulations promulgated by the SE.

In Argentina, transmission is carried at 500 kV, 300 kV, 220 kV and 132 kV through Argentina's grid, the SADI, which consists primarily of overhead lines and sub-stations (i.e., assemblies of equipment through

which electricity delivered by transmission circuits is passed and converted into voltages suitable for use by end users) and covers approximately 90% of the country. The majority of the SADI, including almost all of the 500 kV transmission lines was privatized in the 1990's and is owned by Transener (*Compañía de Transporte de Energía Eléctrica en Alta Tensión S.A.*). Regional transmission companies, most of which have been privatized, own the remaining portion of the SADI. Supply points link the SADI to the distribution systems, and there are interconnections between the transmission systems of Argentina, Brazil, Uruguay and Paraguay allowing for the import or export of electricity from one system to another.

Transmission companies also participate in CAMMESA by appointing two acting and two alternate directors through the Argentine Association of Electric Power Transmitters (*Asociación de Transportistas de Energía Eléctrica de la República Argentina*, or ATEERA).

Distributors

Each distributor supplies electricity to consumers and operates the related distribution network in a specified geographic area pursuant to a concession. Each concession establishes, among other things, the concession area, the quality of service required, the rates to be paid by consumers for service and an obligation to satisfy demand. The ENRE monitors compliance by federal distributors (Edenor and Edesur) with the provisions of their respective concessions and with the Regulatory Framework Law, and provides a mechanism for public hearings at which complaints against distributors can be heard and resolved. In turn, provincial regulatory agencies monitor compliance by local distributors with their respective concessions and with local regulatory frameworks.

Distributors participate in CAMMESA by appointing two acting and two alternate directors through the Argentine Association of Electric Power Distributors (*Asociación de Distribuidores de Energía Eléctrica de la República Argentina*, or ADEERA).

Large Users

The WEM classifies large users of energy into three categories: Major Large Users (*Grandes Usuarios Mayores*, or GUMAs), Minor Large Users (*Grandes Usuarios Menores*, or GUMEs) and Particular Large Users (*Grandes Usuarios Particulares*, or GUPAs).

Each of these categories of users has different requirements with respect to purchases of their energy demand. For example, GUMAs are required to purchase 50% of their demand through supply contracts and the remainder in the spot market, while GUMEs and GUPAs are required to purchase all of their demand through supply contracts.

Large users participate in CAMMESA by appointing two acting and two alternate directors through the Argentine Association of Electric Power Large Users (*Asociación de Grandes Usuarios de Energía Eléctrica de la República Argentina*, or AGUEERA).

Traders

Traders are authorized to participate in the WEM by intermediating block sales of energy. Currently, there are eight authorized traders in the WEM, several of which conduct transactions with CEMSA (*Comercializadora de Energía del Mercosur S.A.*) in the export market.

Spot Market

The emergency regulations enacted after the Argentine crisis in 2001 had a significant impact on energy prices. Among the measures implemented pursuant to the emergency regulations were the pesification of prices in the WEM, known as the spot market, and the requirement that all spot prices be calculated based on the price of natural gas, even in circumstances where alternative fuel such as diesel is purchased to meet demand due to the lack of supply of natural gas.

Prior to the crisis, energy prices in the spot market were set by CAMMESA, which determined the price charged by generators for energy sold in the spot market of the WEM on an hourly basis. The spot

price reflected supply and demand in the WEM at any given time, which CAMMESA determined using different supply and demand scenarios that dispatched the optimum amount of available supply, taking into account the restrictions of the transmission grid, in such a way as to meet demand requirements while seeking to minimize the production cost and the cost associated with reducing risk of system failure.

The spot price set by CAMMESA compensated generators according to the cost of the last unit to be dispatched for the next unit as measured at the Ezeiza 500 kV substation, which is the system's load center and is in close proximity of the City of Buenos Aires. Dispatch order was determined by plant efficiency and the marginal cost of providing energy. In determining the spot price, CAMMESA also would consider the different costs incurred by generators not in the vicinity of Buenos Aires.

In addition to energy payments for actual output at the prevailing spot market prices, generators would receive compensation for capacity placed at the disposal of the spot market, including stand-by capacity, additional stand-by capacity (for system capacity shortages) and ancillary services (such as frequency regulation and voltage control). Capacity payments were originally established and set in U.S. dollars to allow generators to cover their foreign-denominated costs that were not covered by the spot price. However, in 2002, the Argentine government set capacity payments by reference to the peso, thereby limiting the purpose for which capacity payments were established.

In addition, in 2003, the SE issued Resolution SE 240/2003, which establishes criteria that are used to fix the spot price on the WEM paid to energy generation companies, without modifying seasonal prices paid by end-users. As an example, Resolution SE 240/2003 include the following:

- the denomination in pesos of the spot price paid by generation companies;
- the implementation of price ceilings on the spot market paid to generation companies, at Ps.120 per MWh; and
- no updated tariffs for the public service of distribution of electricity, which results in lower seasonal prices as compared to the price on the electricity spot market.

The Stabilization Fund was negatively affected by modifications to the seasonal price and spot price introduced by the Emergency Law and Resolution No. 240/2003, due to resulting substantial deficits. This deficit was financed by the Argentine government through loans to CAMMESA, but continues to be insufficient to cover the differences between the spot price and seasonal price.

The difference between the seasonal price charged to end-users and the spot price charged to generation companies is absorbed by the Argentine government through subsidies to the Stabilization Fund and by generators who accrue a credit against CAMMESA. As a result of the deficit in the Stabilization Fund, the Argentine government, through Resolution SE 406/2003, established an order of priority of payment in order for CAMMESA to distribute funds charged for the energy sales to end-users.

Resolution No. 95/2013, published in the Official Gazette on March 26, 2013, established a new general regime which replaced the remuneration scheme in force for all of the energy generation sector (generators, auto-generators and co-generators) (the "Included Generators"), with the exception of: (i) binational hydro electrical centrals and nuclear generators; and (ii) the power and/or energy governed by contracts regulated by the SE which contain a differential remuneration under Resolutions SE 1193/05, 1281/06, 220/07, 1836/07, 200/09, 712/09, 108/11, 137/11, as well as any other energy contract which has a differential remunerative scheme established by the SE.

The new remuneration scheme applies to transactions entered into as from February 2013. However, the application for any particular generator requires that it waive any administrative and/or judicial claim that has initiated against the Argentine State, the SE and/or CAMMESA in relation to the Agreement with Generators 2008-2011 and/or relating to Resolution SE 406/2003. Additionally, each generator must agree to renounce any administrative and/or judicial claims against the Argentine State, the SE and/or CAMMESA relating to the 2008-2011 Agreement and/or Resolution SE 406/2003.

Any Included Generators that do not comply with the requirement to waive or renounce such claims will not have access to the new remunerative scheme, and the previous one will remain in force. The new remunerative scheme comprises three concepts:

Remuneration of Fixed Costs: Takes into account and remunerates the energy placed at disposal in the hour of remuneration of power. The remuneration is subject to compliance of a disposal goal which equals to the average availability of technology of the three previous calendar years and the historic average availability of each unit. The remuneration that the generator will receive, according to the degree of compliance with the disposal goal, distinguishes between the following technologies: thermic conventional and hydroelectric. Resolution SE 95/2013 provides that in the cases in which the remuneration of fixed costs cannot be obtained due to non-compliance with the parameters of the disposal goals, this remuneration will not be lower than U.S.12 MV-hrp;

Remuneration of Variable Costs: New values are established that replace the remuneration for variable costs of maintenance and other variable non-fuel costs. Its calculation is monthly and depends on the energy generated by each type of fuel; and

Additional Remuneration: Applicable only for the Included Generators. A part of this remuneration will be used for new energy infrastructure projects identified by the SE, through a trust fund.

On May 23, 2014, Resolution SE 529/2014 modified, for transactions as from February 2014, the remuneration values and the fixed costs' offsetting mechanism and included a new remunerative scheme for non-recurring maintenance in thermal generation.

On July 10, 2015, the SE issued Resolution SE 482/2015, which, among other measures, updated the remuneration values set forth in Resolution SE 529/2014 for transactions as from February 2015. It also created a new scheme of specific contributions for generators participating in investment projects approved by the SE and a new scheme of incentives for the production of energy and operating efficiency for a specified group of generators.

On March 3, 2016, the SE issued Resolution SE 22, modifying the remuneration scales stated by Resolution No. 95/2013 et seq. These adjustments were retroactive to February 2016. The SE stated that it was enacted "for the sole purpose of supporting the operation and maintenance of affected equipment and power stations on a provisional basis, until the regulatory measures being considered by the executive branch come into force progressively with the aim of returning the WEM to normal."

Below are details of the price adjustments implemented by this resolution compared to the prices that were effective in 2015.

Fixed costs remuneration (associated with machine availability)

Unit	Power (MW)	Ps./MW as per Res.	Adjustment vs. Res.
		22/2016	482/2015
Gas Turbine.....	P<50	152.3	70.00%
Steam Turbine	P<100	180.9	70.00%
	P>100	129.2	70.00%
Combined Cycle.....	P<150	101.2	70.00%
	P>150	84.3	70.00%
Hydroelectric Plant	P>300	59.8	120.00%

Variable costs remuneration (associated with power generation)
As per Res. 22/2016

Unit	Natural					Adjustment vs. Res. 482/2015
	Gas	Liquid	Biodiesel	Hydro	Coal	
	Ps./MWh	Ps./MWh	Ps./MWh	Ps./MWh	Ps./MWh	%
Gas Turbine	46.3	81.1	154.3	—	—	40.00%
Steam Turbine	46.3	81.1	154.3	—	139.0	40.00%
Combined Cycle	46.3	81.1	154.3	—	—	40.00%
Hydroelectric Plant P>300	—	—	—	36.7	—	40.00%

Unit	Non-Recurring Maintenance Remuneration Res. 22/2016	Adjustment vs. Res. 482/2015
	Ps./MWh	
Steam Turbine and Gas Turbine	45.1	60.00%
Combined Cycle.....	39.5	60.00%
Hydroelectric.....	10	25.00%

On January 27, 2017, through the issuance of Resolution SE. 19-E/2017, the SE established a remuneration mechanism which rewards generators for higher accuracy in their declarations of guaranteed availability of electricity from conventional sources. Through this resolution the remuneration to generators changed to a U.S. dollar denominated scheme instead of the previous peso denominated one, with the settlement in local currency, at the exchange rate of the last day of each month of production.

Since the application of this resolution, the thermal generators remuneration is composed by two payments, one for monthly power availability and the other one for generated and operated energy. The Power Availability remuneration is subdivided into a minimum price associated with the Real Available Power (“DispReal” (as per its Spanish contraction)), a base price depending on the Guaranteed Power Offer (“DIGO” (as per its Spanish contraction)) and a maximum additional price to be paid with the fulfillment of an Assigned Power quote (“DIGOasig” (as per its Spanish contraction)). The latter receives an additional amount in order to face times with peak demand.

The energy remuneration is based on two components: the Generated Energy and the Operated Energy (associated to the rotating power of each hour)

Power Availability

- Minimum Price for Real Available Power (without commitments (DIGO))

Technology/Scale	Min. Price (US\$/MW month)
CC Big P > 150MW.....	3,050
CC Small P \leq 150MW	3,400
VT Big P > 100MW.....	4,350
VT Small P \leq 100MW	5,700
GT Big P > 50MW.....	3,550

Technology/Scale	Min. Price (US\$/MW month)
GT Small P \leq 50MW	4,600
Internal Combustion Engines	5,700

- Price for Guaranteed Power Offered (DIGO)

Period	Base Price (US\$/MW month)
May 2017 – October 2017.....	6,000
November 2017.....	7,000

- A Maximum Additional Price associated with an Assigned Power (DIGOasig), for which CAMMESA will call for offers of additional power availability under limited prices.

Period	Base Price (US\$/MW month)
May 2017 – October 2017.....	1,000
November 2017.....	2,000

Energy (non-combustible)

- Generated Energy

Technology/Scale	Natural Gas (US\$/MWh)	Hydrocarbons (US\$/MWh)	Biofuel (US\$/MWh)	Coal (US\$/MWh)
GT – Small	5.0	8.0	11.0	
GT – Big	5.0	8.0	11.0	
VT – Small	5.0	8.0	11.0	13.0
VT – Big	5.0	8.0	11.0	13.0
CC – Small	5.0	8.0	11.0	
CC – Big	5.0	8.0	11.0	
Internal Combustion Engines.....	7.0	10.0	13.0	

- Operated Energy (2.00 US\$/MWh for any kind of fuel)

Other remuneration

- Additional remuneration based on fuel consumption: Target consumption to improve 1,880 Kcal/KWh.
- Additional remuneration for low-use and frequent-start thermal generators

Additionally, for those generators that were granted a loan from the SE for funding major maintenance, the resolution establishes that CAMMESA will deduct, monthly, at each sale settlement, up to US\$1/MWh to be applied to the repayment of the mentioned financing.

Recognition of the Costs of Fuels

Resolution SE 95/2013 provides that the commercial management and transportation of oil for generation will be centralized in CAMMESA. Generators cannot renew nor extend their contracts with providers. However, until such existing contracts expire, the costs associated with the reference price, the transportation and distribution of natural gas and the payment of taxes will be recognized. For the recognition of these costs, the following conditions should be complied with: (i) the cost is being recognized by CAMMESA at the time Resolution SE 95/2013 has come into force, and (ii) the costs arise pursuant to contracts entered into before the entry into force of Resolution SE 95/2013.

Seasonal Prices

The amendments to the regulatory framework introduced since 2002 resulted in significant changes to the seasonal prices charged to distributors in the WEM, including the implementation of a pricing ladder organized by level of customer consumption (which varies depending on the category of customer) charged by CAMMESA to distributors at a price significantly below the spot price charged by generators. According to the current regulatory framework, the ENRE is required to adjust the seasonal price charged to distributors in the WEM every six months. However, between January 2005 and November 2008, the ENRE failed to make these adjustments.

Due to the implementation of the emergency regulations, seasonal prices were determined by CAMMESA based on an estimate of the weighted average spot price that would be paid by the next generator that would come on-line to satisfy a theoretical increase in demand (marginal cost), as well as the costs associated with the failure of the system and several other factors.

In December 2015, the administration of President Macri enacted Decree No. 134/2015 declaring the state of emergency of the Argentine electricity sector until December 31, 2017. Pursuant to this decree, the Ministry of Energy and Mining was entrusted with the duties of developing and putting in place an action plan in connection with the energy generation, transportation and distribution segments in order to improve the quality and security of electricity supply and guarantee the provision of this public service under suitable technical and economic conditions. These goals require additional investments in the several sectors of the productive chain in order to accommodate Argentina's electricity supply and demand.

In January 2016, through Resolution No. 6/2016, the Ministry of Energy and Mining acknowledged the mismatch between the real costs and the prevailing prices. However, based on social policy reasons, the Ministry of Energy and Mining again fixed a new seasonal price for the WEM at a price lower than the real cost of supply. Resolution No. 6 was aimed at moving forward in the progressive implementation of a program of standardization of different macroeconomic variables, promoting the reasonable and efficient use of electricity and securing the proper conditions for the incorporation of private investment in the different activities and segments of the industry.

Resolution No. 6/2016 further established a scheme to incentivize savings among the residential segment by fixing lower prices if a residential user decreases consumption compared to the same period of the previous year. It also established a social tariff applicable to a certain consumer segment.

On January 27, 2017, through the issuance of Resolution No. 20-E/2017, the SEE determined the seasonal prices charged to distributors in the WEM, for the time period between February 1st, 2017 and April 30th, 2017. Resolution No. 20-E/2017 also provides a new scale for residential users.

By the aforementioned Resolution No. 20-E/2017, the seasonal price charged to residential users was increased from Ps.320/MWh to P.s.640/MWh.

Tariffs

Pursuant to Resolution No. 7/2016 of the Ministry of Energy and Mining, the ENRE must follow a program for both a transitional and full tariff review of Edesur's and Edenor's tariff scheme. The ENRE shall initially apply the transitional tariff scheme contained in the renegotiation agreements entered into by

Edenor and Edesur with the *Unidad de Renegociación y Análisis de Contratos de Servicios Públicos* or “UNIREN”. The tariff review must include the application of a social tariff to certain end users.

Resolution No. 7/2016 repealed the Program for the Reasonable Use of Electricity, a system for encouraging the reduction of consumption through bonuses and additional charges implemented by Resolution No. 745/2005 of the former SE.

On January 26, 2016, pursuant to Resolution No. 1/2016, ENRE approved the tariff charts for Edenor and Edesur to be applied as from February 1, 2016, following the transitional tariff scheme subject to the upcoming full tariff review. The new charts include tariffs which vary according to consumption and include a social tariff.

Court interim measures ordering the suspension of the effects of Resolutions No. 6/2016, 7/2016 and 1/2016 were issued by the Federal Courts of La Plata on July 7, 2016.

On July 21, 2016, Edenor informed the Argentine Stock Exchange of the possible effects of the interim measures issued. Edenor advised that these measures, if maintained, could produce a cash deficit of approximately Ps.4,800 million during 2016. This shortfall would put its operations at risk and, as a result, Edenor would be forced to incur in delays on the payment of energy acquired on the WEM, halt investments and reduce operating expenses.

On July 7, 2016, the Federal Court of Appeal of La Plata granted the interim measure filed by the Ombudsman of Buenos Aires together with other claimants and suspended the effects of Resolutions No. 6/2016, 7/2016 and 1/2016 for three months within the territory of the province of Buenos Aires.

The Argentine government, the Ministry of Energy and Mining and the ENRE presented an extraordinary appeal to the Federal Supreme Court, which was accepted by the Court of Appeal of La Plata on August 4, 2016.

On August 3, 2016, the Federal Contentious Administrative Court of San Martin No 2, ordered the suspension of the abovementioned resolutions and instructed CAMMESA not to apply the new tariff charts. It also ordered the ENRE to adopt all the measures to comply with this decision and to communicate it to all the distributor agents and service providers of the WEM. The ENRE was compelled to inform them that it would have to suspend the bill collection issued as a result of the application of the new rate schedule. The Federal Contentious Administrative Court of San Martin No 2 also established that all distributors and service providers must issue the service bills in accordance with the existing tariff prior to the issuance of these resolutions.

On August 24, 2016, the Federal Contentious Administrative Court of San Martin No 2 decided to refer the case to the Supreme Court of Justice for reasons of procedural economy as the Supreme Court was analyzing the interim measure granted by the Federal Court of Appeal of La Plata.

On September 6, 2016 the Supreme Court revoked the interim measure ordered by the Federal Court of Appeal of La Plata that ordered the suspension of the effects of Resolutions No. 6/2016, 7/2016 and 1/2016. The Supreme Court of Justice held that the claimants had no standing to act on behalf of all of the users of the electricity service of the province of Buenos Aires.

The Ministry of Energy held public hearings on October 28, 2016, in order to publicly discuss the tariffs of electricity for residential users.

In addition, the Ministry of Energy and Mining also issued Resolution No. E-219/2016, which was published in the Official Gazette on October 11, 2016, establishing new criteria to determine the beneficiaries of the social tariff for residential users. In order to be eligible under the social tariff, the resolution considers the following factors: the salary earned by the residential user and the characteristics of the residential user registered in public registries.

On February 1, 2017 the ENRE issued Resolutions No. 63/2017 and 64/2017, which approved a new tariff scheme for Edenor and Edesur. The new tariff scheme was divided in two different segments, to be applicable by February and March, 2017, respectively.

The new tariff scheme approved for Edenor and Edesur aimed to a gradual normalization of the industry. This new scheme also provides for a twice-a-year actualization of tariffs to take place in February and September.

Stabilization Fund Program

The Stabilization Fund, managed by CAMMESA, absorbs the difference between purchases by distributors at seasonal prices and payments to generators for energy sales at the spot price. When the spot price is lower than the seasonal price, the Stabilization Fund increases, and when the spot price is higher than the seasonal price, the Stabilization Fund decreases. The outstanding balance of this fund at any given time reflects the accumulation of differences between the seasonal price and the hourly energy price in the spot market. The stabilization fund is required to maintain a minimum amount to cover payments to generators if prices in the spot market during the quarter exceed the seasonal price.

Billing of all WEM transactions is performed monthly through CAMMESA, which acts as the clearing agent for all participants in the market. Payments are made approximately 40 days after the end of the calendar month in which the transactions occurred.

The Stabilization Fund was adversely affected as a result of the modifications to the spot price and the seasonal price made by the emergency regulations, pursuant to which seasonal prices were set below spot prices resulting in large deficits in the Stabilization Fund. This deficit has been financed by the Argentine government through loans to CAMMESA and with FONINVEMEM funds, but these continue to be insufficient to cover the differences between the spot price and the seasonal price.

Energía Plus

In September 2006, SE issued Resolution No. 1,281/06 in an effort to respond to the sustained increase in energy demand following Argentina's economic recovery after the crisis. This resolution seeks to create incentives for the construction of energy generation plants to meet increasing energy needs. The resolution's principal objective is to ensure that energy available in the market is used primarily to service residential users and those industrial and commercial users whose energy demand is at or below 300 kW and who lack access to other viable energy alternatives. To achieve this, the resolution provides that:

- large users in the WEM and large customers of distribution companies (in both cases above 300 kW), will be authorized to secure energy supply up to their "base demand" (equal to their demand in 2005) by entering into term contracts; and
- large users in the WEM and large customers of distribution companies (in both cases above 300 kW) must satisfy any consumption in excess of their base demand with energy from the *Energía Plus* (Energy Plus) system at unregulated market prices. The Energy Plus system consists of the supply of additional energy generation from new generation and/or generating agents, co-generators or auto-generators who are not agents of the electricity market or who as of the date of the resolution were not part of the WEM. Large users in the WEM and large customers of distribution companies can also enter into contracts directly with these new generators or purchase energy at unregulated market prices through CAMMESA.

Only the new generation facilities (which include generators that were not connected to the SADI as of September 5, 2006) and new generation capacity expansions in respect of existing capacity as of such date are entitled to sell electricity under the *Energía Plus* program. Contracts under this program must be agreed and settled by the parties, while the former SE established the permitted profit margins.

The resolution also established the price large users are required to pay for excess demand, if not previously contracted under *Energía Plus*, which is equal to the marginal cost of operations. This marginal cost is equal to the generation cost of the last generation unit transmitted to supply the incremental demand for electricity at any given time.

Energy Sales Agreements

On July 24, 2008, the former SE issued Resolution No. 724/08, authorizing the execution of agreements with generators for the supply of electricity to the wholesale market, with a view to increasing or reestablishing their generating capacity or investing in generation equipment. The resolution applies to agents of the wholesale market that put forward plans for such improvements pursuant to certain conditions.

The former SE evaluates the proposals and determines the eligible agents to receive financing for such undertakings, which are made available by the agent and CAMMESA under agreements with a term of thirty-six-months, priced in accordance with specific pricing procedures established by the former SE.

In January 2007, the former SE issued Resolution No. 220/07, entitling generators that at the time were not agents of the wholesale market or did not have registered commercial facilities to enter into supply agreements with WEM, represented by CAMMESA to promote the development of additional energy projects. Such agreements shall have a term of 10 years or less, as shall be agreed by the SE.

Supply commitment agreements are subject to penalties in case of breach and are protected by priority payment rights.

Suspension of the Contracts in the Fixed-Term Market

Resolution No. 95/2013 suspends the inclusion of new contracts in the fixed-term market (excluding those made pursuant to a resolution which provide for a different remuneration scheme), and prohibits their extension or renewal. Contracts which are in force at the time of enactment of Resolution No. 95/2013 will remain in force and will be managed by CAMMESA until their expiration.

Following the enactment of Resolution No. 95/2013, the former SE issued notes which establish that, among other matters, the new remunerative scheme will be established such that to receive its benefits each agent must waive any claims specified in section 12 of Resolution No. 95/2013.

As to the priority for liquidating the remuneration described above, it was established that the Remuneration of Fixed Costs, the Remuneration of Variable Costs and the Additional Remuneration will be liquidated directly in favor of the generator and the recognition of the costs of fuels will be equaled to the priority established in subsection e) of section 4 of Resolution SE No. 406/2003. On its part, the remuneration of the services of regulation of frequency and short-term reserves will be equaled with the priority established in subsection d) of section 4 of Resolution SE No. 406/2003.

Law No. 27,191 excludes energy generation from renewable sources from the application of regulations limiting the execution of term market agreements.

FONINVEMEM

Under the Stabilization Fund program, generators with lower marginal costs accumulated significant claims against CAMMESA. In 2003, the former SE issued Resolution No. 943/03, converting such outstanding payment claims into profit participation claims. Subsequently, the former SE created FONINVEMEM, a fund intended to invest in generation capacity with a view to stabilizing the WEM, and invited generators to contribute their profit participation claims accrued during 2004/6. Generators agreed to contribute approximately 65% of their payment claims. The amounts contributed were assigned to the construction of two 800 MW combined cycle plants. The aim of FONINVEMEM was to exchange outstanding payment claims held by energy generators for (i) participations in a combined cycle project, or (ii) sovereign debt obligations denominated in pesos, adjusted for changing WEM prices, payable as from the start of operation of the projects to be financed by FONINVEMEM.

On June 1, 2007, the former SE issued Resolution No. 564/07, requiring all private members of FONINVEMEM that held claims against FONINVEMEM to indicate whether they would take part in a FONINVEMEM II, in which case they were asked to elect between the following options:

- (a) transferring 50% of their outstanding payment claims for the period between January and December 2007;

- (b) transferring 50% of their outstanding payment claims for the period between January and December 2007, and agreeing to increase their share in FONINVEMEM II by participating in the additional funding necessary to complete the projected works; or
- (c) not participate.

Electricity generators negotiated an understanding with the former SE which we have subscribed with a view to (i) allowing for the adoption of new technology to accommodate the increase in demand of energy; (ii) determining a mechanism for cancellation of outstanding payment claims accrued from 2008 to 2011; and (iii) recognizing the general pricing system for payment to electricity generators adhering to such understanding.

The arrangements provide the following undertakings:

SE undertakings:

- (a) establish a new charge to consumers (except residential users);
- (b) transfer all proceeds from FONINVEMEM in participation by state-owned generators to a trust to finance the new projects;
- (c) increase the payments for operations and maintenance and for power to those generators that comply with the agreed availability in the following amounts:
 - (i) Power CC: Ps.30/MW-hrp
 - (ii) O&M CC with gas + Ps4/MWh – not part of CVP (in excess of current Ps.9.37/MWh); and
- (d) upon an increase in the price of gas in excess of 10% over a six-month period, convene generators to agree on a methodology to protect the margin.

Undertakings by the generators:

- (a) accept payment of outstanding payment claims accrued during 2008 to 2011 in 120 installments, plus interest at LIBOR plus 5%, commencing upon the entry in service of the new plant;
- (b) build the new plant;
- (c) effect the agreed upgrades and maintenance investments to improve availability; and
- (d) waive any claims relating to Resolutions SE 240/03 and 406/03, as amended, and related orders by the former SE between 2003 and December 31, 2011.

New Electricity Generation Capacity: Resolution No. 21/2016

Within the framework of Decree No. 134/2015, CAMMESA acknowledged the need to address new electricity generation capacity. On March 22, 2016, through Resolution No. 21/2016, the SEE issued a call for bids on new generation capacity and electricity production for the period summer 2016/2017, winter 2017 and summer 2017/2018.

On June 14, 2016, through Resolution No. 155/2016, the SEE announced the companies that had been awarded under this tender, and authorized CAMMESA to start the negotiations for the execution of the wholesale demand agreements with these companies.

On June 22, 2016, the SEE provided CAMMESA with the standard terms for the wholesale demand agreements to be executed with the awarded companies.

On June 28, 2016, the SEE instructed CAMMESA to invite the companies whose bids were considered admissible after the opening of the envelopes No. 1 but were then excluded from Resolution No. 155, to submit new bids with lower prices, for the purpose of evaluating the possibility of contracting for additional capacity.

Stimulus for Investment in Unconventional Gas Production Reservoirs: Resolution 46-E/2017

On March 2, 2017, the Ministry of Energy and Mining issued Resolution No. 46-E / 2017, which created the “*Programa de Estímulo a las Inversiones en Desarrollos de Producción de Gas Natural proveniente de Reservorios No Convencionales*” (Program to Stimulate Investments in Natural Gas Production Developments from Unconventional Reservoirs), aimed at encouraging investments for the production of natural gas from unconventional reservoirs in the Neuquén Basin.

Under the program, which will be in place until December 31, 2021, companies which wish to take part must comply with the following: be located in the Neuquén basin, have unconventional production permits will have to register with the National Oil company Register and provide a specific investment plan which needs to be approved by the applicable provincial authority and the federal Secretariat of Hydrocarbons in order to be incorporated to the program.

Compensation under the program is calculated over the production of unconventional gas to be marketed, that is, the natural gas already conditioned for it to be in commercial condition, excluding the internal consumption in the field and taking into account the difference between the effective price (weighted average price of the sales of natural gas from each company in the domestic market) and the minimum price.

The minimum price shall be:

- (i) 7.50 US\$/Mmbtu for the calendar year 2018,
- (ii) 7.00 US\$/Mmbtu for the calendar year 2019,
- (iii) 6.50 US\$/Mmbtu for the calendar year 2020, and
- (iv) 6.00 US\$/Mmbtu for the calendar year 2021.

As we produce unconventional gas and are registered in the “Stimulus Program” under Resolution 60/13 of the former “Comisión de Planificación y Coordinación Estratégica del Plan Nacional de Inversiones Hidrocarburífera” (Commission for the Strategic Planning and Coordination of the National Hydrocarbon Investment Plan), we can, and intend to, apply to this new program.

Renewable Energy Program

The special nature of the Argentine energy matrix presents great medium- and long-term challenges and opportunities. According to the most up-to-date information provided by CAMMESA, in 2012, thermal generation accounted for 65.6% of the power generated in Argentina, while 29.1% derived from water resources and 4.7% from nuclear power. Within hydrocarbons, 70% was natural gas, 17% fuel oil, 9% gas oil and 3% mineral coal.

In the recent past, the generation of energy from renewable sources has been included in the Argentine government’s agenda. Through the enactment of Law No. 26,190 in December 2006 (together with regulatory Decree 562/2009, the “Renewable Energy Law”), renewable energy generation has been deemed to be a public service and to research for technological development, and the manufacturing of equipment for that purpose have been declared of national interest. Such law sets forth a clear goal of achieving an 8% participation of renewable sources in the Argentine electric matrix within a 10-year period. This special regime and our PPAs thereunder, are excluded from the general regime of remuneration established by Resolution No. 95/2013.

In addition, the Renewable Energy Law established an investment regime for new construction works aimed at the production of electricity from renewable sources, which will be in effect for 10 years.

The beneficiaries of this regime are individuals and/or legal entities holding investments and concessions related to new infrastructure for the production of electricity generated from renewable sources, approved by the competent authorities, and located in Argentina, whose output will be dispatched to the WEM and/or public services.

On September 23, 2015, the Renewable Energy Law was modified by Law No. 27,191. The amendments seek to establish a legal framework to boost investment in the field of renewable energies and promote diversification of the electricity generation matrix, increasing the degree of participation of renewable sources in the Argentine market. To that effect, among other issues, the law:

- sets a short- and long-term goal: electricity generation from renewable sources shall reach an 8% participation in the market's electricity consumption by December 31st, 2017. This percentage must be increased progressively and reach 20% participation by December 31, 2025;
- increases the power limit set for the hydroelectric plants included in the promotion regime from 30 MW to 50 MW;
- modifies and expands the tax benefit scheme for eligible projects;
- creates the *Fondo para el Desarrollo de Energías Renovables* ("FODER") which will be established as a trust in which the Argentine government shall act as a trustor, the Bank of Investment and Foreign Commerce as trustee and the title owners of approved investment projects as beneficiaries—to grant loans, capital contributions or any other financial instruments aimed at funding eligible projects of electricity generation from renewable sources and guaranteeing the off taker's monthly payment for the electricity generated by each project. Resources from the National Treasury will be transferred yearly to a specific fiduciary account of the FODER. As of today, those resources have not been transferred as the FODER's implementation is still pending. FODER annual resources shall total to no less than 50% of annual cash savings fossil fuels imports due to the addition of renewable generation in the previous year; and
- sets obligations for large users and large demands: large users and large demands being clients of the public distribution utilities or of the distribution agents, with power demands equal or greater than 300 KW must comply with gradual goals by means of auto-generation or the execution of power purchase agreements from renewable sources. This power purchase could be made directly from the generator, through a distributor that acquires the power demand from a generator, a trader or directly from CAMMESA. The power purchase prices may not exceed an average of U\$S 113 per MW/h.

The Renewable Energy Law covers the following renewable sources: non-fossil sources of renewable energy suitable for a sustainable use in the short, medium and long term, including wind power, solar thermal, solar photovoltaic, geothermal, tidal, wave, energy from ocean currents, hydro-electrical up to 50 MW capacity, biomass, landfill gas, treatment plant gas, biogas and biofuels (except for the uses set forth under Law No. 26,093).

As specified in the implementing regulations, the regime established by Law No. 27,191:

- names the Ministry of Energy and Mining as the enforcement authority of the law; creates a promotional regime that shall apply to projects in new facilities, and in extensions or repowering of existing facilities, over new or used equipment, provided that they incorporate new assets, works and other services directly connected to the project; and
- provides that the goals set forth in the law shall be audited yearly as from December 31, 2018, with a 10% tolerance for user per year for the accomplishment of power consumption objectives set forth in the law. The difference up to a 10% limit in any year must be compensated in the following year and a penalty shall be applied to the amount exceeding 10%. In addition, if the compensation obligation is not met, a penalty shall be applied.

Projects under Resolutions No. 220/2007, 712/2009 and 108/2011 may benefit from the promotional regime if they have not started construction, have been selected by the enforcement authority and the executed agreement is terminated. If they have already started constructions, access to the promotional regime shall be granted in case amendments to executed agreements are agreed. The enforcement authority shall set forth a merit order for projects that have been approved and determine the granting of the promotional benefits for each project.

Based on the above, on September 29, 2016, the Ministry of Energy and Mining issued Resolution No. 202-E/2016, through which, among other measures:

- repealed Resolutions SE 712/2009 (except for one provision modifying the procedures) and 108/2011;
- established that PPAs executed under Resolutions SE 712/2009 and 108/2011 which power plants have reached commercial operation as of the publication of Resolution No. 202-E/2016 shall maintain the agreed upon contractual terms and conditions (although pending tax benefits shall change in accordance with the new regulations as established in such resolution);
- provided for the terms and conditions under which the owners of renewable projects with PPAs executed with ENARSA under Resolution SE 712/2009, as amended through addendums executed between the parties (pending the execution of the WEM agreement between ENARSA and CAMMESA) may qualify for the benefits established in the Renewable Energy Law and execute new PPAs under the Renewable Energy Law; and
- set forth the terms and conditions under which the owners of renewable projects with PPAs executed under Resolution SE 712/2009 or Resolution SE 108/2011 (with respect to which (i) a grounds for automatic termination has taken place and (ii) disbursements have been made associated to the generation facilities in levels such that effective works commencement has occurred under Article 9 of Law 26,190 as amended by Law 27,191) may request its incorporation into the regime established by the Renewable Energy Law through the execution of new PPAs pursuant to the Renewable Energy Law.

Tax Benefits Under Law No. 26,190

The former regime encompasses the following fiscal benefits:

- advanced recovery of the VAT on the project's new depreciable assets: the VAT as invoiced to the beneficiaries on the purchase, production, manufacture or final import of capital goods or the execution of infrastructure works, shall be credited against other taxes by AFIP as soon as at least three fiscal periods have expired counted from the fiscal period in which the investments were made, or either, it shall be recoverable in the term provided upon approving the project, in the conditions and with the guarantees set forth in that respect;
- accelerated asset depreciation for purposes of income tax: the beneficiaries may apply depreciations on the investments associated to the projects subsequent to their approval and in the terms therein set forth. These depreciations are subject to a differential treatment depending on their timing: within the first, second or third twelve-month period after project approval. This alternative is subject to the condition that the assets are to remain as property of the project holder for at least three years; and
- non-calculation for the tax on assets provided by Law No. 25,063, of the goods affected to the projects began under the regime established by the Renewable Energy Law. This benefit comprises three third fiscal periods closed after the setting up of the corresponding project. The goods have to be affected to the relevant project and have to be acquired by the company after the approval of the project.

The regime also provides for certain additional compensation in terms of Section 5 of Law No. 25,019. In that regard, the projects will be entitled to an additional compensation equivalent to Ps.0.015 per KW/h payable to the generators that produce electricity from renewable sources, except in the case of solar-based electricity, for which generators will collect Ps.0.9 per KW/h.

Tax Benefits Under Law No. 26,190 as amended by Law No. 27,191

The Renewable Energy Law, together with Decree No. 531/2016 and the rules of the Ministry of Energy and Mining, comprise the renewable energy promotional regime which is aimed at promoting renewable energy and establishes the following tax benefits:

- anticipated VAT refund and accelerated amortization in income tax, with a reduction of the scope of the benefits depending on the timing of the actual commencement of the implementation of the project;
- extension to ten years of the tax loss carry-forward term, provided tax loss carry-forwards arising from the promoted activity may only be set off against net profit arising from the same activity;
- exclusion of the assets affected to the promoted activity from the tax on assets taxable base, until the eighth fiscal year (inclusive) as from the project implementation (“*puesta en marcha*”). This tax will be repealed as from tax periods commencing after January 1, 2019 pursuant to Law No. 27,260;
- exemption of the 10% tax withholding on dividends distributed by companies entitled to the promotional regime to the extent such dividends are reinvested in new infrastructure projects within Argentina. The application of the 10% tax withholding on dividends has since been eliminated for all dividend distributions pursuant to the provisions set forth by Law No. 27,260;
- tax certificate to be applied to the payment of income tax, VAT, tax on assets and internal taxes, for the equivalent to a certain percentage of the national component of the electromechanical facilities (excluding civil works), and to the extent that the referred national component used in the project reaches a certain percentage. The tax certificate may be assigned to third parties only once. The one-time assignment of the tax certificate shall be subject to the absence of a liquidated and enforceable debt with the national tax authorities;
- possibility to claim an increase of the renewable energy fee in order to reflect the additional costs arising from tax. In the case of contracting with CAMMESA, the request shall be made with the corresponding documentation that demonstrates the increase in costs. CAMMESA will evaluate this request.

The fiscal increases that are covered are:

- (a) increases in the existing general taxes, contributions and charges that are not exclusive nor specific of the activity, as a result of (i) an increase in the taxable base, (ii) amendments to tax exemptions, and/or (iii) an increase in the applicable tax rate;
- (b) creation of new general taxes, contributions and charges, which are not exclusive nor specific of the activity.

The following cases are excluded from the scope:

- (a) the cancellation of the benefit of custom duties exemption as a result of the expiration of the validity term (December 31, 2017);
- (b) new specific taxes, duties or royalties created by those local jurisdictions that adhere to the regime after the expiration of the validity term of the exemption from these contributions (December 31, 2025). This exemption does not include potential fees for the use of state-owned lands where the projects may be developed;
- (c) the creation of new specific taxes, duties or royalties, by those jurisdictions that have not adhered to the regime; and
- (d) exemption from import duties and statistical rate for the introduction of new capital assets, special equipment or parts or components of the same, which are necessary for the implementation of the project (among other facilities). This benefit is only in relation to those assets that are not produced locally. Joint Resolution 123/2016 of the Ministry of Energy and Mining and the Ministry of Production lists the assets that can be imported in these conditions.

Those that seek to participate in the renewable energy promotional regime must waive any benefits under the previous regime including Laws No. 25,019 and 26,360, whilst the projects benefited by such

regimes may only access the renewable energy promotional regime to the extent that the works agreed in the relevant contracts have not begun at the date of the filing.

The Finance Ministry is in charge of stipulating the maximum annual sum to be included in the national budget that will be available to award promotional benefits, considering the estimation done by the Ministry of Energy and Mining. As the national budget had already been approved in 2015 and had not included such sum, Emergency Decree No. 882/16 established a budget cap of US\$ 1.700.000.000 to be assigned to promotional benefits under Law No. 27,191 for the 2016 fiscal year.

The following jurisdictions adhere to the Renewable Energy Law regime:

- the province of Chubut enacted the Law XVII No. 134 through which adhered to all the benefits granted by the national Law No. 27,191 and the Decree No. 531/2016 to incentive the development of renewable energy sources projects for the production of electricity in their province;
- the province of Rio Negro enacted Law No. 5,139 through which adhered to all the benefits granted by the national Law No. 27,191 and the Decree No. 531/2016 to incentive the development of renewable energy sources projects for the production of electricity in their province; and
- the province of Buenos Aires enacted Law No. 14,838, whereby it adhered to all benefits granted by the national Law No. 27,198 and the Decree No. 531/2016 and provided the following exemptions for the term of 15 years in the following taxes:
 - (i) Real Estate Taxes for properties used for the installation of generation stations powered by renewable energy;
 - (ii) Stamp Tax for specific contracts related with the activity of energy generation through renewable sources; and
 - (iii) Gross Income Tax for the activity of electricity generation by the utilization of renewable sources.

The Oil and Gas Industry in Argentina

Overview

From the 1920's to 1989, the Argentine public sector controlled the activities relating to oil and gas production and sales. The Argentine oil and gas industry is regulated by Law No. 17,319, referred to as the "Hydrocarbons Law," as amended by Law No. 26,197, which establishes the general legal framework for the exploration and production of oil and gas; and Law No. 24,076, referred to as the "Natural Gas Law," which established the basis for deregulation of natural gas transportation and distribution industries. The executive branch of the Argentine government issues regulations complementing these laws. The regulatory framework of the Hydrocarbons Law was established on the assumption that the reservoirs of hydrocarbons would be national property and YPF would lead the oil and gas industry and operate under a different framework than for private companies. Prior to 1989, however, private producers operated under service agreements with YPF, providing large volumes of oil extracted under this system, delivered oil to YPF and the former SE would distribute it to the refineries. The Argentine government would establish prices for oil and sub-products, which in many cases were below international prices.

In the late 1980s, the Argentine government amended the regulatory framework applicable to the oil and gas industry to create opportunities for private sector investment. In August 1989, the Argentine Congress enacted Law No. 23,696 (the "State Reform Law") together with the Public Emergency Law, which ordered the de-regulation of the economy and the privatization of a number of state-owned enterprises. Decrees No. 1,055/1989, 1,212/1989 and 1,569/1989 (the "Oil De-regulation Decrees") eliminated all instructions to imports and exports.

In September 1992 the Argentine Congress enacted Law No. 24,145 which provided for the privatization of YPF (the "YPF Privatization Law").

In January 1999, REPSOL acquired an extra 14.99% share in YPF. In June 1999, REPSOL acquired 82.5% of shares of YPF, totaling 97.5 of all YPF shares.

In June 1992, Law No. 24,076 ordered the privatization of Gas del Estado Sociedad del Estado and opened the transportation and distribution of natural gas to private investment. Law No. 24,076 also provided for the creation of ENARGAS to administer and enforce the newly adopted regulatory framework for the transportation, distribution and sale of natural gas in Argentina. The regulatory structure for the natural gas industry created an open-access system, under which gas producers had open access to future available capacity on transmission and distribution systems on a non-discriminatory basis. In 1992, Law No. 24,145, ordered the privatization of YPF and, among other matters, provided for transfer of hydrocarbon reservoirs from the Argentine government to the provinces, subject to the existing rights of the holders of exploration permits and exploitation concessions.

Cross-border gas pipelines were built to interconnect Argentina, Chile, Brazil and Uruguay, and producers have been exporting natural gas to the Chilean and Brazilian markets, to the extent permitted by the Argentine government. During the last several years the Argentine authorities have adopted a number of measures restricting exports of natural gas from Argentina, including issuing domestic supply instructions (which require exporters to supply natural gas to the Argentine domestic market), issuing express instructions to suspend exports, suspending the processing of natural gas and adopting restrictions on natural gas exports imposed through transportation companies and/or emergency committees created to address crisis situations.

On January 6, 2002, the Argentine Congress enacted the Public Emergency Law and thereafter ordered, among other measures, the imposition of customs duties on the export of hydrocarbons, enabling the executive branch to set the applicable rate thereof.

In August 2003, Executive Decree No. 546/03 transferred to the provinces the right to grant exploration permits, hydrocarbons exploitation and transportation concessions in certain locations designated as “transfer areas,” as well as in other areas designated by the competent provincial authorities.

In October 2004, the Argentine Congress enacted Law No. 25,943 creating ENARSA. The corporate purpose of ENARSA is the exploration and exploitation of solid, liquid and gaseous hydrocarbons, the transport, storage, distribution, commercialization and industrialization of these products, as well as the transportation and distribution of natural gas, and the generation, transportation, distribution and sale of electricity. Moreover, Law No. 25,943 granted ENARSA all exploration permits in respect to offshore areas located beyond 12 nautical miles from the coast and within the continental shelf that were vacant at the time.

In December 2006, the Argentine Congress passed Law No. 26,197, to amend the Hydrocarbons Law, transfer to the provinces and the City of Buenos Aires the ownership over all hydrocarbon reservoirs (including reservoirs to which concessions were granted prior to 1994) located within their territories and in the adjacent seas up to 12 nautical miles from the coast in accordance with Article 124 of the Argentine Constitution as amended in 1994). Law No. 26,197 also provides that the hydrocarbon reservoirs located beyond 12 nautical miles and within the continental shelf remain within the ownership of the federal government.

Pursuant to Law No. 26,197, the Argentine Congress continues to enact laws and regulations to develop oil and gas resources existing within all of the Argentine territory (including its sea), but the governments of the provinces where the hydrocarbon reservoirs are located shall be responsible for the enforcement of these laws and regulations, the administration of the hydrocarbon fields and shall act as granting authorities for the exploration permits and exploitation concessions. However, the administrative powers granted to the provinces shall be exercised within the framework of the Hydrocarbons Law and its complementing regulations.

Consequently, even though Law No. 26,197 established that the provinces are responsible for administering the hydrocarbon fields, the Argentine Congress retained its power to issue rules and regulations regarding the oil and gas legal framework. Additionally, the Argentine government retained the power to determine the national energy policy.

Law No. 26,197 provides that the Argentine government shall retain the authority to grant transportation concessions for: (i) transportation concessions located within two or more provinces territory and (ii) transportation concessions directly connected to export pipelines for export purposes. Consequently, transportation concessions which are located within the territory of only one province and which are not connected to export facilities shall be transferred to the provinces.

Finally, Law No. 26,197 grants the provinces the power to: supervise and control the exploration permits and exploitation concessions, enforce legal and contractual obligations and royalties payment, and all the other powers related to the hydrocarbon areas within their territories.

The Hydrocarbons Law limits to five the number of concessions that may be held by any one entity, and also limits the total area of exploration permits that may be granted to a single entity.

On October 31, 2014, the Argentine Congress passed Law No. 27,007, which further modifies the Hydrocarbons Law. Article 23 of the law provides for two permit terms of three years each for conventional exploration, extendable for up to five years, so that the maximum duration of the permit is 11 years, and two four-year periods, extendable for another five-year period in the case of unconventional exploration for a total of 13 years. Each exploration unit covers 100 square kilometers and permits are limited to 100 units, or 150 units in the case of offshore permits. With regard to operating concessions, article 27 et seq. provide the following periods:

- Conventional exploitation – 25 years.
- Unconventional operation – 35 years, which includes a pilot plan period of up to five years.
- Operation on continental shelf and offshore – 30 years.

In all cases, successive extensions may be requested for a period of 10 years each. The law sets the different amounts to be paid by the concessionaires for the extension of their concessions. Hydrocarbon royalties have been set at 12% over the production of crude oil or natural gas. As in the previous regime, the rate can be reduced by up to 5% in exceptional cases, taking into account the productivity, location and other particularities of the deposits. In successive extensions, the original royalty rate may be increased by 3% to a maximum of 18%.

Exploration and Production

Under the Hydrocarbons Law, the federal and/or competent provincial authorities may grant exploration permits after submission of competitive bids. The holder of an exploration permit has the exclusive right to perform the operations necessary or appropriate for the exploration of oil and gas within the area specified by the permit. Each exploration permit may cover only unproved areas not to exceed 10,000 square kilometers (15,000 square kilometers offshore), and may have a term of up to 14 years (17 years for offshore exploration).

If the holder of an exploration permit discovers commercially exploitable quantities of oil or gas, the holder has the right to obtain an exclusive 25-year exploitation for the production and development of this oil and gas. The Hydrocarbons Law further provides for the concession term to be extended for up to 10 additional years, subject to terms and conditions. Under Law No. 26,197, the authority to extend the terms of current and new permits and concessions has been vested with the governments of the provinces in which the relevant block is located (and the Argentine government in respect of offshore blocks beyond 12 nautical miles). Upon the expiration of the extension period, the provinces are entitled to award new concessions or contracts in respect of the relevant blocks.

An exploitation concession also confers on the holder the right to conduct all activities necessary or appropriate for the production of oil and gas, provided that such activities do not interfere with the activities of other holders of exploration permits exploitation concessions. An exploitation concession entitles the holder to obtain a transportation concession for the oil and gas produced. See “Transportation of Liquid Hydrocarbons” below.

A number of different types of concessions and agreements are currently in place in Argentina:

- exploitation concessions granted under the Hydrocarbons Law by the Argentine government or the provinces, which (a) were re-negotiated from previous exploration or production agreements, (b) were granted by YPF on marginal areas under its control, or (c) were granted after commercially viable reserves were declared as a result of an exploration permit;
- joint ventures between private sector operators and/or with public sector operators;
- exploration agreements, the majority of which have been converted into exploration permits;
- exploration permits granted under the *Plan Argentina* initiative undertaken by the Argentine government in 1992;
- exploration permits granted by provincial authorities under Law No. 26,197; and
- service agreements with the provinces for exploration, development and production on marginal areas transferred by YPF. Former YPF exploration and production permits have been converted into concessions and permits subject to the Hydrocarbons Law.

Exploration permits and exploitation concessions generally require holders to carry out all necessary work to find or extract hydrocarbons, using appropriate techniques, and to make specified investments.

Under the Hydrocarbons Law, holders of exploitation concessions, including us, are also required to pay royalties to the province where production occurs. A 12% royalty, and an additional 3% extraordinary royalty in certain concessions that have been extended (including the province of Neuquén), is payable on the value at the wellhead (equal to the price upon delivery of the product, less transportation, treatment costs and other deductions) of crude oil production and the natural gas volumes commercialized. The value is calculated based upon the volume and the sale price of the crude oil and gas produced, less the costs of transportation and storage. In addition, pursuant to Resolution SE No. 435/2004, if a concession holder allots crude oil production for further industrialization processes at its plants, the concession holder is required to agree with the provincial authorities or the former SE, as applicable, on the reference price to be used for purposes of calculating royalties.

In addition to the above, the Public Emergency Law, which introduced export duties, established that such duties were not to be deducted from the export price for purposes of calculating the 12% royalties. The royalty expense incurred in Argentina is accounted for as a production cost. According to the Hydrocarbons Law, any oil and gas produced by the holder of an exploration permit prior to the grant of an exploitation concession is subject to the payment of a 15% royalty.

When an exploitation concession expires or terminates, all oil and gas wells, operating and maintenance equipment and facilities automatically revert to the province where the reservoir is located or to the Argentine government in the case of reservoirs under federal jurisdiction (i.e., located on the continental shelf beyond 12 nautical miles offshore), without compensation.

In March 2007, the former SE issued Resolution No 407/2007 which approved new regulations concerning the Oil and Gas Exploration and Production Companies Registry.

Transportation of Liquid Hydrocarbons

The Hydrocarbons Law permits the executive branch of the Argentine government to award 35-year concessions for the transportation of oil, gas and petroleum products following submission of competitive bids. Pursuant to Law No. 26,197, the relevant provincial governments have the same powers. Holders of exploitation concessions are entitled to receive a transportation concession for the oil, gas and petroleum products that they produce. The term of a transportation concession may be extended for an additional ten-year term upon application to the executive branch. The holder of a transportation concession has the right to:

- transport oil, gas and petroleum products; and

- construct and operate oil, gas and products pipelines, storage facilities, pump stations, compressor plants, roads, railways and other facilities and equipment necessary for the efficient operation of a pipeline system.

The holder of a transportation concession must transport hydrocarbons for third parties on a non-discriminatory basis for a fee. This obligation, however, applies to producers of oil or gas only to the extent that the concession holder has surplus capacity available and is expressly subordinated to the transportation requirements of the holder of the transportation concession. Transportation tariffs are subject to approval by the Secretariat of Hydrocarbon resources for oil and petroleum pipelines and by ENARGAS for gas pipelines.

Oil and Gas Market Regulation

Oil

Since January 2003, the price of crude oil has been affected by local regulatory and market conditions, a combination of factors including export restrictions, the inability of producers to transfer any price increases to consumers and the volatility of oil prices affect the prices of refined products we have been able to obtain for our crude oil production.

Natural Gas

The Natural Gas Law governs distribution and transportation of natural gas considering them public services and seeks to: (i) protect the interest of gas users; (ii) promote a competitive market; (iii) regulate the sale, transport and distribution of natural gas; (iv) ensure sufficient supply to the internal market; (v) establish fair tariffs; (vi) promote long-term investment; and (vii) ensure safe and efficient transport and distribution.

Furthermore, the Natural Gas Law forbids transport companies from purchasing or selling natural gas and prohibits certain forms of cross-ownership among transporters, distributors and retailers in a way which would allow them or their affiliates to control more than one type of such entities.

The restrictions imposed by the Argentine government after 2002 on the operation of the free market resulted in decreased investment in exploration and development while demand for natural gas picked up strongly as the economy recovered.

In February 2004, Executive Decree No. 180/04 introduced substantial reforms to the regulatory framework. It (i) established a fiduciary fund for investments related with expanding natural gas transport and distribution facilities; (ii) created the Mercado Electrónico del Gas (MEG) for the trade of daily spot sales of gas; (iii) adopted measures to improve the natural gas market efficiency; (iv) approved a mechanism to interrupt supply when distribution companies observe certain restrictions in the system; (v) authorized the former SE to create categories of consumers requiring them to purchase gas directly from producers; and (vi) established information duties for buyers and sellers of natural gas in relation to their respective commercial operations, required as a condition to be authorized to inject into and transport through the transportation system any volume of natural gas. According to Executive Decree No. 180/04, all daily spot sales of natural gas must be traded within the MEG.

In February 2004, Executive Decree No. 181/04 authorized the former SE to negotiate with natural gas producers a pricing mechanism for natural gas supplied to industries and electric generation companies. On April 2, 2004, the former SE and gas producers signed an agreement which was ratified by Resolution No. 208/04 issued by the former Ministry of Federal Planning, Public Investment and Services. The aim of the agreement was to implement a scheme for the normalization of natural gas prices following the 2001 crisis. This agreement expired on December 31, 2006.

On June 14, 2007, Resolution No. 599/07 of the former SE approved an agreement with natural gas producers regarding the supply of natural gas to the domestic market for the period 2007 through 2011 (the “Propuesta de Acuerdo,” or “Gas Agreement”). The Gas Agreement established domestic sale volumes and

subordinated exports of natural gas to the prior satisfaction of internal demand. The Company executed the Gas Agreement but limited its obligation to supply gas only to gas produced and burned in its Power Plant.

The former Ministry of Federal Planning, Public Investment and Services, by its Resolution No. 459/07 of July 12, 2007, created the “Total Energy Program,” which was designed to mitigate shortages of gas and electricity during the Argentine winter of 2007. The program encouraged industrial users to substitute natural gas and electricity use with diesel, fuel oil and LPG.

The former SE created, by its Resolution No. 24/2008 issued on March 6, 2008, a program named “Gas Plus” to encourage natural gas production resulting from new reserves discoveries, new fields and tight gas, among other factors. The natural gas produced under the Gas Plus program and sold to the domestic market will not be subject to the Gas Agreement and will not be subject to the price conditions established under such Agreement. Under this program, gas producers can put forward to the former SE proposals with a view to increase production and reserves in areas (i) not previously under production; (ii) currently under production, which have certain geological characteristics (i.e. tight gas) and/or (iii) which have not been under production since 2004 and on which new fields have been discovered after the issuance of Resolution No. 24/2008. Such proposals must be approved by the former SE and the former *Ministerio de Planificación Federal, Inversión Pública y Servicios*. Natural gas sold under these proposals must be sold internally, its price includes associated costs and a reasonable level of profit, and it is not subject to the Gas Agreement.

We have obtained SE approval in 2010 for a Gas Plus project to be developed in our *Agua del Cajón* area, with the entitlement to obtain Gas Plus program for 85% of the natural gas we produce, while the remaining 15% must be applied to compensate certain breaches by us of the Gas Agreement.

In February 2013, the Hydrocarbons Commission published Resolution No. 1/2013, creating the Natural Gas Stimulus Program, the objective of which was to evaluate and approve projects that contribute to the national self-sufficiency of hydrocarbons, through the increase in the production and injection of gas in the national market, as well as projects that generate greater levels of activity, investment and employment in the sector.

In November 2013, the Planning and Strategic Coordination Commission of the National Hydrocarbon Investment Plan issued Res 60/13 (later amended by Resolutions N ° 22/2014 and N ° 139/2014), which created a new “*Programa de Estímulo a la Inyección de Gas Natural para Empresas de Inyección Reducida*” to which companies that had an average injection of less than 3.5 million m³ / day could apply. Access to the program has to be approved by that committee. In general, the program establishes a scheme of compensations to be paid over natural gas prices, which is applied in a gradual and progressive manner depending on the surplus production of each company over its adjusted base injection (base injection = injection from July to December / 13). The compensation values vary from US\$4 / MMBTU to US\$7.5 / MMBTU depending on the level of injection over the average base injection. The federal government pays this compensation quarterly and in pesos. The companies that enter the mentioned program assume the commitment to either inject at least the adjusted base injection, or to pay the federal government the import price of the missing volume which is calculated based on the import price of liquefied natural gas during the previous six months. This program has a term of four years with the possibility of a one-year extension subject to the authorization of the commission. The cut-off date to apply to participate in the plan was March 31, 2014.

On May 20, 2016, through Decree No. 704/16, the issuance by the Argentine government of dollar denominated bonds, BONAR 2020, was authorized to cancel outstanding debts under the Natural Gas Stimulus Program and the Natural Gas Stimulus Program for Reduced Injection Companies as of December 31, 2015. Such decree also established certain restrictions on the transferability of such bonds until December 2017 and requires that certain information be submitted on a monthly basis.

In April 2016, the Ministry of Energy and Mining issued Resolution No. 41/2016, which established the new prices at the entry point for the natural gas transport system for each basin of origin, thus establishing a Price of Ps.5.53 for the Neuquen basin for the acquisition of natural gas for the generation of energy to be commercialized within the scope of the WEM or, generally, for the provision of the public electricity distribution service.

Subsequently, on October 10, 2016, the Ministry of Energy and Mining through Resolution No. 212 / E2016 updated the new rate tables of the natural gas service. To this end, ENARGAS was instructed to, based on the economic and financial situation of the licensing companies and the Integral Tariff Review, apply an adjustment of the current transition tariffs of the Gas Natural Public Transport and Distribution Services. In this sense, the ENARGAS published a series of resolutions through which it details the tariff tables for the different carriers and distributors of natural gas.

On February 15, 2017, the Ministry of Energy and Mining issued Resolution No. 29-E/2017, calling for public hearings on March 10, 2017. Between March 30, 2017, and April 4, 2017, ENARGAS issued the corresponding resolutions updating the tariffs applicable to the licensing companies, both for the natural gas public transport and distribution segments. The new tariff scheme will be applied gradually in the following way: 30% by April 1, 2017, 40% by December 1, 2017, and 30% by April 1, 2018.

Natural Gas Export Restrictions and Domestic Supply Priorities

According to Decree No. 893/2016, the Natural Gas Law subjects gas exports to the approval of the Ministry of Energy and Mining in order to ensure local supply is not affected.

In March 2004, the former SE issued Resolution No. 265/04 adopting measures intended to ensure the adequate supply of natural gas to the domestic market and regulate its consequences on electricity wholesale prices. Among the measures adopted were:

- the suspension of all exports of surpluses of natural gas;
- the suspension of automatic approvals of requests to export natural gas;
- the suspension of all applications for new authorizations to export natural gas filed or to be filed before the SE; and
- authorizing the Undersecretariat of Fuels to create a rationalization plan of gas exports and transportation capacity.

In March 2004, the Undersecretariat of Fuels, pursuant to the authority given to it under Resolution No. 265/04, issued Regulation S.S.C. No. 27/04 establishing a rationalization plan of gas exports and transportation capacity. Among other things, Regulation No. 27/04 established a limit on natural gas export authorizations, which, absent an express authorization by the Undersecretariat of Fuels, might not be executed for volumes exceeding exports registered during 2003.

In June 2004, the former SE issued Resolution No. 659/04, which established a new program to assure natural gas supply to the domestic market (which substitutes for the program created by Regulation No. S.S.C. 27/04). Under SE Resolution No. 659/04 (amended by Resolution No. 1,681/04), natural gas exports may be restricted due to shortages of natural gas in the domestic market, and exporting producers may be required to supply additional volumes of natural gas to the domestic market beyond those that they are contractually committed to supply. The export of natural gas under current export permits is conditioned on the fulfillment of additional supply requirements imposed on exporting producers by governmental authorities.

This program was further amended and supplemented by Resolution No. 752/05 issued by the former SE in May 2005, which further reduced the ability of producers to export natural gas, and created a mechanism under which the former SE may require exporting producers to supply additional volumes to domestic consumers during a seasonal period (Permanent Additional Supply), which volumes of natural gas are also not committed by the exporting producers.

Resolution No. 752/05 also establishes (i) a special market, open and anonymous, for compressed natural gas stations to purchase natural gas under regulated commercial conditions, with the demand being ensured by the former SE through Permanent Additional Supply required of exporting producers, and (ii) a mechanism of standardized irrevocable offers for electric power generators and industrial and commercial consumers to obtain supply of natural gas, with the demand being ensured by the former SE through the issuance of the Permanent Additional Supply mentioned above.

Pursuant to the standardized irrevocable offers procedure mentioned above, which operates at the MEG, any direct consumer may bid for a term gas purchase at the export average gas price net of withholdings by basin. The volume necessary to satisfy the standardized irrevocable offers which have not been satisfied will be required as a Permanent Additional Supply only until the end of the seasonal period during which the unsatisfied requests should be made (October–April or May–September). Such Permanent Additional Supply will be requested from the producers that export gas and that inject the natural gas from the basins that are able to supply those unsatisfied irrevocable offers. Resolution of the former SE No. 1,886/2006, published on January 4, 2007, extended the term of effectiveness of this mechanism of standardized irrevocable offers until 2016, and empowered the Undersecretariat of Fuels to suspend its effectiveness subject to the satisfaction of internal demand of natural gas achieved by means of regulations, agreements or due to the discovery of reserves.

By means of Resolution No. 1,329/06, later supplemented by Note SSC No. 1,011/07, the former SE forced producers to give first priority in their injections of natural gas into the gas pipelines to certain preferential consumers and requires transportation companies to guarantee these priorities through the allocation of transportation capacity. In general, these regulations subordinate all exports of natural gas to the prior delivery of natural gas volumes that are sufficient to satisfy domestic market demand.

Natural Gas Imports

Executive Decree No. 2,067/2008 of December 3, 2008, created a fiduciary fund to finance natural gas imports destined for supply to the national grid, when required to satisfy internal demand. The fiduciary fund comprises: (i) various tariff charges paid by users of regular transport and distribution services, gas consumers that receive gas directly from producers and companies that process natural gas; (ii) special credit programs that may be arranged with domestic or international organizations; and (iii) specific contributions by participants of the natural gas industry.

On November 14, 2011, ENARGAS Resolution No. 1,982 / 2011 increased the amount to be received by the trust fund created by Decree No. 2,067 / 08 as of December 2011, and expanded the included customer base.

By Resolution of the Ministry of Energy and Mining No. 28/2016, a new natural gas price scheme was established, invalidating the acts of the former Ministry of Federal Planning, Public Investment and Services, issued within the framework of Article 6 of Decree 2067/08 which authorized the agency to set the value of the tariff charges intended to integrate the fund and adjust them. Further, the eligibility criteria to be a beneficiary of the social tariff were established and later modified pursuant to a different resolution.

Oil Plus and Refining Plus Programs

On November 25, 2008 the Argentine government issued Decree No. 2,014/2008 which created the “oil Plus” and “Refining Plus” programs, aimed at increasing reserves and production, respectively, through transferable tax credits which may be used to pay export duties on crude oil, natural gas and derivative products.

Pursuant to Decree No. 2,014/2008, works undertaken by hydrocarbon producers to (i) explore and develop new oil fields; (ii) increase production capacity; and (iii) incorporate new production and development technology in existing fields, may allow these producers to obtain tax breaks related to such projects or, alternatively, allow for accelerated amortization of works and equipment included in the project for the purpose of income tax determination.

In 2012, the federal government announced the suspension of its Oil Plus and Refining Plus programs, based on changes in the market conditions under which these programs were established in 2008. On July 13, 2015, the Argentine government, Through Decree No. 1,330 / 2015, declared the end of the “Oil Plus” program, establishing a compensation payable in bond issued by the Argentine government (BONAR 2018 and BONAR 2024) for accrued tax credits not paid under said program.

LPG

Law No. 26,020 enacted on March 9, 2005 sets forth the regulatory framework for the industry and commercialization of LPG which shall be enforced by the former SE. This law regulates the activities of production, bottling, transportation, storage, distribution, and commercialization of LPG in Argentina and declares such activities to be of public interest, with a view to ensuring regular, reliable and affordable LPG supply to the lower income segments of society which have no access to the natural gas distribution grid.

Law No. 26,020 covers all parties of LPG production, distribution, transport, services and sales throughout Argentina.

This law has established the principle of free access to the LPG industry and market, as well as the free import of LPG and restrictions on exports, which may only be authorized provided that internal supply is not affected.

Disposition 168/05 of the Undersecretariat of Fuels requires companies intending to export LPG to first obtain an authorization from the former SE. Companies seeking to export LPG must first demonstrate that the local demand is satisfied or that an offer to sell LPG to local demand has been made and rejected.

MANAGEMENT

Our board of directors currently consists of five members and is responsible for managing our business. The shareholders present at ordinary meetings may determine the number of directors, which shall be no less than three and no more than six. Shareholders may also appoint an equal or lesser number of alternate directors to automatically fill any vacancies in the order determined by the shareholders,

Under Argentine corporate law, directors have the obligation to perform their duties with the loyalty and the diligence of a prudent businessman. Directors are jointly and severally liable to the corporation, the shareholders and third parties for the improper performance of their duties, for any violations of law, the company's by-laws or regulations, if any, and for any damage to such parties caused by fraud, abuse of authority or gross negligence. The following principles are included within a director's duty of loyalty: (i) prohibition on the use of corporate assets and confidential information for private purposes; (ii) prohibition on taking advantage, or allowing another person to take advantage, either by action or omission, of business opportunities of the company; (iii) obligation to exercise the board of directors' powers only for the purposes for which the law, the corporation's bylaws or the shareholders' or the board of directors' resolutions were intended; and (iv) obligation to take strict care so that acts of the board do not contradict, directly or indirectly, our interests. Directors must inform the board of directors and the Syndics' Committee of any conflicting interest that such director may have in a proposed transaction and abstain from voting thereon.

Under Argentine corporate law, the board of directors is in charge of our management and administration and all decisions in connection therewith, as well as those decisions expressly provided for under Argentine corporate law, our bylaws and other applicable regulations. Furthermore, the board is responsible for the execution of resolutions passed in the shareholders' meetings and for the performance of any particular task delegated by the shareholders.

As of the date of this offering memorandum, the members of our board of directors, who were elected by our shareholders at the ordinary meeting held on August 17, 2016, are as set forth below:

Name	Position	Date of Birth	Designated	Expires
Alejandro Enrique Götz ⁽¹⁾	President	05/04/1962	August 2016	August 2017
Pablo Alfredo Götz ⁽¹⁾	Vice President	07/14/1963	August 2016	August 2017
Rafael Andrés Götz ⁽¹⁾	Director	09/29/1964	August 2016	August 2017
Lidia Argentina Guinzburg	Director	10/31/1944	August 2016	August 2017
René Balestra	Director	10/22/1929	August 2016	August 2017
Marina Manteiga	Alternate Director	05/02/1976	August 2016	August 2017
Miguel Fernando Götz ⁽¹⁾	Alternate Director	08/30/1966	August 2016	August 2017

Note:—

(1) "Not independent" pursuant to CNV Rules.

The term of office for board members is one fiscal year and their legal address is our legal address set out in the back of this offering memorandum.

The following is a brief description of the relevant background and experience of each member of our board of directors:

Alejandro Enrique Götz. Mr. Götz graduated as a lawyer at the University of Belgrano. He joined Capex on July 7, 1994. In addition to serving as our board's president, he holds the following positions: president of CAPSA, chairman of Buproneu, president of Interenergy, president of Plenium Energy S.A., director of Bosque Andino S.A. director of Bosques Verdes S.A., vice-president of Camp Cooley El Bagual S.A., vice-president of Wild S.A., Director of Alparamis S.A., vice-president of Hychico, alternate director of Meliquina S.A., president of Fundación Diadema, and president of E G Wind S.A. Additionally, Mr. Alejandro Enrique Götz is the brother of Mr. Pablo Alfredo Götz, vice president of Capex, and Rafael Andrés Götz, director of Capex. Alejandro Enrique Götz also presides our audit committee.

Pablo Alfredo Götz. Mr. Götz holds a degree in Agricultural Economics from the University of Belgrano. He joined Capex on July 23, 1997. In addition to serving as our board's vice president, he holds the following positions: director of Plenium Energy S.A., president of Hychico, vice-president of Servicios Buproneu, vice-president of Interenergy, president of Bosque Patagónico S.A., vice-president of Bosques Verdes S.A., president of Camp Cooley El Bagual S.A., alternate director of Puel S.A., vice-president of Meliquina S.A., president of Wild S.A., vice-president of Alparamis S.A., vice-president of Capsa, vice-president of Bosque Andino S.A., and secretary at Fundación Diadema.

Rafael Andrés Götz. Mr. Götz holds a degree in Systems from the University of Belgrano. He joined Capex on July 23, 1996. In addition to serving as our board's director, he holds the following positions: director of Capsa, director of Servicios Buproneu, director of Interenergy, director of Hychico, president of Bosque Andino S.A., president of Bosques Verdes S.A., vice-president of Puel S.A., president of Meliquina S.A., director of Wild S.A., alternate director of Plenium Energy S.A., director of Alparamis S.A., director of E G Wind S.A., and treasurer at Fundación Diadema.

Lidia Argentina Guinzburg. Ms. Guinzburg joined Capex on February 6, 1984 as a manager and retired in 2008. She has also been a member of our audit committee since August 9, 2013.

René Balestra. Mr. Balestra graduated as a lawyer from the University Nacional de Litoral. He joined Capex on August 22, 2003. In addition to serving as our board's director, he serves as president of the Héctor I. Astengo Foundation. Additionally, he is a member of our audit committee.

Marilina Alba Manteiga. Ms. Manteiga holds a degree in Economics from the University of San Andrés. In addition to serving as an alternate director on our board, she has held positions in the Argentine Central Bank, McKinsey & Co, MetLife Compañía de Seguros y AFJP, Novartis Argentina S.A., Merck S.A., and Janssen Cilag Farmacéutica S.A.

Miguel Fernando Götz. Mr. Götz holds a degree in Systems from the University of Belgrano. He joined Capex on July 7, 1997. In addition to serving as our board's alternate director, he holds the following positions: director of CAPSA, alternate director of Servicios Buproneu, alternate director of Interenergy Argentina S.A., Alternate director of Hychico, vice-president of Plenium Energy S.A., vice-president of Bosque Patagónico S.A., president of Puel S.A., alternate director of Bosques Verdes S.A., director of Wild S.A., alternate director of Camp Cooley El Bagual S.A, and director of Alparamis S.A.

Management

Our senior managers and key employees in main roles are:

Name	Position	Date of Birth	Designated
Sergio Raballo	Chief Executive Officer	09/07/1956	January 2004
Claudia Biasotti	Director of Finance and Administration	10/5/1958	January 2004
Hugo Cabral	Director of Commercial and Legal Affairs	09/24/1960	January 2004
Gabriel Osvaldo Irazuzta	Chief Operations Officer at Agua del Cajón	02/03/1959	January 2009
José María González	Chief of Exploration and Development for the Oeste area	06/07/1961	October 2015
Jorge Buciak	Buenos Aires Engineering Manager	06/13/1958	October 2002
Federico Kitzberger	Electricity Manager	01/29/1955	October 2002
Oscar Ernesto Nefá	Administration and Human Resources Manager at Agua del Cajón	06/15/1956	May 2008
Luis Pablo Forni	Engineering Manager at Agua del Cajón	02/25/1970	May 2009
Alberto Vildósola	Power Plant Manager	12/07/1963	May 2014
Laura Airoldes	Internal Auditing and Controls Coordinator	11/13/1973	May 2014
Paola Karina Bazán	Human Resources Coordinator	10/10/1972	July 2016
Italo Adolfo Quesada	Occupational Health, Security and Environment Coordinator	07/22/1963	September 1994

The address of our Senior Managers is our legal address set out in the back of this offering memorandum. The following is a brief biographical description of the senior managers:

Sergio Raballo. Mr. Raballo graduated as an Industrial Engineer from the Universidad Católica Argentina, and holds a post-graduate degree in Petroleum Engineering from the University of Buenos Aires. He joined the Company in August 2002 and has served as CEO since January 2004. Previously, he worked at Hughes Tool Company for eleven years, at Lufkin Argentina for one year, at Camuzzi Gas Pampeana y Sur for eight years, and Exolgan for one year. He is a member of the board of directors of CAPSA, our main shareholder.

Claudia Biasotti. Ms. Biasotti is a Certified Public Accountant from the University of Belgrano, and holds a degree in Business Administration from the University of Belgrano. She joined us in August 1994 and has served as Director of Finance and Administration since January 2004. Previously, she worked at Walter Thompson for three years and at SADE for two years. She is a member of the board of directors of CAPSA, our main shareholder.

Hugo Cabral. Mr. Cabral graduated as a lawyer from the University of Belgrano. He joined us in March 1999 and has served as Director of Commercial and Legal Affairs since January 2004. He previously worked in CASFPI for two years. He is a member of the board of directors of CAPSA, our main shareholder.

Gabriel Osvaldo Irazuzta. Mr. Irazuzta holds a degree in Electrical Engineering from the Universidad Católica de Córdoba and a specialization in Reservoir Operations from the University of Buenos Aires. He joined us in June 1991 and has served as COO for the *Agua del Cajón* field since January 2009.

José María González. Mr. González holds a degree in Natural Sciences (Geology) from the University of Buenos Aires. He joined Capex in October 2015 as Chief of Exploration and Development for the Oeste area. Prior to joining us, he worked at Schlumberger for six months, Total Austral S.A. for fifteen years, Pioneer Natural Resources for three years, Wintershall Energía S.A. for two years, and at Americas Petrogas Arg. for seven years.

Jorge Buciak. Mr. Buciak graduated as a Hydro-Civil Engineer, specializing in reservoir exploitation, from the Universidad Nacional de La Plata and the University of Buenos Aires. He joined us in October 1991 and has served as Buenos Aires Engineering Manager since October 2002. Previously, he worked at Bridas for two years and at YPF for six years.

Federico Kitzberger. Mr. Kitzberger graduated as a Mechanical Engineer from the Instituto Tecnológico de Buenos Aires. He joined us in June 1999 and has served as electricity Manager since October 2002. He previously worked at the Ave Fénix Energía for two years, at Charter Oak Energy for two years, at Kraftanlagen Argentina for four years and at Ludwig Riedhammer (Germany) for seven years.

Oscar Ernesto Nefa. Mr. Nefa is a Certified Public Accountant from the Universidad Nacional de Cuyo. He joined us in February 1991 and has served as Administrator and Human Resources Manager at *Agua del Cajón* since May 2008.

Luis Pablo Forni. Mr. Forni graduated as an Industrial Engineer from the Universidad del Comahue, and holds an MBA from IAE (2009). He joined us in June 2001 and has served as Engineering Manager since May 2009.

Alberto María Vildósola. Mr. Vildósola holds a degree in Electric Engineering from the University of Buenos Aires. He joined us in September 1999 and has been a Power Plant Manager since the year 2014.

Laura Airoldes. Ms. Airoldes is a Certified Public Accountant from the University of Buenos Aires. She joined us in December 2007 and has been our internal Auditing and Controls Coordinator since May 2014. Prior to joining the Company, she worked at PricewaterhouseCoopers for eleven years where she was a manager in the Business Processes and Risk Management Consulting Services area.

Paola Karina Bazán. Ms. Bazán holds a degree in Industrial Relationships from the Universidad Argentina de la Empresa. She joined us in July 2016 as Human Resources Coordinator. Prior to joining the Company, she worked at Nalco Argentina SRL for twelve years, at Hutchinson for two years; she also worked at Cabaña and Estancia Santa Rosa and Coca Cola Argentina, always in the HHRR area.

Ítalo Adolfo Quesada. Mr. Quesada holds a degree in Occupational Security, Hygiene and Environmental Management from the Instituto Panamericano de Estudios Superiores. He joined us in September 1994. He is our Occupational Health, Security and Environment Coordinator.

There are no employment contracts or fixed-term contracts that exceed the provisions set forth in the applicable labor standards agreements with first-line managers. There are no lease service managers with us or any of our subsidiaries that provide benefits upon termination of their mandates.

Syndics' Committee

The members of the Syndics' Committee are appointed at our annual general ordinary shareholders' meeting for a one-year term. The Syndics' Committee is composed of three members and three alternate members and pursuant to Section 294 of the Argentine Corporations Law No. 19,550, as amended, its members meet at least every three months.

The main responsibility of the Syndics' Committee is to monitor the board of directors' compliance with Argentine corporate law, the company's bylaws, and the shareholders' resolutions. Additionally, the Syndics' Committee will: (i) attend shareholders' and board of directors' meetings, (ii) call extraordinary shareholders' meetings when deemed necessary and ordinary and special shareholders' meetings absent a call from the board of directors, and (iii) investigate written complaints of shareholders. By performing these functions, the Syndics' Committee does not control our operations or assess the merits of the decisions made by the board of directors.

As of the date of this offering memorandum, the members of our Syndics' Committee are the following:

Name	Position	Date of Birth	Designated	Expires
Norberto Feoli	Syndic	08/21/1947	August 2016	August 2017
Edgardo Guidicessi	Syndic	03/31/1949	August 2016	August 2017
Mario Árranga Penido	Syndic	01/24/1939	August 2016	August 2017
Claudia Marina Valongo	Alternate Syndic	09/24/1960	August 2016	August 2017
Andrea Mariana Casas	Alternate Syndic	10/28/1968	August 2016	August 2017
Claudia Angélica Briones	Alternate Syndic	10/04/1957	August 2016	August 2017

All Syndics' Committee members are "independent", according to the Rules of the CNV, and their legal address is our legal address set out in the back of this offering memorandum. The following is a brief description of the background and experience of each Syndics' Committee member:

Norberto Feoli. Mr. Feoli is a Certified Public Accountant from the University of Buenos Aires. He joined us on December 20, 1988. He has over 30 years of experience, was a member of PwC from where he retired as a Partner. He currently serves as syndic for prestigious firms in Argentina.

Edgardo Giudicessi. Mr. Giudicessi is a Certified Public Accountant from the University of Buenos Aires. He joined us on August 24, 2004. He has over 30 years of experience, was a member of PwC from where he retired as Director. He currently works for several Argentine companies as an independent consultant within his area of expertise.

Mario Arraga Penido. Mr. Penido graduated as a lawyer from the University of Buenos Aires, and specializes in Civil and Commercial Law. He joined us on August 24, 2004 and has over 30 years of experience. He is a professor at the Universities of Buenos Aires and El Salvador and heads his own law firm.

Claudia Marina Valongo. Ms. Valongo graduated as a Certified Public Accountant from the University of Rosario, and is an external audit specialist. She joined us on August 24, 2004. She has over 20 years of experience, was a member of PwC, from where she retired as a Manager. She currently serves independently as a consultant for several Argentine companies.

Andrea Mariana Casas. Ms. Casas graduated as Certified Public Accountant from the University of Buenos Aires, and is an external audit specialist. She joined us on August 24, 2004. She has over 20 years of experience, was a member of PwC, from where she retired as a Manager. She currently serves as a consultant for several Argentine companies.

Claudia Angelica Briones. Ms. Briones graduated as a lawyer from the University of Buenos Aires. She joined us on August 24, 2004. She has 25 years of experience and works as an independent lawyer.

Compensation

Under Argentine corporate law, if the compensation of the members of the board of directors is not established in the by-laws of a company, it is determined by the shareholders. The maximum amount of total compensation for the members of the board of directors, including compensation for technical or administrative permanent activities, cannot exceed 25.0% of our earnings. When one or more directors perform special tasks or technical or administrative activities, and there are no earnings to distribute, or they are insufficient, the shareholders meeting may approve compensation in excess of the above mentioned limit.

Total compensation for services paid by us to our senior management, Syndics' Committee members and key employees totaled Ps.52.0 million and Ps.38.4 million for the fiscal years ended April 30, 2016 and April 30, 2015, respectively. Our board members waived and did not receive any compensation during such periods. Total compensation for services paid by us to our senior management, directors, Syndics' Committee members and key employees for the current fiscal year through December 31, 2016 totaled Ps.44.0 million.

We do not have any stock option plans or any other compensation plan by which our directors or executive officers may participate in our earnings.

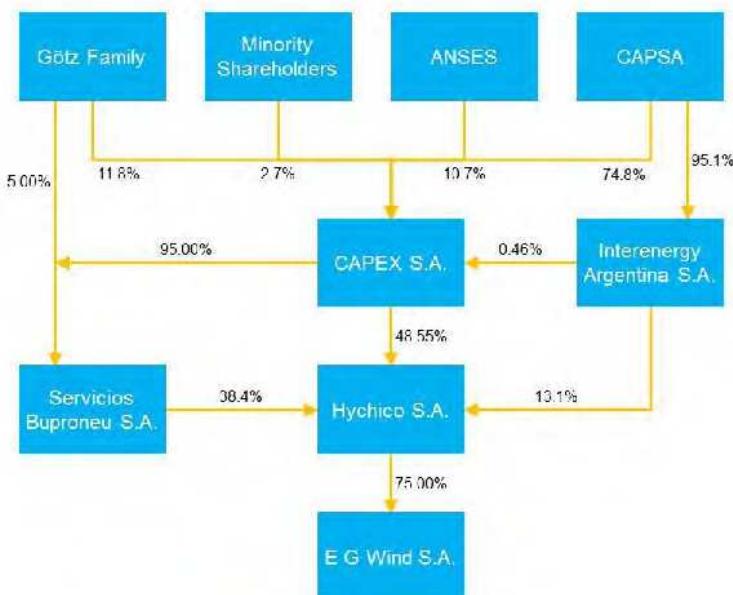
We have not entered into any service contracts with directors granting benefits following the expiration of their mandates or upon retirement.

PRINCIPAL SHAREHOLDERS

Overview

As of December 31, 2016, we had 179,802,282 common shares outstanding, each with a par value of Ps.1 and one vote. Our shares are listed on the Merval through the Buenos Aires Stock Exchange and we are subject to the reporting and other regulatory requirements imposed by the CNV.

As of December 31, 2016, the following persons owned 5% or more of our capital stock: CAPSA (74.8%) with 134,489,496 shares, the Götz Family (11.8%) with 21,150,963 shares, and the ANSES (10.7%) with 19,297,220 shares.



The members of the Götz family that hold shares of our capital stock are Alejandro Enrique Götz (president of CAPEX), Pablo Alfredo Götz (vice-president of CAPEX), Rafael Andrés Götz (director of CAPEX), Sebastián Marcelo Götz and Miguel Fernando Götz (alternate director of CAPEX). The Götz family has a direct shareholding of 11.8% in CAPEX and an additional indirect shareholding of 74.8% through CAPSA.

There are no differences in the voting rights of the main shareholders and there is no agreement that could alter the control of us. 99.5% of our shares are owned by Argentine stockholders and 0.5% are owned by foreign shareholders.

ANSES, the Argentine government-run social security agency became our shareholder as a result of the nationalization of Argentina's private pension fund management companies in December 2008.

We have not approved any dividend distribution since our shareholders' meeting of July 11, 2000.

Related Party Transactions

We have engaged, and in the future may engage, in transactions with our shareholders and affiliated companies. We believe that the transactions in which we have engaged with such related parties have been agreed on terms that are no less favorable to us than those that could be obtained from unrelated third parties.

Transactions with Our Controlling Shareholder

Our transactions with CAPSA for the nine-month periods ended January 31, 2017 and 2016 were as set forth below:

	Unaudited For the Nine-Month Periods Ended January 31,	
	2017	2016
		(in Ps.)
Expenses relating to CAPSA.....	3,860,842	2,842,610
Expenses relating to CAPEX.....	(388,296)	(120,715)

Bailment contract

In September 2008, CAPSA granted a gratuitous bailment in favor of Hychico on the land on which Hychico currently develops its wind farm. This bailment agreement has a 10-year term which may be extended at Hychico's option for an additional 8 years.

Transactions with Affiliates

The table below shows our transactions with affiliates for the nine-month period ended January 31, 2017 and 2016.

	Unaudited For the Nine-Month Periods Ended January 31,	
	2017	2016
		(in Ps.)
Transactions with Interenergy		
Office and parking leases ⁽¹⁾	(2,246,000)	(1,693,000)
Expenses relating to Interenergy ⁽²⁾	15,442	5,394
Guaranty fee ⁽³⁾	—	(5,000)
Transactions with Alparamis S.A.		
Office and parking leases ⁽¹⁾	(12,200,000)	(8,980,000)

Notes:—

- (1) We rent office and parking space in Carlos F. Melo Street No. 650, from Interenergy S.A. and Alparamis S.A (a company within our shareholders group).
- (1) We were reimbursed administrative expenses corresponding to Interenergy.
- (2) We pay a 1.5% annual fee on a guarantee granted by Interenergy on October 22, 2009.

Transactions with CAPSA's Direct or Indirect Controlling Companies

Our transactions with EG Wind S.A. for the nine-month periods ended January 31, 2017 and 2016 were as follows:

	Unaudited For the Nine-Month Periods Ended January 31,	
	2017	2016
		(in Ps.)
Transactions with EG Wind S.A. (Capital contributions)	(18,750)	-

Transactions with CAPSA's Direct or Indirect Controlling Companies

Our transactions with CAPSA's direct or indirect controlling shareholders for the nine-month periods ended January 31, 2017 and 2016 were as follows:

	Unaudited For the Nine-Month Periods Ended January 31,	
	2017	2016
(in Ps.)		
Transactions with Plenium Energy S.A.		
Expenses relating to Plenium Energy S.A. ⁽¹⁾	1,960	—
Transactions with Wild S.A.		
Expenses relating to Wild S.A. ⁽¹⁾	1,690	—

Notes:—

(1) We reimbursed Plenium Energy S.A. and Wild S.A. (a company controlled by the Götz family) for administrative expenses paid by them.

The tables below show the balances with related parties as of January 31, 2017 and April 30, 2016.

	With our controlling shareholders	With affiliates directly or indirectly controlled by CAPSA		Total as of January 31, 2017 (unaudited)		
		CAPSA	EG Wind Interenergy S.A.			
(in Ps.)						
Assets						
Current receivables						
In other currency.....	415,140	—	—	415,140		
Other receivables						
In pesos.....	460,771	126,669	—	587,440		
Liabilities						
Current payables						
In pesos.....	270,939	—	—	270,939		
Other current debt						
In Pesos.....	—	—	56,250	56,250		

	With our controlling shareholders	With affiliates directly or indirectly controlled by CAPSA	
		CAPSA	Interenergy
		Total as of April 30, 2016	
Assets			
Current receivables			
In pesos.....	483,881	—	483,881
In other currency.....	730,967	—	730,967
Other receivables			
In pesos.....	362,368	124,800	487,168
Liabilities			
Current payables			
In pesos.....	44,756	—	44,756

As of the date of this offering memorandum, we have not entered into loans with (i) individuals having direct or indirect control of us that would allow them significant influence on our business; (ii) senior officers, directors and their families; (iii) entities on which the persons named in (i) or (ii) have a significant interest or control, which would allow them to directly or indirectly exercise significant influence. The transactions with related parties are those included in this section and shown in our Annual Audited Financial Statements.

DESCRIPTION OF THE NOTES

We will issue the Notes under an indenture (the “Indenture”) entered into as of May 15, 2017 among the Company, The Bank of New York Mellon, as Trustee (the “Trustee,” which term includes all the Trustee’s successors in accordance with the Indenture), as co-registrar (the “Co-Registrar” and together with the Registrar in Argentina, its respective successors and assigns and any additional qualified registrar, the “Registrar”), as principal paying agent (“Principal Paying Agent” and, together with any additional paying agent qualified and so designated, the “Paying Agents”), as transfer agent (“Transfer Agent” and, together with any of the additional transfer agents qualified and so designated, the “Transfer Agents”), and Banco Santander Río S.A., as Registrar, Paying Agent, Transfer Agent and Representative of the Trustee in Argentina.

The following describes the material terms of the Indenture and the Notes. It does not, however, restate the Indenture in its entirety, and where reference is made to particular provisions of the Indenture, such provisions are qualified in their entirety by reference to the provisions of the Indenture and the Notes. You should read the Indenture because it contains additional information that defines your rights as a Holder of the Notes. You may obtain a copy of the Indenture in the manner described under “Available Information” in this offering memorandum, and, for so long as the Notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF Market, at the office of The Bank of New York Mellon S.A./N.V., Luxembourg Branch, the Luxembourg Listing Agent.

You can find the definition of capitalized terms used in this “Description of the Notes” under “—Certain Definitions.” In this section, when we refer to:

- the “Company,” “we”, “us” and “our,” we mean CAPEX S.A. and not its subsidiaries; and
- the “Notes” in this section, we mean the notes offered pursuant to this offering memorandum and, unless the context otherwise requires, any Additional Notes, as described below in “—General.”

General

The Notes will:

- be senior unsecured obligations of the Company;
- rank equal in right of payment with all other existing and future senior unsecured indebtedness of the Company;
- rank senior in right of payment to all existing and future subordinated indebtedness of the Company, if any; and
- be effectively subordinated to all existing and future secured indebtedness of the Company to the extent of the value of the assets securing such indebtedness.

In the event of a bankruptcy, liquidation or reorganization of any Subsidiaries of the Company, such Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Company. The Notes will therefore be effectively subordinated to creditors (including trade creditors) of Subsidiaries of the Company.

As of January 31, 2017, after giving *pro forma* effect to the issuance and sale of the Notes and the application of the proceeds from the offering of the Notes as described in “Use of Proceeds” in this offering memorandum, the Company and its Subsidiaries would have had consolidated total indebtedness of approximately U.S.\$321.3 million, of which U.S.\$7.7 million represents the principal amount of Indebtedness of the Subsidiaries of the Company.

The Company will initially issue U.S.\$300,000,000 aggregate principal amount of Notes, but may, subject to the limitations set forth under “—Certain Covenants—Limitation on Incurrence of Additional Indebtedness,” issue Additional Notes in one or more transactions.

The Notes will be issued in the form of one or more Global Notes, without coupons, registered in the name of a nominee of DTC, as depositary. The Notes will be issued in minimum denominations of U.S.\$1,000 and integral multiples thereof. See “Book-Entry; Delivery and Form” in this offering memorandum.

Principal, Maturity and Interest

The redemption price of the Notes will be equal to 100% of the principal amount. The Notes will mature on May 15, 2024, unless earlier redeemed in accordance with the terms of the Notes. See “—Optional Redemption” below.

The Notes will not be entitled to the benefit of any mandatory sinking fund.

Interest on the Notes will accrue at the rate of 6.875% per year and will be payable semi-annually in arrears on May 15 and November 15 of each year, commencing on November 15, 2017. Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from and including the Issue Date. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Payments of principal and interest will be made to the persons who are registered Holders on the day (whether or not a business day) immediately preceding the applicable payment date.

Initially, the Trustee will act as Co-Registrar, Transfer Agent and Principal Paying Agent for the Notes and Banco Santander Río S.A. will act as Registrar, Paying Agent, Transfer Agent and Representative of the Trustee in Argentina. The Company may change such registrars, agents and representatives without notice to Holders; provided that while the Notes are outstanding, the Company shall maintain an office or agency for the payment of principal of, and interest and Additional Amounts, if any, on the Notes as herein provided, in New York City and in Buenos Aires and, so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF Market and the rules of such exchange so require, in Luxembourg, and shall maintain a Registrar and Transfer Agent in Argentina. Payments on the Notes will be made at the office or agency of the Principal Paying Agent in New York City unless the Company elects to make interest payments by check mailed to the registered Holders at their registered addresses.

The Company will provide copies of the offering memorandum and the Indenture at the offices of the Luxembourg Listing Agent so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF Market.

Further Issues

We may from time to time, subject to the authorization of the CNV, and without the consent of the Holders of any outstanding Notes, create and issue additional Notes (“Additional Notes”) having substantially identical terms (other than issue price, issue date and date from which the interest will accrue) as Notes issued on the Issue Date. Any Additional Notes will be consolidated and form a single class with the Notes issued on the Issue Date, so that, among other things, Holders of any Additional Notes will have the right to vote together with Holders of Notes issued on the Issue Date as one class; provided that such Additional Notes will not be issued with the same CUSIP, ISIN or other identifying number as the outstanding Notes unless such Additional Notes are fungible with the outstanding Notes for U.S. federal income tax purposes.

Additional Amounts

All payments by or on behalf of the Company in respect of the Notes will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or other governmental charges of whatsoever nature imposed, assessed or levied by or on behalf of Argentina or, following the consummation of any transaction described under “—Certain Covenants—Limitation on Merger, Consolidation and Sale of Assets,” the Qualified Merger Jurisdiction under the laws of which the Company or the Surviving Entity, as the case may be, is organized (or, in each case, any political subdivision or

authority thereof or therein) having power to tax, unless we are compelled by law to deduct or withhold such taxes, duties, assessments or other governmental charges.

In such event, the Company will pay such additional amounts (“Additional Amounts”) as may be necessary to ensure that the net amounts received by the Holders after such withholding or deduction will equal the respective amounts of principal and interest which would have been payable in respect of the Notes in the absence of such withholding or deduction, except that no such Additional Amounts will be payable in respect of any Note (i) presented for payment more than 30 days after the later of the following dates (A) the date on which such payment first became due and (B) if the full amount payable has not been received by the Trustee on or prior to such due date, the date on which, the full amount having been so received, notice to that effect is given to the Holders by the Trustee, except to the extent that the Holder would have been entitled to such Additional Amounts on presenting such Note for payment on the last day of such period of 30 days; (ii) held by or on behalf of a Holder who is liable for such taxes, duties, assessments or governmental charges in respect of such Note by reason of having some connection with Argentina or such Qualified Merger Jurisdiction under the laws of which the Company or the Surviving Entity, as the case may be, is organized (or any political subdivision or authority thereof or therein) other than the mere holding of such Note, or the receipt of principal or interest in respect thereof; (iii) to the extent that the taxes, duties, assessments, or other governmental charges would not have been imposed but for the failure of the Holder to comply with any certification, identification or other reporting requirements concerning the nationality, residence, identity or connection with Argentina or such Qualified Merger Jurisdiction of such Holder, which is required or imposed by law as a precondition to exemption from all or a part of such tax, assessment, or other governmental charge provided that the Company provides written notice 30 days prior to the payment date on which the Holder must satisfy such requirements; (iv) in respect of any estate, inheritance, gift, sales, transfer or personal assets tax or any similar tax, assessment or other governmental charge; (v) in respect of any tax, assessment or other governmental charge that is payable otherwise than by deduction or withholding; or (vi) any combination of the above. In addition, no Additional Amount shall be paid with respect to a payment on a Note to a Holder that is a fiduciary or partnership or other than the sole beneficial owner of such payment to the extent a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner would not have been entitled to the Additional Amount had such beneficiary, settlor, member or beneficial owner been the Holder of such Note.

Notwithstanding the foregoing, the limitations on the Company’s obligation to pay Additional Amounts set forth in clause (iii) above shall not apply if the Holders or beneficial owners affected thereby show that a certification, identification, information, documentation or other reporting requirement, or the provision of information or documentation, as the case may be, as required under “—Additional Amounts”, would be materially more onerous, in form, in procedure or in the substance of information disclosed, to such Holders or beneficial owners than the information or other reporting requirements under U.S. tax law, regulation and administrative practice (such as IRS Forms W-8, W-9 or 8802, or any information reporting requirements described in Section 1471(c) of the Internal Revenue Code of 1986, as amended (the “Code”) or Section 1472(b) of the Code).

In addition, no Additional Amounts will be paid with respect to any withholding or deduction that is imposed in connection with Sections 1471-1474 of the Code and the U.S. Treasury regulations thereunder (“FATCA”), any intergovernmental agreement between the United States and any other jurisdiction implementing, or relating to, FATCA or any law, regulation or official guidance enacted or issued in any jurisdiction with respect thereto.

The Company will pay any present or future stamp, court or documentary taxes or similar levies (with the exception of what has been stipulated in “Certain Argentine Tax Considerations”), current or future, imposed by Argentina or, following the consummation of any transaction described under “—Certain Covenants—Limitation on Merger, Consolidation and Sale of Assets,” the Qualified Merger Jurisdiction under the laws of which the Company or the Surviving Entity, as the case may be, is organized (or, in each case, any political subdivision or authority thereof or therein) which arise from the execution, delivery or registration of the Notes or any other document or instrument referred to in the Notes, excluding any such

taxes, charges or similar levies imposed by any jurisdiction outside of Argentina or such other Qualified Merger Jurisdiction.

Repurchases

The Company or any of its Subsidiaries may at any time purchase any Note in the open market. The Company or any such Subsidiary will not have voting rights with respect to such Note in any Noteholders' meeting and such Note will not be considered as outstanding for purpose of calculating the quorum at the meeting. Any Note so purchased by the Company or its Subsidiaries may not be reissued or resold except in accordance with all applicable securities and other laws.

Optional Redemption

Optional Redemption with Make-Whole Premium

At any time prior to May 15, 2021, the Notes may be redeemed at the option of the Company, in whole but not in part, upon not less than 10 nor more than 60 days' notice given to the Holders of the Notes, in an amount equal to 100% of the principal amount thereof, plus accrued and unpaid interest to the redemption date and a Make-Whole Premium (as defined below), subject to the rights of holders of the Notes on the record date preceding the redemption date to receive interest due on the succeeding interest payment date.

The "Make-Whole Premium" in respect of an optional redemption of the Notes by the Company at any redemption date shall mean the excess, if any, of (i) the present value at such redemption date of (A) the redemption price of such Notes on May 15, 2021 (as stated in the table below immediately following the first paragraph under "Optional Redemption without a Make-Whole Premium"), plus (B) the remaining scheduled payments of interest on the Notes through May 15, 2021 discounted to the redemption date for the Notes on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the applicable Treasury Yield plus the Applicable Number of Basis Points, less accrued interest to the redemption date, over (ii) 100% of the principal amount of the Notes.

"Applicable Number of Basis Points" shall mean 50 basis points.

"Comparable Treasury Issue" means, with respect to the Notes, the United States Treasury security or securities selected by an Independent Investment Banker as having a maturity from the applicable redemption date to May 15, 2021 that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to May 15, 2021.

"Comparable Treasury Price" means, with respect to any applicable redemption date, (i) the average of the applicable Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such applicable Reference Treasury Dealer Quotations or (ii) if the Independent Investment Banker obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"Independent Investment Banker" means, with respect to the Notes, an independent investment banking institution of international standing appointed by the Company.

"Reference Treasury Dealer" means, with respect to the Notes, at least four primary United States government securities dealers in New York City as the Company shall reasonably select.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date for the Notes, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue for the Notes (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by such Reference Treasury Dealer at 3:00 p.m. on the third business day preceding such redemption date.

"Treasury Yield" means, with respect to any redemption date applicable to the Notes, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a

price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the applicable Comparable Treasury Price for such redemption date.

Optional Redemption without a Make-Whole Premium

At any time and from time to time on or after May 15, 2021, the Company may, at its option, redeem all or part of the Notes, upon not less than 10 nor more than 60 days' prior notice to the Holders of the Notes, at the redemption prices, expressed as percentages of principal amount, set forth below, plus accrued and unpaid interest thereon, if any, to the applicable redemption date, if redeemed during the 12-month period beginning on May 15 of the years indicated below:

	Redemption Price
2021.....	103.438%
2022.....	101.719%
2023.....	100.000%

Optional Redemption with Proceeds of Equity Offerings

At any time prior to May 15, 2021, the Company may, at its option, on one or more occasions, upon giving not less than 10 nor more than 60 days' notice to Holders, redeem up to 35% of the aggregate principal amount of notes (including any additional notes) at a redemption price of 106.875% of the principal amount thereof, plus accrued and unpaid interest (including Additional Amounts, if any) to the redemption date, with the net cash proceeds of one or more Equity Offerings; provided that:

- (1) Notes in an aggregate principal amount equal to at least 65% of the aggregate principal amount of Notes issued on the first Issue Date remain outstanding immediately after the occurrence of such redemption; and
- (2) the redemption must occur within 90 days of the date of the closing of such Equity Offering.

Optional Redemption Upon Tax Event

Notes may be redeemed, at our option, in whole but not in part, at any time, upon giving not less than 10 nor more than 60 days' notice to Noteholders (which notice will be irrevocable and must be given in the manner described in "—Notices"), at a redemption price equal to the principal amount thereof, together with accrued interest and Additional Amounts, if any, to the date fixed for redemption if (i) we determine and certify to the Trustee immediately prior to the giving of such notice that as a result of any change in or amendment to the laws (or any regulations or rulings promulgated thereunder) of Argentina or, following the consummation of any transaction described under "—Certain Covenants—Limitation on Merger, Consolidation and Sale of Assets," the Qualified Merger Jurisdiction under the laws of which the Company or the Surviving Entity, as the case may be, is organized, or any political subdivision or taxing authority thereof or therein affecting taxation, or any change in the official position regarding the application or interpretation of such laws, regulations or rulings (including, among others, a holding by a court of competent jurisdiction), which change, amendment, application or interpretation becomes effective on or after the date of issue of such Notes, we have paid or will become obligated to pay Additional Amounts in respect of such Notes pursuant to the terms thereof and (ii) such obligation cannot be avoided by us taking commercially reasonable measures available. The date fixed for such redemption shall not be earlier than the last practicable date on which we could make payment without being required to make such withholding or deduction or to pay such Additional Amounts. Prior to the publication of any notice of redemption of the Notes pursuant to the foregoing, we will deliver to the Trustee a certificate signed by an authorized representative to the effect that our obligation to pay Additional Amounts cannot be avoided by us, taking commercially reasonable measures available. We will also deliver an opinion of an independent auditor or counsel (of recognized standing) stating that we would be obligated to pay Additional Amounts due to

changes in tax laws as described in clause (i) above. The Trustee will accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set forth in clauses (i) and (ii) above, in which case, it will be conclusive and binding for the Holders of the Notes.

Optional Redemption Procedures

Notice of any redemption shall be given in the manner described in “—Notices” at least 10 but not more than 60 days before the redemption date to Holders of Notes to be redeemed.

Notes called for redemption will become due on the date fixed for redemption. The Company will pay the redemption price for the Notes together with accrued and unpaid interest thereon through the date of redemption. On and after the redemption date, interest will cease to accrue on the Notes as long as the Company has deposited with the Paying Agents funds in satisfaction of the applicable redemption price pursuant to the Indenture. Upon redemption of the Notes by the Company, the redeemed Notes will be cancelled.

If fewer than all of the Notes are being redeemed, the Notes to be redeemed shall be redeemed, to the extent permitted under applicable law and securities exchange rules, on a *pro rata* basis, and in accordance with DTC’s operational procedures, in denominations of U.S.\$1,000 principal amount and multiples thereof. Upon surrender of any Note redeemed in part, the Holder will receive a new Note equal in principal amount to the unredeemed portion of the surrendered Note. Once notice of redemption is sent to the Holders, Notes called for redemption become due and payable at the redemption price on the redemption date, and, commencing on the redemption date, Notes redeemed will cease to accrue interest.

Any redemption or notice of redemption may, at the discretion of the Company, be subject to one or more conditions precedent (except as provided for under “—Optional Redemption Upon Tax Event,” in which case it must be irrevocable) and, in the case of a redemption with the proceeds of an Equity Offering, be given prior to the completion of the related Equity Offering.

Change of Control

Upon the occurrence of a Change of Control, each Holder will have the right to require that the Company purchase all or a portion (in integral multiples of U.S.\$1,000) of the Holder’s Notes at a purchase price equal to 101% of the principal amount thereof, plus any accrued and unpaid interest thereon through the purchase date (the “Change of Control Payment”).

Within 30 days following the date upon which the Change of Control occurs, the Company must send a notice to each Holder, with a copy to the Trustee, offering to purchase the Notes as described above (a “Change of Control Offer”) and, for so long as the Notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF Market and the rules of the exchange so require, publish such notice as described in “—Notices” below. The Change of Control Offer will state, among other things, the purchase date, which must be at least 30 but not more than 60 days from the date the notice is sent, other than as may be required by law (the “Change of Control Payment Date”).

On the Change of Control Payment Date, the Company will, to the extent lawful:

- (1) accept for payment all Notes or portions thereof properly tendered and not withdrawn pursuant to the Change of Control Offer;
- (2) deposit with the Paying Agents funds in an amount equal to the Change of Control Payment in respect of all Notes or portions thereof so tendered; and
- (3) deliver or cause to be delivered to the Trustee the Notes so accepted together with an Officers’ Certificate stating the aggregate principal amount of Notes or portions thereof being purchased by the Company.

If only a portion of a Note is purchased pursuant to a Change of Control Offer, a new Note in a principal amount equal to the portion thereof not purchased will be issued in the name of the Holder thereof upon cancellation of the original Note (or appropriate adjustments to the amount and beneficial interests in a

Global Note will be made, as appropriate). Notes (or portions thereof) purchased pursuant to a Change of Control Offer will be cancelled and cannot be reissued.

The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations to the extent any such rule, laws and regulations are applicable in connection with the purchase of Notes in connection with a Change of Control Offer. To the extent that the provisions of any applicable securities laws or regulations conflict with the Change of Control provisions of the Indenture, the Company will comply with such securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by doing so.

Other existing and future indebtedness of the Company may contain prohibitions on the occurrence of events that would constitute a Change of Control or require that Indebtedness be purchased upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Company to repurchase the Notes upon a Change of Control may cause a default under such Indebtedness even if the Change of Control itself does not.

If a Change of Control Offer occurs, the Company may not have available funds sufficient to make the Change of Control Payment for all the Notes that might be delivered by Holders seeking to accept the Change of Control Offer. In the event the Company is required to purchase outstanding Notes pursuant to a Change of Control Offer, the Company expects that it would seek third-party financing to the extent it does not have available funds to meet its purchase obligations and any other obligations it may have. However, we cannot assure you that the Company would be able to obtain necessary financing, and the terms of the Indenture may restrict the ability of the Company to obtain such financing.

Holders will not be entitled to require the Company to purchase their Notes in the event of a takeover, recapitalization, leveraged buyout or similar transaction which is not a Change of Control.

The Company will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

Covenants in the Indenture restricting the ability of the Company and its Restricted Subsidiaries to incur additional Indebtedness, to grant Liens on property, to make Restricted Payments and to make Asset Sales may also make more difficult or discourage a takeover of the Company, whether favored or opposed by the management or its Board of Directors. Consummation of any Asset Sale may, in certain circumstances, require redemption or repurchase of the Notes, and the Company or the acquiring party may not have sufficient financial resources to effect such redemption or repurchase. In addition, restrictions on transactions with Affiliates may, in certain circumstances, make more difficult or discourage any leveraged buyout of the Company or any of its Subsidiaries. While these restrictions cover a wide variety of arrangements that have traditionally been used to effect highly leveraged transactions, the Indenture may not afford the Holders protection in all circumstances from the adverse aspects of a highly leveraged transaction, reorganization, restructuring, merger, recapitalization or similar transaction.

One of the events that constitutes a Change of Control under the Indenture is the disposition of “all or substantially all” of the Company’s assets under certain circumstances. This term varies based upon the facts and circumstances of the subject transaction and has not been interpreted under New York State law (which is the governing law of the Indenture) to represent a specific quantitative test. As a consequence, in certain circumstances there may be uncertainty in ascertaining whether a particular transaction involved a disposition of “all or substantially all” of the assets of a Person. In the event that Holders elect to require the Company to purchase the Notes and the Company contests such election, there can be no assurance as to how a court interpreting New York State law would interpret the phrase under certain circumstances.

Certain Covenants

Limitation on Incurrence of Additional Indebtedness

- (1) The Company will not, and will not cause or permit any Restricted Subsidiary to, directly or indirectly, incur any Indebtedness (including Acquired Indebtedness) except that the Company may incur Indebtedness if, at the time of and immediately after giving *pro forma* effect to the Incurrence thereof and the application of the net proceeds therefrom, (i) no Default or Event of Default shall have occurred and be continuing and (ii) the Consolidated Interest Coverage Ratio would be no less than 2.0:1.0 and the Consolidated Net Indebtedness to Consolidated EBITDA Ratio would be no greater than 3.5:1.0.
- (2) Notwithstanding clause (1) above, the Company and its Restricted Subsidiaries, as applicable, may, at any time, incur the following Indebtedness ("Permitted Indebtedness"):
 - (a) Indebtedness in respect of the Notes (excluding Additional Notes);
 - (b) Indebtedness incurred under (i) the Existing Notes and (ii) the Loan Agreement and the Guarantee by the Company of the Loan Agreement;
 - (c) other Indebtedness of the Company and its Restricted Subsidiaries outstanding on the Issue Date, other than Indebtedness otherwise specified under any clause of this definition of Permitted Indebtedness;
 - (d) Hedging Obligations entered into by the Company and its Restricted Subsidiaries for bona fide hedging purposes and not for speculative purposes;
 - (e) Indebtedness of the Company owed to and held by any Restricted Subsidiary of the Company or Indebtedness of a Restricted Subsidiary owed to and held by the Company or any other Restricted Subsidiary; *provided, however,* that
 - (i) any subsequent issuance or transfer of any Capital Stock or any other event that results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of any such Indebtedness (except to the Company or a Restricted Subsidiary) shall be deemed, in each case, to constitute the Incurrence of such Indebtedness by the issuer thereof; and
 - (ii) if the Company is the obligor on such Indebtedness, such Indebtedness is expressly subordinated to the prior payment in full in cash of all obligations with respect to the Notes;
 - (f) Subordinated Indebtedness and Deferred Interest Subordinated Indebtedness of the Company;
 - (g) Indebtedness consisting of Guarantees of any Indebtedness permitted under subclause (e) of this clause (2);
 - (h) Indebtedness of the Company or any Restricted Subsidiary arising from the honoring by a bank or other financial institution of a check, draft or similar instrument (including daylight overdrafts paid in full by the close of business on the day such overdraft was incurred) drawn against insufficient funds in the ordinary course of business; *provided* that such Indebtedness is extinguished within five Business Days of Incurrence;
 - (i) Indebtedness incurred in connection with any Project Financing;
 - (j) Indebtedness in respect of severance payments, workers' compensation claims, payment obligations in connection with health or other social security benefits, unemployment insurance or other self-insurance obligations for employees, letters of credit, bankers' acceptances, payment obligations in connection with insurance premiums or similar obligations, security deposits, completion, performance, surety, appeal, bid, customs or similar bonds and reimbursement obligations (or letters of credit in connection with, in lieu

of or in respect of each of the foregoing), in each case, Incurred in the ordinary course of business by, or to the extent required by applicable Governmental Authorities in connection with the operations of, the Company or a Restricted Subsidiary;

- (k) Indebtedness consisting of letters of credit, banker's acceptances, performance bonds, appeal bonds, surety bonds, customs bonds and other similar bonds and reimbursement obligations Incurred by the Company or any Restricted Subsidiary in the ordinary course of business securing the performance of contractual or license obligations of the Company or any Restricted Subsidiary (in each case, other than for an obligation for borrowed money) or Incurred in connection with the financing of insurance premiums in the ordinary course of business;
- (l) Refinancing Indebtedness in respect of:
 - (i) Indebtedness (other than Indebtedness owed to the Company or any Subsidiary of the Company) Incurred pursuant to clause (1) above (it being understood that no Indebtedness outstanding on the Issue Date is Incurred pursuant to such clause (1)); or
 - (ii) Indebtedness Incurred pursuant to clauses (a), (b), (c), (l) and (m) (excluding Indebtedness owed to the Company or a Subsidiary of the Company);
- (m) Acquired Indebtedness, *provided* that after giving *pro forma* effect to the Incurrence thereof and the transactions related thereto, (i) the Company could incur at least U.S.\$1.00 of Indebtedness pursuant to clause (1) above, or (ii) the Consolidated Interest Coverage Ratio would be no less than the Consolidated Interest Coverage Ratio immediately prior to such transactions, and the Consolidated Net Indebtedness to Consolidated EBITDA Ratio would be no greater than the Consolidated Net Indebtedness to Consolidated EBITDA Ratio immediately prior to the transactions;
- (n) Indebtedness arising from agreements of the Company or a Restricted Subsidiary providing for customary guarantees, indemnification, obligations in respect of earn-outs or other adjustments of purchase price or, in each case, similar obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary (other than Guarantees of Indebtedness Incurred by any Person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition); *provided* that
 - (i) such Indebtedness is not reflected on the balance sheet of the Company or any Restricted Subsidiary (contingent obligations referred to in a footnote to financial statements and not otherwise reflected on the balance sheet will not be deemed to be reflected on such balance sheet for purposes of this subclause (i)), and
 - (ii) the maximum liability of the Company and its Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including non-cash proceeds (the fair market value of such non-cash proceeds being measured at the time received and without giving effect to any subsequent changes in value), actually received by the Company and its Restricted Subsidiaries in connection with such disposition;
- (o) Indebtedness under any one or more Permitted Receivables Financings, the combined aggregate principal amount of which does not exceed U.S.\$20 million (or the equivalent in other currencies) at any time outstanding;
- (p) Indebtedness of the Company or any Restricted Subsidiary with the Argentine Secretary of Energy, ENRE, CAMMESA and/or any other Governmental Authority involved in the Argentine electricity market; and
- (q) Indebtedness of the Company or any Restricted Subsidiary (including, but not limited to, Indebtedness consisting of working capital lines of credit) in an aggregate principal amount which, when taken together with all other Indebtedness of the Company and its Restricted

Subsidiaries outstanding on the date of such Incurrence (other than Indebtedness permitted by subclauses (a) through (p) above or clause (1)) does not exceed the greater of U.S.\$60 million (or the equivalent in other currencies) and 10% of Consolidated Total Assets.

- (3) For purposes of determining compliance with, and the outstanding principal amount of, any particular Indebtedness Incurred pursuant to and in compliance with this covenant:
 - (a) the outstanding principal amount of any item of Indebtedness will be counted only once;
 - (b) in the event that an item of Indebtedness meets the criteria of clause (1) or (2) above or more than one of the categories of Permitted Indebtedness described in clauses (a) through (q) of clause (2) above, the Company may, in its sole discretion, divide and classify (or at any time reclassify) such item of Indebtedness in any manner that complies with this covenant; and
 - (c) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness, but may be permitted in part by such provision and in part by one or more other provisions of this covenant permitting such Indebtedness.
- (4) Notwithstanding the foregoing, the Company may not Incur any Indebtedness pursuant to clause (2) above if the proceeds thereof are used, directly or indirectly, to Refinance any Subordinated Indebtedness or Deferred Interest Subordinated Indebtedness, unless such Indebtedness will be subordinated to any obligations owed under the Notes and the Indenture to at least the same extent as such Subordinated Indebtedness or Deferred Interest Subordinated Indebtedness, as applicable.
- (5) For purposes of determining compliance with any U.S. dollar-denominated restriction on the Incurrence of Indebtedness, the U.S. dollar-equivalent principal amount of Indebtedness denominated in a non- U.S. currency will be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred or, in the case of revolving credit Indebtedness, first committed; *provided* that if such Indebtedness is Incurred to refinance other Indebtedness denominated in a non-U.S. currency, and such refinancing would cause the applicable U.S. dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-denominated restriction will be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced. Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Company or any Restricted Subsidiary may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, will be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

Limitation on Restricted Payments

The Company will not, and will not cause or permit any Restricted Subsidiary to, directly or indirectly, take any of the following actions (each, a “Restricted Payment”):

- (a) declare or pay any dividend or return of capital or make any distribution on or in respect of shares of Capital Stock of the Company or any Restricted Subsidiary to holders of such Capital Stock, other than:
 - (i) dividends or distributions payable in Qualified Capital Stock of the Company or options, warrants or other rights to purchase Capital Stock (other than Disqualified Stock) of the Company;
 - (ii) dividends or distributions payable to the Company and/or a Restricted Subsidiary; or
 - (iii) dividends, distributions or returns of capital made on a *pro rata* basis to the Company and its Restricted Subsidiaries, on the one hand, and minority holders of Capital Stock

of a Restricted Subsidiary, on the other hand (or on a less than *pro rata* basis to any minority holder);

- (b) purchase, redeem or otherwise acquire or retire for value any Capital Stock of the Company held by Persons other than the Company or any Restricted Subsidiary;
- (c) make any principal payment on, purchase, defease, redeem, prepay, decrease or otherwise acquire or retire for value, prior to any scheduled final maturity, scheduled repayment or scheduled sinking fund payment, as the case may be, any Subordinated Indebtedness or Deferred Interest Subordinated Indebtedness (other than Subordinated Indebtedness between the Company and any Restricted Subsidiary); or
- (d) make any Investment (other than Permitted Investments);

if at the time of the Restricted Payment and immediately after giving *pro forma* effect thereto:

- (A) a Default or an Event of Default has occurred and is continuing or would occur as a result thereof; or
- (B) the Company is not able to Incur at least U.S.\$1.00 of additional Indebtedness pursuant to clause (1) of “—Limitation on Incurrence of Additional Indebtedness.”

Notwithstanding the preceding paragraph, this covenant does not prohibit:

- (1) the payment of any dividend within 60 days after the date of declaration of such dividend if the dividend would have been permitted on the date of declaration pursuant to the preceding paragraph; provided, however, that at the time of payment of such dividend, no other Default or Event of Default shall have occurred and be continuing (or result therefrom);
- (2) the acquisition of any shares of Capital Stock of the Company,
 - (a) in exchange for Qualified Capital Stock of the Company; or
 - (b) through the application of the net cash proceeds received by the Company from a substantially concurrent sale of Qualified Capital Stock of the Company or a contribution to the equity capital of the Company not representing an interest in Disqualified Capital Stock, in each case not received from a Subsidiary of the Company;
- (3) the voluntary prepayment, purchase, defeasance, redemption or other acquisition or retirement for value of any Subordinated Indebtedness solely in exchange for, or through the application of net cash proceeds of a substantially concurrent sale, other than to a Subsidiary of the Company, of:
 - (a) Qualified Capital Stock of the Company; or
 - (b) Refinancing Indebtedness for such Subordinated Indebtedness;
- (4) repurchases of Capital Stock deemed to occur upon the exercise of stock options, warrants or other convertible or exchangeable securities to the extent such Capital Stock represents a portion of the exercise price thereof, and Restricted Payments by the Company to allow the payment of cash in lieu of the issuance of fractional shares upon the exercise of options or warrants or upon the conversion or exchange of Capital Stock of the Company;
- (5) (x) Investments in Unrestricted Subsidiaries made with the net proceeds of (1) a substantially concurrent capital contribution to the Company, or issue or sale of Capital Stock (other than Disqualified Stock) of the Company or (2) an Asset Sale of Investments in one or more Unrestricted Subsidiaries and (y) Investments in any Person made with the net proceeds of an Asset Sale of Investments in one or more Persons that are not a Subsidiary;
- (6) payments of dividends or other distributions of Capital Stock, Indebtedness or other securities received from Unrestricted Subsidiaries (other than Unrestricted Subsidiaries the primary assets of which are cash and/or Cash Equivalents);

- (7) Investments in Unrestricted Subsidiaries in connection with a Permitted Business in an aggregate principal amount not to exceed US\$20 million (or the equivalent in other currencies, exclusive of any amounts incurred under (5) above), calculated as of the end of the most recent fiscal quarter ending at least 45 days prior to the date of such Investments; and
- (8) repurchases by the Company of Capital Stock of the Company or options, warrants or other securities exercisable or convertible into Capital Stock of the Company from employees or directors of the Company or any of its Subsidiaries or their authorized representatives upon the death, disability or termination of employment or directorship of the employees or directors, in an amount not to exceed U.S.\$5 million (or the equivalent in other currencies) in the aggregate.

The amount of any Restricted Payments not in cash will be the Fair Market Value on the date of such Restricted Payment of the property, assets or securities proposed to be paid, transferred or issued by the Company or the relevant Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment.

Limitation on Asset Sales

The Company will not, and will not permit any Restricted Subsidiary to, consummate an Asset Sale unless:

- (a) the Company or such Restricted Subsidiary, as the case may be, receives consideration at the time of the Asset Sale at least equal to the Fair Market Value of the shares and/or assets sold or otherwise disposed of (for purposes of this subclause (a), all determinations of Fair Market Value shall be made in good faith by the Board of Directors of the Company or the relevant Restricted Subsidiary as certified by an Officers' Certificate delivered to the Trustee); and
- (b) at least 75% of the consideration received for the assets sold by the Company or the Restricted Subsidiary, as the case may be, in the Asset Sale is in the form of (1) cash or Cash Equivalents; (2) Replacement Assets or (3) a combination of cash, Cash Equivalents and Replacement Assets; provided that in case of an Asset Sale in which the Company or such Restricted Subsidiary receives Replacement Assets, the Company delivers to the Trustee an Officers' Certificate stating that (a) the Company's chief executive officer or chief financial officer has approved such Asset Sale, (b) such Asset Sale is on fair and reasonable terms on an arm's-length basis, and (c) the Fair Market Value of the Replacement Assets, together with any cash consideration is no less than the Fair Market Value of the assets subject to such Asset Sale.

For purposes of this clause (b), the assumption by the purchasers of Indebtedness or other obligations (other than Subordinated Indebtedness and Deferred Interest Subordinated Indebtedness) of the Company or a Restricted Subsidiary pursuant to a customary novation agreement, and instruments or securities received from the purchasers that are promptly, but in any event within 90 days of the closing, converted by the Company or a Restricted Subsidiary to cash, to the extent of the cash actually so received, shall be considered cash received at closing.

The Company or such Restricted Subsidiary, as the case may be, may apply the Net Cash Proceeds of any such Asset Sale within 365 days thereof to:

- (1) repay, prepay or purchase any Senior Indebtedness of the Company or any Restricted Subsidiary, in each case for borrowed money or constituting a Capitalized Lease Obligation and permanently reduce the commitments with respect thereto without Refinancing; or
- (2) purchase:
 - (a) assets (other than current assets as determined in accordance with IFRS or Capital Stock) to be used by the Company or any Restricted Subsidiary in a Permitted Business; or
 - (b) Capital Stock of a Person engaged solely in a Permitted Business that will become, upon purchase, a Restricted Subsidiary,

from a Person other than the Company and its Restricted Subsidiaries; or

- (3) make a capital contribution into any Restricted Subsidiary; *provided* such Restricted Subsidiary uses the proceeds of such contribution in accordance with (1) or (2) within such 365-day period; or
- (4) any combination of (1), (2) and (3);

provided that application of (x) the Net Cash Proceeds from the sale of assets consisting of an Investment in an Unrestricted Subsidiary towards an Investment in another Unrestricted Subsidiary or (y) the Net Cash Proceeds from the sale of assets consisting of an Investment in a Person that is not a Subsidiary towards an Investment in another Person that is not a Subsidiary shall be deemed to satisfy the application requirements of this paragraph.

To the extent all or a portion of the Net Cash Proceeds of any Asset Sale are not applied within the 365 days of the Asset Sale as described in clauses (1), (2), (3) or (4) of the immediately preceding paragraph, the Company will make an offer to purchase Notes (the “Asset Sale Offer”), at a purchase price equal to 100% of the principal amount of the Notes to be purchased, plus any accrued and unpaid interest thereon, to the purchase date (the “Asset Sale Offer Amount”). The Company will purchase pursuant to an Asset Sale Offer from all tendering Holders on a *pro rata* basis, and, at the Company’s option, on a *pro rata* basis with the holders of any other Senior Indebtedness with similar provisions requiring the Company to offer to purchase the other Senior Indebtedness with the proceeds of Asset Sales, that principal amount (or accreted value in the case of Indebtedness issued with original issue discount) of Notes and the other Senior Indebtedness to be purchased equal to such unapplied Net Cash Proceeds. The Company may satisfy its obligations under this covenant with respect to the Net Cash Proceeds of an Asset Sale by making an Asset Sale Offer prior to the expiration of the relevant 365-day period.

The purchase of Notes pursuant to an Asset Sale Offer will occur not less than 20 Business Days following the date thereof, or any longer period as may be required by applicable law or regulation, nor more than 45 days following the 365th day following the Asset Sale. The Company may, however, defer an Asset Sale Offer until there is an aggregate amount of unapplied Net Cash Proceeds from one or more Asset Sales equal to or in excess of U.S.\$30 million (or the equivalent in other currencies). At that time, the entire amount of unapplied Net Cash Proceeds, and not just the amount in excess of U.S.\$30 million (or the equivalent in other currencies), will be applied as required pursuant to this covenant.

Pending application in accordance with this covenant, Net Cash Proceeds will be applied to temporarily reduce revolving credit borrowings that can be reborrowed or Invested in Cash Equivalents.

Each notice of an Asset Sale Offer will be sent to the registered Holders no later than 10 days following such 365th day, with a copy to the Trustee offering to purchase the Notes as described above. Each notice of an Asset Sale Offer will state, among other things, the purchase date, which must be at least 30 and not more than 60 days from the date the notice is sent, other than as may be required by law (the “Asset Sale Offer Payment Date”). Upon receiving notice of an Asset Sale Offer, Holders may elect to tender their Notes in whole or in part in integral multiples of U.S.\$1,000 in exchange for cash.

On the Asset Sale Offer Payment Date, the Company will, to the extent lawful:

- (1) accept for payment all Notes or portions thereof properly tendered pursuant to the Asset Sale Offer;
- (2) deposit with the Paying Agents funds in an amount equal to the Asset Sale Offer Amount in respect of all Notes or portions thereof so tendered; and
- (3) deliver or cause to be delivered to the Trustee the Notes so accepted together with an Officers’ Certificate stating the aggregate principal amount of Notes or portions thereof being purchased by the Company.

To the extent that Holders of Notes and holders of other Senior Indebtedness, if any, which are the subject of an Asset Sale Offer properly tender and do not withdraw Notes or the other Senior Indebtedness in an aggregate amount exceeding the amount of unapplied Net Cash Proceeds, the Company will purchase the Notes and the other Senior Indebtedness on a *pro rata* basis (based on amounts tendered). If only a portion of a Note is purchased pursuant to an Asset Sale Offer, a new Note in a principal amount equal to the portion

thereof not purchased will be issued in the name of the Holder thereof upon cancellation of the original Note (or appropriate adjustments to the amount and beneficial interests in a Global Note will be made, as appropriate). Notes (or portions thereof) purchased pursuant to an Asset Sale Offer will be cancelled and cannot be reissued.

Upon completion of an Asset Sale Offer, the amount of Net Cash Proceeds will be reset at zero. Accordingly, to the extent that the aggregate amount of Notes and other Senior Indebtedness tendered pursuant to an Asset Sale Offer is less than the aggregate amount of unapplied Net Cash Proceeds, the Company may use any remaining Net Cash Proceeds for general corporate purposes of the Company and its Restricted Subsidiaries to the extent permitted under the Indenture.

If at any time any non-cash consideration received by the Company or any Restricted Subsidiary, as the case may be, in connection with any Asset Sale is converted into or sold or otherwise disposed of for cash (other than interest received with respect to any non-cash consideration), the conversion or disposition will be deemed to constitute an Asset Sale hereunder and the Net Cash Proceeds thereof will be applied in accordance with this covenant within 365 days of conversion or disposition.

The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations to the extent any such rule, laws and regulations are applicable in connection with the purchase of Notes pursuant to an Asset Sale Offer. To the extent that the provisions of any applicable securities laws or regulations conflict with the “Asset Sale” provisions of the Indenture, the Company will comply with these laws and regulations and will not be deemed to have breached its obligations under the “Asset Sale” provisions of the Indenture by doing so.

Limitation on Designation of Unrestricted Subsidiaries

- (a) The Company may designate after the Issue Date any Subsidiary of the Company as an “Unrestricted Subsidiary” under the Indenture (a “Designation”) only if:
 - (1) such Subsidiary is not a Significant Subsidiary at the time of its Designation;
 - (2) no Default or Event of Default has occurred and is continuing at the time of or after giving effect to such Designation and any transactions between the Company or any Restricted Subsidiary and such Unrestricted Subsidiary are in compliance with “—Limitation on Transactions with Affiliates;” and
 - (3) the Company would be permitted to make an Investment at the time of Designation (assuming the effectiveness of such Designation and treating such Designation as an Investment at the time of Designation) as a Restricted Payment pursuant to the first paragraph of “—Limitation on Restricted Payments.”
- (b) Neither the Company nor any Restricted Subsidiary will at any time, except as permitted by “—Limitation on Incurrence of Additional Indebtedness” and “—Limitation on Restricted Payments”:
 - (1) provide credit support for, subject any of its property or assets (other than the Capital Stock of any Unrestricted Subsidiary) to the satisfaction of, or Guarantee, any Indebtedness of any Unrestricted Subsidiary (including any undertaking, agreement or instrument evidencing such Indebtedness);
 - (2) be directly or indirectly liable for any Indebtedness of any Unrestricted Subsidiary; or
 - (3) be directly or indirectly liable for any Indebtedness which provides that the holder thereof may (upon notice, lapse of time or both) declare a default thereon or cause the payment thereof to be accelerated or payable prior to its final scheduled maturity upon the occurrence of a default with respect to any Indebtedness of any Unrestricted Subsidiary.
- (c) The Company may revoke any Designation of a Subsidiary as an Unrestricted Subsidiary (a “Revocation”) only if:
 - (1) no Default or Event of Default has occurred and is continuing at the time of and after giving effect to such Revocation; and

- (2) all Liens and Indebtedness of such Unrestricted Subsidiary outstanding immediately following such Revocation would, if Incurred at such time, have been permitted to be Incurred for all purposes of the Indenture.
- (d) Upon a Restricted Subsidiary becoming an Unrestricted Subsidiary,
 - (1) all existing Investments of the Company and the Restricted Subsidiaries therein (valued at the Company's proportional share of the fair market value of its assets less liabilities) will be deemed made at that time;
 - (2) all existing Capital Stock or Indebtedness of the Company or a Restricted Subsidiary held by it will be deemed Incurred at that time, and all Liens on property of the Company or a Restricted Subsidiary held by it will be deemed incurred at that time;
 - (3) all existing transactions between it and the Company or any Restricted Subsidiary will be deemed entered into at that time; and
 - (4) it will cease to be subject to the provisions of the Indenture as a Restricted Subsidiary.
- (e) Upon an Unrestricted Subsidiary becoming, or being deemed to become, a Restricted Subsidiary,
 - (1) all of its Indebtedness and Disqualified or Preferred Stock will be deemed Incurred at that time for purposes of "—Limitation on Incurrence of Additional Indebtedness";
 - (2) Investments therein previously charged under "—Limitation on Restricted Payments" will be credited thereunder; and
 - (3) it will thenceforward be subject to the provisions of the Indenture as a Restricted Subsidiary.

The Designation of a Subsidiary of the Company as an Unrestricted Subsidiary will be deemed to include the Designation of all of the Subsidiaries of such Subsidiary. All Designations and Revocations must be evidenced by Board Resolutions of the Company's Board of Directors, delivered to the Trustee with an Officers' Certificate that certifies compliance with the preceding provisions.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

- (a) Except as provided in clause (b) below, the Company will not, and will not cause or permit any Restricted Subsidiary to, directly or indirectly, create or otherwise cause or permit to exist or become effective any encumbrance or restriction of any kind on the ability of any Restricted Subsidiary to:
 - (1) pay dividends or make any other distributions on or in respect of its Capital Stock to the Company or any other Restricted Subsidiary or pay any Indebtedness owed to the Company or any other Restricted Subsidiary;
 - (2) make loans or advances to, or Guarantee any Indebtedness or other obligations of, or make any Investment in, or pay any Indebtedness owed to, the Company or any other Restricted Subsidiary; or
 - (3) transfer any of its property or assets to the Company or any other Restricted Subsidiary.
- (b) Clause (a) above of this covenant will not apply to encumbrances or restrictions existing under or by reason of:
 - (1) applicable law or governmental rule, regulation or order applicable other than solely on account of the action or inaction of the Company or Restricted Subsidiary;
 - (2) the Indenture or the Notes;
 - (3) the terms of any Indebtedness outstanding on the Issue Date, and any amendments or restatements thereof; *provided* that any amendment or restatement is not materially more restrictive with respect to such encumbrances or restrictions than those in existence on the Issue Date;

- (4) the terms of any binding agreement with respect to any Restricted Subsidiary relating to its Capital Stock or assets in effect on the Issue Date, and any amendments or restatements thereof; provided that any amendment or restatement is not materially more restrictive with respect to such encumbrances or restrictions than those in existence on the Issue Date;
- (5) restrictions on the transfer of assets subject to any Permitted Lien;
- (6) with respect to clause (a)(3) above only, customary provisions restricting assignment or subletting in any lease governing a leasehold interest of any Restricted Subsidiary, permitted to be Incurred under “—Certain Covenants;”
- (7) restrictions with respect to a Restricted Subsidiary of the Company imposed pursuant to a binding agreement which has been entered into for the sale or disposition of Capital Stock or assets of such Restricted Subsidiary; *provided* that such restrictions apply solely to the Capital Stock or assets of such Restricted Subsidiary being sold;
- (8) restrictions (A) with respect to any Person, or to the property or assets of any Person, at the time the Person is acquired by the Company or any Restricted Subsidiary, or (B) with respect to any Unrestricted Subsidiary at the time it is designated or is deemed to become a Restricted Subsidiary, which encumbrances or restrictions (i) are not applicable to any other Person or the property or assets of any other Person and (ii) were not put in place in anticipation of such event and any extensions, renewals, replacements or refinancings of any of the foregoing, provided that the encumbrances and restrictions in the extension, renewal, replacement or refinancing are, taken as a whole, no less favorable in any material respect to the Noteholders than the encumbrances or restrictions being extended, renewed, replaced or refinanced;
- (9) restrictions existing under or created by any agreement (including any amendments, modifications, restatements or supplements thereto) related to Indebtedness Incurred in connection with a Project Financing; and
- (10) an agreement governing Indebtedness Incurred to Refinance the Indebtedness issued, assumed or Incurred pursuant to an agreement referred to in subclauses (1) through (9) of this clause (b); *provided* that such Refinancing agreement is not materially more restrictive with respect to such encumbrances or restrictions than those contained in the agreement referred to in such subclauses (1) through (9).

Limitation on Liens

The Company will not, and will not cause or permit any Restricted Subsidiary to, directly or indirectly, Incur any Liens of any kind (except for Permitted Liens) against or upon any of their respective properties or assets, whether owned on the Issue Date or acquired after the Issue Date, or any proceeds therefrom, to secure any Indebtedness, unless contemporaneously therewith effective provision is made to secure the Notes and all other amounts due under the Indenture equally and ratably with such Indebtedness (or, in the event that such Indebtedness is subordinated in right of payment to the Notes, prior to such Indebtedness) with a Lien on the same properties and assets securing such Indebtedness for so long as such Indebtedness is secured by such Lien.

Limitation on Sale and Leaseback Transactions

The Company will not, and will not permit any Restricted Subsidiary to, enter into any Sale and Leaseback Transaction; *provided* that the Company may enter into a Sale and Leaseback Transaction if:

- (1) the Company and the Restricted Subsidiaries would be entitled to (a) Incur Indebtedness in an amount equal to the Attributable Indebtedness with respect to such Sale and Leaseback Transaction under clause (1) of the covenant described above under “—Limitation on Incurrence of Additional Indebtedness” and (b) create a Lien to secure such Indebtedness pursuant to the covenant described above under the caption “—Limitation on Liens”; and

- (2) the net cash proceeds of that Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction.

Limitation on Merger, Consolidation and Sale of Assets

The Company will not, in a single transaction or series of related transactions, consolidate or merge with or into any Person (whether or not the Company is the surviving or continuing Person), or sell, assign, transfer, lease, convey or otherwise dispose of (or cause or permit any Restricted Subsidiary to sell, assign, transfer, lease, convey or otherwise dispose of) all or substantially all of the Company's properties and assets (determined on a consolidated basis for the Company and its Restricted Subsidiaries), to any Person unless:

- (a) either:
 - (1) the Company is the surviving or continuing corporation; or
 - (2) the Person (if other than the Company) formed by such consolidation or into which the Company is merged or the Person which acquires by sale, assignment, transfer, lease, conveyance or other disposition the properties and assets of the Company and of the Company's Restricted Subsidiaries substantially as an entirety (the "Surviving Entity"):
 - (A) is a corporation organized and validly existing under the laws of Argentina or any other Qualified Merger Jurisdiction; and
 - (B) expressly assumes, by supplemental indenture (in form and substance satisfactory to the Trustee), executed and delivered to the Trustee, the due and punctual payment of the principal of, and premium, if any, and interest on all of the Notes and the performance and observance of the covenants of the Notes and the Indenture on the part of the Company to be performed or observed;
- (b) immediately after giving effect to such transaction and the assumption contemplated by clause (a)(2)(B) above (including giving effect on a *pro forma* basis to any Indebtedness (including any Acquired Indebtedness) Incurred or anticipated to be Incurred in connection with or in respect of such transaction), (x) the Company or such Surviving Entity, as the case may be, will be able to Incur at least U.S.\$1.00 of additional Indebtedness pursuant to clause (1) of "—Limitation on Incurrence of Additional Indebtedness" or (y) the Consolidated Interest Coverage Ratio would be no less than the Consolidated Interest Coverage Ratio immediately prior to such transaction, and the Consolidated Net Indebtedness to Consolidated EBITDA Ratio would be no greater than the Consolidated Net Indebtedness to Consolidated EBITDA Ratio immediately prior to the transaction;
- (c) immediately before and immediately after giving effect to such transaction and the assumption contemplated by clause (a)(2)(B) above (including, without limitation, giving effect on a *pro forma* basis to any Indebtedness (including any Acquired Indebtedness) Incurred or anticipated to be Incurred and any Lien granted in connection with or in respect of the transaction), no Default or Event of Default has occurred or is continuing or would occur as a result thereof;
- (d) (i) immediately after giving effect to such transaction, the Surviving Entity shall have Consolidated Net Worth in an amount that is not less than the Consolidated Net Worth of the Company immediately prior to such transaction or (ii) affirmation from the applicable Rating Agencies that the Notes will not be downgraded as a result of such transaction is obtained; and
- (e) the Company or the Surviving Entity has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that the consolidation, merger, sale, assignment, transfer, lease, conveyance or other disposition and, if required in connection with such transaction, the supplemental indenture, comply with the applicable provisions of the Indenture and that all conditions precedent in the Indenture relating to the transaction have been satisfied.

For purposes of this covenant, the transfer (by lease, assignment, sale or otherwise, in a single transaction or series of transactions) of all or substantially all of the properties or assets of one or more Restricted Subsidiaries of the Company, the Capital Stock of which constitutes all or substantially all of the

properties and assets of the Company (determined on a consolidated basis for the Company and its Restricted Subsidiaries), will be deemed to be the transfer of all or substantially all of the properties and assets of the Company.

The provisions of clauses (b) and (c) above will not apply to any merger or consolidation of the Company into an Affiliate of the Company incorporated solely for the purpose of reincorporating the Company in another jurisdiction so long as the Indebtedness of the Company and its Restricted Subsidiaries taken as a whole is not increased thereby.

The foregoing shall not apply to any transfer of assets by a Restricted Subsidiary to another Restricted Subsidiary or to the Company.

Upon any consolidation, combination or merger or any transfer of all or substantially all of the properties and assets of the Company and its Restricted Subsidiaries in accordance with this covenant, in which the Company is not the continuing Person, the Surviving Entity formed by such consolidation or into which the Company is merged or to which such conveyance, lease or transfer is made will succeed to, and be substituted for, and may exercise every right and power of, the Company under the Indenture and the Notes with the same effect as if such Surviving Entity had been named as such and the Company shall be relieved of its obligations under the Indenture and the Notes. For the avoidance of doubt, compliance with this covenant will not affect the obligations of the Company (including a Surviving Entity, if applicable) under “—Change of Control,” if applicable.

Limitation on Transactions with Affiliates

- (1) The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into any transaction or series of related transactions with an aggregate value in excess of U.S.\$1 million (including, without limitation, any purchase, conveyance, sale, lease or other disposition of property or the rendering of any service) with, or for the benefit of, any of its Affiliates (each an “Affiliate Transaction”), unless (a) the terms of such Affiliate Transaction are no less favorable than those that could reasonably be obtained in a comparable transaction at such time on an arm’s- length basis from a Person that is not an Affiliate of the Company, (b) in compliance with applicable law and (c) approved by the Audit Committee of the Company. For the avoidance of doubt, all Affiliate Transactions in effect on the Issue Date and disclosed in this offering memorandum shall be deemed to comply with this covenant.
- (2) Clause (1) above will not apply to:
 - (a) Affiliate Transactions with or among the Company and any Restricted Subsidiary or between or among Restricted Subsidiaries;
 - (b) reasonable fees and compensation paid to, and any indemnity provided on behalf of, officers, directors and employees of the Company or any Restricted Subsidiary, so long as the Board of Directors of the Company or such Restricted Subsidiary, as the case may be, in good faith shall have approved the terms thereof;
 - (c) Affiliate Transactions undertaken pursuant to the terms of any agreement or arrangement to which the Company or any Restricted Subsidiary is a party as of or on the Issue Date, as these agreements or arrangements may be amended, modified, supplemented, extended, renewed or replaced from time to time; provided that any future amendment, modification, supplement, extension, renewal or replacement entered into after the Issue Date will be permitted to the extent that its terms, when taken as a whole, are not more disadvantageous to the Holders of the Notes than the terms of the agreements or arrangements in effect on the Issue Date;
 - (d) transactions or payments, including grants of securities, stock options and similar rights, pursuant to any employee, officer or director compensation or benefit plans or arrangements entered into in the ordinary course of business or approved by the Company’s Board of Directors in good faith;

- (e) any employment agreements entered into by the Company or any Restricted Subsidiary in the ordinary course of business;
- (f) any Restricted Payments made in compliance with “—Limitation on Restricted Payments” and Permitted Investments;
- (g) loans or advances to employees or directors of the Company or any Restricted Subsidiary consistent with the Company’s policy and past practice in an aggregate principal amount not exceeding U.S.\$5 million (or the equivalent in other currencies) outstanding at any one time;
- (h) transactions with customers, clients, suppliers, or purchasers or sellers of goods or services, in each case in the ordinary course of business and otherwise in compliance with the terms of the Indenture that are fair to the Company or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors of the Company or are on terms at least as favorable as might reasonably have been obtained from a Person that is not an Affiliate of the Company; and
- (i) any transaction entered into in the ordinary course of business between or among the Company or any Restricted Subsidiary and any joint venture or similar entity and in a manner consistent with past practice, if such transaction would constitute an Affiliate Transaction solely because the Company or a Restricted Subsidiary owns an equity interest in or otherwise controls such joint venture or similar entity.

Conduct of Business

The Company and its Restricted Subsidiaries will not engage in any business other than a Permitted Business.

Corporate Existence

Subject to the provisions described under “—Limitation on Merger, Consolidation and Sale of Assets,” the Company will, and will cause each Restricted Subsidiary, to preserve and keep in full force and effect its corporate existence.

Government Approvals and Licenses; Compliance with Law

The Company will, and will cause each Restricted Subsidiary to, (i) obtain, maintain in full force and effect and comply with, all governmental approvals, authorizations, consents, permits, concessions (including concessions for exploitation, complementary exploration and hydrocarbons development) and licenses as are necessary to engage in the Permitted Businesses, (ii) preserve and maintain good and valid title to its properties and assets (including land use rights) free and clear of any Liens other than Permitted Liens and (iii) comply with all applicable laws, rules, regulations, orders, judgments and decrees of any Governmental Authority having jurisdiction over the Company or such Restricted Subsidiary, except to the extent that failure to so obtain, maintain, preserve and comply would not reasonably be expected to have a material adverse effect on (A) the business, results of operations or prospects of the Company and its Restricted Subsidiaries taken as a whole or (B) the ability of the Company to perform its obligations under the Notes or the Indenture.

Maintenance of Properties and Insurance

The Company will, and will cause each Restricted Subsidiary to, (i) maintain or cause to be maintained in good repair, working order and condition, ordinary wear and tear excepted, all properties reasonably necessary for the conduct of their businesses, and (ii) carry and maintain in full force and effect at all times with fiscally sound insurers insurance against such risks as the Company or such Restricted Subsidiary deems reasonable and prudent under the circumstances, in accordance with industry practice.

Maintenance of Ratings

The Company shall, for so long as any Notes are outstanding, use commercially reasonable efforts to maintain ratings on the Notes from at least two Rating Agencies.

Limitation on Use of Proceeds

The Company shall use the proceeds from the offering of the Notes as described in “Use of Proceeds”.

Reports to Holders

So long as any of the Notes remain outstanding and are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, the Company will furnish to the Holders of the Notes and to prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

The Company will furnish or cause to be furnished to the Trustee in English in electronic form:

- within 60 days after the end of the first, second and third quarters of the Company’s fiscal year (commencing with the quarter ending July 31, 2017), quarterly unaudited Consolidated financial statements prepared in accordance with IFRS of the Company for such period; and
- within 120 days after the end of the fiscal year of the Company commencing with the fiscal year ending April 30, 2017, annual audited Consolidated financial statements prepared in accordance with IFRS of the Company for such fiscal year and a report on such annual financial statements by the independent auditors of the Company.

Each such annual report and the related financial statements will be accompanied by an Officer’s Certificate of the chief financial officer of the Company (i) to the effect that (A) the financial statements contained in such report fairly present, in all material respects, the consolidated financial condition of the Company and its Subsidiaries as of the date of such financial statement and the results of their operations for the period covered thereby and (B) such financial statements have been prepared in accordance with IFRS; and (ii) stating whether any Default or Event of Default exists on the date of such certificate and, if any Default or Event of Default then exists, setting forth the details thereof and the action which the Company is taking or proposes to take with respect thereto.

Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee’s receipt of such reports shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company’s or any other Person’s compliance with any of its covenants under the Indenture or the Notes (as to which the Trustee is entitled to rely exclusively on Officer’s Certificates).

For so long as any of the Notes are outstanding, the above information will be made available at the specified offices of each listing agent. For so long as the Notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF Market and the rules of such exchange so require, the above information will also be made available in Luxembourg through the offices of the Listing Agent.

Covenant Suspension

If on any date following the Issue Date (i) the Notes have Investment Grade Ratings from at least two Rating Agencies, and (ii) no Default has occurred and is continuing under the Indenture (the occurrence of the events described in the foregoing clauses (i) and (ii) being collectively referred to as a “Covenant Suspension Event”), the Company and its Restricted Subsidiaries will not be subject to the following covenants (collectively, the “Suspended Covenants”):

- (1) “—Certain Covenants—Limitation on Incurrence of Additional Indebtedness;”
- (2) “—Certain Covenants—Limitation on Restricted Payments;”
- (3) “—Certain Covenants—Limitation on Asset Sales;”

- (4) “—Certain Covenants—Limitation on Designation of Unrestricted Subsidiaries;”
- (5) “—Certain Covenants—Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries;”
- (6) “—Certain Covenants—Limitation on Sale and Leaseback Transactions;”
- (7) clause (b) of the first paragraph of “—Certain Covenants—Limitation on Merger, Consolidation and Sale of Assets;” and
- (8) “—Certain Covenants—Limitation on Transactions with Affiliates.”

In the event that the Company and its Restricted Subsidiaries are not subject to the Suspended Covenants under the Indenture for any period of time as a result of the foregoing, and on any subsequent date (the “Reversion Date”) at least two Rating Agencies no longer rate the Notes Investment Grade, then the Company and its Restricted Subsidiaries will thereafter again be subject to the Suspended Covenants under the Indenture.

The period of time between the occurrence of a Covenant Suspension Event and the Reversion Date is referred to in this description as the “Suspension Period.” In the event of any such reinstatement, no action taken or omitted to be taken by the Company or any Restricted Subsidiary prior to such reinstatement will give rise to a Default or Event of Default under the Indenture with respect to Notes; provided that (1) any Subsidiaries designated as Unrestricted Subsidiaries during the Suspension Period shall automatically become Restricted Subsidiaries on the Reversion Date (subject to the Company’s right to redesignate them as Unrestricted Subsidiaries pursuant to “—Certain Covenants—Limitation on Designation of Unrestricted Subsidiaries”), and (2) all Indebtedness Incurred, or Disqualified Capital Stock or Preferred Stock issued, during the Suspension Period will be classified to have been Incurred or issued pursuant to clause (c) of the second paragraph of “—Certain Covenants—Limitation on Incurrence of Additional Indebtedness.”

The Notes may never achieve or maintain Investment Grade Ratings.

Certain Definitions

The following sets forth certain of the defined terms used in the Indenture. Reference is made to the Indenture for full disclosure of all such terms, as well as any other terms used herein for which no definition is provided.

“*Acquired Indebtedness*” means Indebtedness of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary or at the time it merges or consolidates with the Company or a Restricted Subsidiary or is assumed in connection with the acquisition of assets from such Person. Acquired Indebtedness will be deemed to have been Incurred at the time such Person becomes a Restricted Subsidiary or at the time it merges or consolidates with the Company or a Restricted Subsidiary or at the time such Indebtedness is assumed in connection with the acquisition of assets from such Person.

“*Additional Amounts*” has the meaning set forth under “—Additional Amounts” above. “*Additional Notes*” has the meaning set forth under “—Further Issues” above.

“*Affiliate*” means, with respect to any specified Person, any other Person who directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, such specified Person. Solely for purposes of this definition, the term “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. For purposes of this definition, the terms “controlling,” “controlled by” and “under common control with” have correlative meanings.

“*Asset Acquisition*” means:

- (1) an Investment by the Company or any Restricted Subsidiary in any other Person pursuant to which such Person will become a Restricted Subsidiary, or will be merged with or into the Company or any Restricted Subsidiary;

- (2) the acquisition by the Company or any Restricted Subsidiary of the assets of any Person (other than a Subsidiary of the Company) which constitute all or substantially all of the assets of such Person or comprises any division or line of business of such Person or any other properties or assets of such Person other than in the ordinary course of business;
- (3) the acquisition by the Company or any Restricted Subsidiary of any direct interest in any oil and gas property; or
- (4) any Revocation with respect to an Unrestricted Subsidiary.

“*Asset Sale*” means any direct or indirect sale, disposition, issuance, conveyance, transfer, lease, assignment or other transfer, including, without limitation, a Sale and Leaseback Transaction (each, a “disposition”), by the Company or any Restricted Subsidiary of:

- (a) any Capital Stock other than Capital Stock of the Company (other than directors’ qualifying shares and shares issued to foreign nationals to the extent required by applicable law); or
- (b) any property or assets (other than cash, Cash Equivalents or Capital Stock) of the Company or any Restricted Subsidiary.

Notwithstanding the preceding, the following items will not be deemed to be Asset Sales:

- (1) any sale of Capital Stock of a Restricted Subsidiary (other than directors’ qualifying shares or shares required by applicable law to be held by a Person other than the Company or a Restricted Subsidiary);
- (2) the disposition of all or substantially all of the assets of the Company and its Restricted Subsidiaries as permitted under “—Certain Covenants—Merger, Consolidation and Sale of Assets” or any disposition which constitutes a Change of Control;
- (3) the sale of property or equipment that, in the reasonable determination of the Company, has become worn out, obsolete or damaged or otherwise unused in connection with the business of the Company or any Restricted Subsidiary or the transfer of any property, right or asset upon expiration and in accordance with the terms of any concession;
- (4) sales or other dispositions of equipment, inventory, accounts receivable or other assets in the ordinary course of business;
- (5) for purposes of “—Certain Covenants—Limitation on Asset Sales” only, the making of a Restricted Payment permitted under “—Certain Covenants—Limitation on Restricted Payments” and any Permitted Investment;
- (6) a disposition to the Company or a Restricted Subsidiary, including a Person that is or will become a Restricted Subsidiary immediately after the disposition;
- (7) the creation of a Permitted Lien;
- (8) dispositions of receivables and related assets or interests and in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;
- (9) the licensing or sublicensing of intellectual property or other general intangibles in the ordinary course of business;
- (10) the disposition of cash or Cash Equivalents; and
- (11) any disposition in a transaction or series of related transactions of assets with a fair market value of less than US\$5.0 million (or the equivalent in other currencies).

“*Asset Sale Offer*” has the meaning set forth under “—Certain Covenants—Limitation on Asset Sales.”

“*Asset Sale Offer Amount*” has the meaning set forth under “—Certain Covenants—Limitation on Asset Sales.”

“*Asset Sale Offer Payment Date*” has the meaning set forth under “—Certain Covenants—Limitation on Asset Sales.”

“*Attributable Indebtedness*” means, in respect of a Sale and Leaseback Transaction, as at the time of determination, the present value (discounted at the interest rate implicit in the Sale and Leaseback Transaction) of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction.

“*Board of Directors*” means, with respect to any Person, the board of directors or similar governing body of such Person or any duly authorized committee thereof.

“*Board Resolution*” means, with respect to any Person, a copy of a resolution certified by the Secretary or an Assistant Secretary of such Person to have been duly adopted by the Board of Directors of such Person and to be in full force and effect on the date of such certification, and delivered to the Trustee.

“*Business Day*” any day which is not a Saturday, Sunday or other day on which commercial banks are authorized or required by law or regulation to close in (i) the City of New York, (ii) the City of Buenos Aires, Argentina or (iii) the city where the relevant Paying Agent or Transfer Agent is located.

“*Capital Stock*” means, with respect to any Person, any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated and whether or not voting) of equity of such Person, including each class of Common Stock, Preferred Stock, limited liability interests or partnership interests, but excluding any debt securities convertible into such equity.

“*Capitalized Lease Obligations*” means, at any time, for any Person, all obligations of such Person to pay rent or other amounts under a lease of (or other agreement conveying the right to use) property to the extent such obligations are required to be accounted for as a liability on a balance sheet of such Person under IFRS and, for purposes of the Notes, the amount of such obligations shall be the capitalized amount thereof, determined in accordance with IFRS.

“*Cash Equivalents*” means (i) time deposits with financial institutions, (ii) all instruments (including, for the avoidance of doubt, money market investments, marketable securities, checks and deferred payment checks (*cheques de pago diferido*)) (a) by whomever issued which, by their terms, are payable or may be required to be paid in cash within 180 days of their issuance, or (b) issued (or, solely for purposes of the covenant described under “—Certain Covenants—Limitation on Asset Sales,” guaranteed) by any Person with an Investment Grade Rating, or (c) issued by the Republic of Argentina or the Central Bank of Argentina (*Banco Central de la República Argentina*), or (iii) *fondos comunes locales* (Argentine funds focused primarily on in-country cash management investments) that have a local rating of at least “Aa-bf.ar” by Moody’s (or the equivalent by Fitch or S&P or their respective affiliates in Argentina).

“*Change of Control*” means the occurrence of one or more of the following events:

- (1) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act or any successor provisions to either of the foregoing), including any group acting for the purpose of acquiring, holding, voting or disposing of securities within the meaning of the Rule 13d-5(b)(1) under the Exchange Act, other than any one or more members of the Götz Family and/or any Qualified Strategic Investor, (x) becomes the “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of the outstanding Voting Stock of the Company, measured by voting power rather than number of shares, or (y) acquires or otherwise obtains the right to nominate or elect the majority of the members of the Board of Directors of the Company;
- (2) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger, amalgamation or consolidation in compliance with “—Certain Covenants—Limitation on Merger, Consolidation and Sale of Assets” if more than 50% of the outstanding Voting Stock of the Surviving Entity in the aggregate is beneficially owned by one or more members of the Götz Family and/or any Qualified Strategic Investor immediately after giving effect to such transaction), in one or a series of related transactions, of all or substantially all of the assets of the

Company and its Subsidiaries taken as a whole to any “person” (as that term is used in Section 13(d) of the Exchange Act) other than to the Company or one of its Subsidiaries;

provided, however, that, notwithstanding the above, should the government of the Republic of Argentina or any agency or instrumentality thereof or any company controlled thereby acquire more than 50% of the outstanding shares of the Company (directly or indirectly), such acquisition shall constitute a Change of Control.

“*Change of Control Payment*” has the meaning set forth under “—Change of Control.” “*Change of Control Payment Date*” has the meaning set forth under “—Change of Control.”

“*CAMMESA*” means *Compañía Administradora del Mercado Mayorista Eléctrico, S.A.*

“*CNV*” means the Argentine National Securities Commission (*Comisión Nacional de Valores*). “*Commodity Agreement*” means, with respect to any Person, any commodity swap agreement, commodity cap agreement, commodity collar agreement, commodity or raw material futures contract or any other agreement as to which such Person is a party designed to manage commodity risk of such Person.

“*Common Stock*” means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person’s common equity interests, whether outstanding on the Issue Date or issued after the Issue Date, and includes, without limitation, all series and classes of such common equity interests.

“*Consolidated EBITDA*” means, for any fiscal quarter, the sum (without duplication), determined on a Consolidated basis for the Company and expressed in U.S. dollars at the average Exchange Rate and in accordance with IFRS for such period, of operating income (including any income derived from Hedging Obligations designed to protect the Company or its Subsidiaries against fluctuations in the price of hydrocarbons, electricity or other commodities) *plus* depreciation and amortization and other similar non-cash expenses (to the extent included in operating income) *plus* any Exploration Expenses (to the extent included in operating income) *plus* any dividends and distributions actually received in cash by the Company or its Restricted Subsidiaries from any Unrestricted Subsidiary (less any losses of such Unrestricted Subsidiary to the extent funded in cash by the Company or a Restricted Subsidiary).

“*Consolidated Net Indebtedness*” means, at any time, the sum of the aggregate outstanding principal amount of Indebtedness (including any Subordinated Indebtedness, but excluding any Deferred Interest Subordinated Indebtedness or Indebtedness Incurred in connection with any Project Financing), minus the sum of cash and Cash Equivalents, at such time of the Company (on a Consolidated basis) expressed in U.S. dollars at the Exchange Rate as of the date of determination.

“*Consolidated Net Indebtedness to Consolidated EBITDA Ratio*” means, at any time, the ratio of (i) Consolidated Net Indebtedness at such time to (ii) Consolidated EBITDA for the then most recently concluded period of four consecutive fiscal quarters of the Company for which financial information have been provided to the Trustee pursuant to the covenant described under “—Certain Covenants—Reports to Holders” (the “Reference Period”); *provided, however,* that for the purposes of such computation, in calculating Consolidated EBITDA, (1) Asset Acquisitions and Asset Sales and related retirement or repayment of Indebtedness that occur during the Reference Period or subsequent to the Reference Period and prior to the transaction date (including any Asset Acquisition occurring in connection with the incurrence of Indebtedness giving use to the need to calculate the Consolidated Net Indebtedness to Consolidated EBITDA Ratio) shall be calculated on a *pro forma* basis as if all such Asset Acquisitions, Asset Sales and retirement or repayment of Indebtedness had occurred on the first day of the Reference Period, (2) the Incurrence of any Indebtedness or the issuance of any Disqualified Capital Stock during the Reference Period or subsequent to the Reference Period and prior to the transaction date and the application of the proceeds therefrom shall be calculated on a *pro forma* basis as if such Incurrence or issuance and application of proceeds therefrom had occurred on the first day of such Reference Period and (3) the retirement of Indebtedness with the net proceeds of the issuance and sale of Capital Stock of the Company shall be calculated on a *pro forma* basis as if such retirement had occurred on the first day of the Reference Period. For the purposes of making the computation referred to above, Asset Acquisitions and Asset Sales that have

been made by any Person that has become a Restricted Subsidiary or been merged with or into the Company or any other Restricted Subsidiary during the Reference Period or subsequent to the Reference Period and prior to the transaction date shall be calculated on a *pro forma* basis (including all of the calculations referred to in clauses (1) through (3) above) assuming such Asset Sale or Asset Acquisitions occurred on the first day of the Reference Period. For purposes of this definition, whenever *pro forma* effect is to be given to a transaction, the *pro forma* calculations shall be determined in good faith by a responsible financial or accounting officer of the Company. For purposes of making a *pro forma* computation referred to above, the amount of Indebtedness under any revolving credit facility will be computed based on the average daily balance of such Indebtedness during the Reference Period.

“Consolidated Interest Coverage Ratio” means, as of any date of determination, the ratio of (i) Consolidated EBITDA for the then most recently concluded period of four consecutive fiscal quarters of the Company for which financial information have been provided to the Trustee pursuant to the covenant described under “—Certain Covenants—Reports to Holders” to (ii) Consolidated Interest Expense for such period; *provided, however,* that for the purposes of such computation, in calculating Consolidated EBITDA and Consolidated Interest Expense, (1) the Incurrence of the Indebtedness giving rise to the need to calculate the Consolidated Interest Coverage Ratio and the application of the proceeds therefrom shall be calculated on a *pro forma* basis as if all such Incurrence had occurred on the first day of the Reference Period, (2) Asset Acquisitions and Asset Sales and related retirement or repayment of Indebtedness that occur during the Reference Period or subsequent to the Reference Period and prior to the transaction date (including any Asset Acquisition occurring in connection with the incurrence of Indebtedness pursuant to clause (1) above) shall be calculated on a *pro forma* basis as if all such Asset Acquisitions, Asset Sales and retirement or repayment of Indebtedness had occurred on the first day of the Reference Period, (3) the Incurrence of any Indebtedness or the issuance of any Disqualified Capital Stock during the Reference Period or subsequent to the Reference Period and prior to the transaction date and the application of the proceeds therefrom shall be calculated on a *pro forma* basis as if such Incurrence or issuance and application of proceeds therefrom had occurred on the first day of such Reference Period and (4) Consolidated Interest Expense attributable to any Indebtedness (whether existing or being incurred) computed on a *pro forma* basis and bearing a floating interest rate shall be computed as if the rate in effect on the date of computation had been the applicable rate for the entire period (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term of at least twelve months as at the date of computation) and (5) the retirement of Indebtedness with the net proceeds of the issuance and sale of Capital Stock of the Company shall be calculated on a *pro forma* basis as if such retirement had occurred on the first day of the Reference Period. For the purposes of making the computation referred to above, Asset Acquisitions and Asset Sales that have been made by any Person that has become a Subsidiary or been merged with or into the Company or any other Restricted Subsidiary during the Reference Period or subsequent to the Reference Period and prior to the transaction date shall be calculated on a *pro forma* basis (including all of the calculations referred to in clauses (1) through (5) above) assuming such Asset Dispositions or Asset Acquisitions occurred on the first day of the Reference Period. For purposes of this definition, whenever *pro forma* effect is to be given to an Asset Acquisition or Asset Sale and retirement or repayment of Indebtedness relating thereto, the *pro forma* calculations shall be determined in good faith by a responsible financial or accounting officer of the Company. For purposes of making a *pro forma* computation referred to above, the amount of Indebtedness and interest on Indebtedness under any revolving credit facility will be computed based on the average daily balance of such Indebtedness during the Reference Period.

“Consolidated Interest Expense” means, for any period, the sum of the aggregate interest expense (net of interest income) of the Company on a Consolidated basis for such period, as determined in accordance with IFRS, including without limitation the interest portion of payments under Capitalized Lease Obligations, any capitalized interest and any interest accrued on any Subordinated Indebtedness, but excluding (i) interest accrued and not paid (other than in kind) on any Deferred Interest Subordinated Indebtedness and (ii) for any period ending on or prior to April 30, 2018, the Transaction Costs.

“Consolidated Net Worth” means, at any time and with respect to the Company, the stockholders’ equity of the Company and its Restricted Subsidiaries, as determined on a Consolidated basis in accordance

with IFRS, less (to the extent included in stockholders' equity) amounts attributable to Disqualified Capital Stock of the Company or its Restricted Subsidiaries not held by the Company or its Restricted Subsidiaries.

"Consolidated Total Assets" means, as of any date of determination, the total assets shown on the consolidated balance sheet of the Company as of the most recent date for which such a balance sheet is available, determined on a Consolidated basis and in accordance with IFRS, expressed in U.S. dollars at the Exchange Rate as of the date of determination.

"Consolidation" means the consolidation of the accounts of the Company with those of its Restricted Subsidiaries in accordance with IFRS. The term *"Consolidated"* has a correlative meaning.

"Covenant Defeasance" has the meaning set forth under *"—Legal Defeasance and Covenant Defeasance."*

"Covenant Suspension Event" has the meaning set forth under *"—Covenant Suspension."*

"Currency Agreement" means, with respect to any Person, any foreign exchange contract, currency swap agreement or other similar agreement as to which such Person is a party designed solely to hedge foreign currency risk of such Person.

"Default" means an event or condition the occurrence of which is, or with the lapse of time or the giving of notice or both would be, an Event of Default.

"Deferred Interest Subordinated Indebtedness" means Indebtedness of the Company which is subordinated in right of payment to the Notes, has a Stated Maturity after the Stated Maturity of the Notes and on which no interest is payable in cash during the tenor of the Notes.

"Designation" and *"Designation Amount"* have the meanings set forth under *"—Certain Covenants—Limitation on Designation of Unrestricted Subsidiaries"* above.

"Disqualified Capital Stock" means that portion of any Capital Stock which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder thereof), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the sole option of the holder thereof.

"DTC" shall mean The Depository Trust Company, a New York corporation, and its successors. *"Event of Default"* has the meaning set forth under *"—Events of Default."*

"ENRE" means the *Ente Nacional Regulador de la Electricidad*.

"Equity Offering" means an offering for cash, after the Issue Date, of Capital Stock (other than Disqualified Stock) of the Company or any direct or indirect parent of the Company, but excluding Indebtedness convertible into equity.

"Exchange Act" means the U.S. Securities Exchange Act of 1934, as amended, or any successor statute or statutes thereto.

"Exchange Rate" means, the daily average sellers' exchange rate (*tipo de cambio vendedor divisa*) as published by *Banco de la Nación Argentina*.

"Exploration Expenses" means any oil and gas exploration expenses made by the Company or any of its Restricted Subsidiaries that are capitalized but subsequently written off on account of the related area being deemed not commercially viable.

"Existing Notes" means the 10% notes due 2018 issued by the Company.

"Fair Market Value" means, with respect to any asset, the price (after taking into account any liabilities relating to such assets) which could be negotiated in an arm's-length free market transaction, for cash, between a willing seller and a willing and able buyer, neither of which is under any compulsion to complete the transaction; provided that the Fair Market Value of any such asset or assets will be determined conclusively by the Board of Directors of the Company acting in good faith, and will be evidenced by a Board Resolution.

“Fitch” means Fitch Ratings Ltd. and its successors.

“Götz Family” means (i) Elcira Bicocca; (ii) the descendants of Elcira Bicocca or Enrique Götz and of any individual under (iii) and (iv) hereafter (including adopted children and step-children of any of them); (iii) the present and previous spouses of any of the foregoing and of any individual under (iv) hereafter; (iv) the siblings of any of the foregoing; and (v) any trust or similar entities established for the benefit of any of the foregoing.

“Governmental Authority” means any government, court, tribunal, arbitrator, authority, agency, commission, official or other instrumentality of any country, state, county, city or other political subdivision, having jurisdiction over the matter or matters in question.

“Guarantee” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person:

- (1) to purchase or pay, or advance or supply funds for the purchase or payment of, such Indebtedness of such other Person, whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise; or
- (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof, in whole or in part; provided that “Guarantee” will not include endorsements for collection or deposit in the ordinary course of business. “Guarantee,” when used as a verb, has a corresponding meaning.

“Hedging Obligations” means the obligations of any Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Agreement.

“Holder” and *“Noteholder”* means the Person in whose name a Note is registered in the note register pursuant to the terms of the Indenture.

“IFRS” means International Financial Reporting Standards, as issued by the International Accounting Standards Board, as in effect from time to time or such other generally accepted accounting principles in Argentina in accordance with the regulations of the CNV.

“Incur” means, with respect to any Indebtedness or other obligation of any Person, to create, issue, incur (including by conversion, exchange or otherwise), assume, Guarantee or otherwise become liable in respect of such Indebtedness or other obligation on the balance sheet of such Person (and “Incurrence” and “Incurred” will have meanings correlative to the foregoing); *provided* that (1) any Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary of the Company will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary of the Company and (2) neither the accrual of interest nor the accretion of original issue discount nor the payment of interest in the form of additional Indebtedness with the same terms and the payment of dividends on Disqualified Capital Stock or Preferred Stock in the form of additional shares of the same class of Disqualified Capital Stock or Preferred Stock will be considered an Incurrence of Indebtedness.

“Indebtedness” means, with respect to any Person, without duplication:

- (1) the principal amount (or, if less, the accreted value) of all obligations of such Person for borrowed money;
- (2) the principal amount (or, if less, the accreted value) of all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all Capitalized Lease Obligations of such Person;
- (4) all obligations of such Person issued or assumed as the deferred purchase price of property, all conditional sale obligations and all obligations under any title retention agreement (but excluding trade accounts payable in the ordinary course of business);

- (5) all reimbursement obligations in respect of letters of credit, banker's acceptances or similar credit transactions (except to the extent they relate to trade payables in the ordinary course of business and such obligation is satisfied within 20 Business Days of Incurrence);
- (6) Guarantees and other contingent obligations of such Person in respect of Indebtedness of another Person;
- (7) all Indebtedness of any other Person which is secured by any Lien on any property or asset of such Person, whether or not such Indebtedness is assumed by such Person, the amount of such Indebtedness being deemed to be the lesser of the Fair Market Value of such property or asset and the amount of the Indebtedness so secured;
- (8) all outstanding net obligations under Hedging Obligations of such Person;
- (9) all liabilities recorded on the balance sheet of such Person in connection with a sale or other disposition of accounts receivable and related assets;
- (10) all obligations of such Person under any receivables financing, including any Permitted Receivables Financing;
- (11) all Disqualified Capital Stock issued by such Person with the amount of Indebtedness represented by such Disqualified Capital Stock being equal to the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price, but excluding accrued dividends, if any; *provided* that:
 - (a) if the Disqualified Capital Stock does not have a fixed repurchase price, such maximum fixed repurchase price will be calculated in accordance with the terms of the Disqualified Capital Stock as if the Disqualified Capital Stock were purchased on any date on which Indebtedness will be required to be determined pursuant to the Indenture; and
 - (b) if the maximum fixed repurchase price is based upon, or measured by, the fair market value of the Disqualified Capital Stock, the fair market value will be the Fair Market Value thereof; and
- (12) any obligation to pay rent or other payment amounts of such Person with respect to any Sale and Leaseback Transaction to which such Person is a party.

The amount of Indebtedness of any Person at any date will be the outstanding balance at such date of all unconditional obligations as described above and the maximum liability, upon the occurrence of the contingency giving rise to the obligation, of any contingency obligations at such date.

“Interest Rate Agreement” means, with respect to any Person, any interest rate protection agreement (including, without limitation, interest rate swaps, caps, floors, collars, derivative instruments and similar agreements) and/or other types of hedging agreements designed solely to hedge interest rate risk of such Person.

“Investment” means, with respect to any Person, any:

- (1) direct or indirect loan, advance or other extension of credit (including, without limitation, a Guarantee, an irrevocable capital contribution with respect to a future issuance of equity securities and the purchase of property from a Person subject to an understanding or agreement, contingent or otherwise, to resell such property to such Person) to any other Person (other than advances or extensions of credit to customers in the ordinary course of business);
- (2) capital contribution (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others) to any other Person; or
- (3) any purchase or acquisition by such Person of any Capital Stock, bonds, notes, debentures or other securities or evidences of Indebtedness issued by, any other Person;

provided, however, that “Investment” will exclude accounts receivable or deposits arising in the ordinary course of business. “Invest,” “Investing” and “Invested” have corresponding meanings.

For purposes of the “—Limitation on Restricted Payments” covenant, the Company will be deemed to have made an “Investment” in an Unrestricted Subsidiary at the time of its Designation, which will be valued at the Fair Market Value of the sum of the net assets of such Unrestricted Subsidiary at the time of its Designation and the amount of any Indebtedness of such Unrestricted Subsidiary or owed to the Company or any Restricted Subsidiary immediately following such Designation. Any property transferred to or from an Unrestricted Subsidiary will be valued at its Fair Market Value at the time of such transfer. If the Company or any Restricted Subsidiary sells or otherwise disposes of any Capital Stock of a Restricted Subsidiary (including any issuance and sale of Capital Stock by a Restricted Subsidiary) such that, after giving effect to any such sale or disposition, such Restricted Subsidiary would cease to be a Subsidiary of the Company, the Company will be deemed to have made an Investment on the date of any such sale or disposition equal to the sum of the Fair Market Value of the Capital Stock of such former Restricted Subsidiary held by the Company or any Restricted Subsidiary immediately following such sale or other disposition and the amount of any Indebtedness of such former Restricted Subsidiary Guaranteed by the Company or any Restricted Subsidiary or owed to the Company or any other Restricted Subsidiary immediately following such sale or other disposition.

“*Investment Grade Rating*” means a rating equal to or higher than (a) BBB-, in the case of S&P and (b) BBB-, in the case of Fitch or the equivalent of such ratings by another Rating Agency.

“*Issue Date*” means May 15, 2017.

“*Legal Defeasance*” has the meaning set forth under “—Legal Defeasance and Covenant Defeasance.”

“*Lien*” means any lien, mortgage, deed of trust, pledge, hypothecation, assignment (fiduciary or other), deposit arrangement, security interest, charge, encumbrance, preference, priority or other security or similar agreement or preferential arrangement of any kind (including any conditional sale or other title retention agreement, any lease in the nature thereof and any agreement to give any security interest); *provided* that the lessee in respect of a Capitalized Lease Obligation or Sale and Leaseback Transaction will be deemed to have Incurred a Lien on the property leased thereunder; provided that in no event shall an operating lease be deemed to constitute a Lien.

“*Loan Agreement*” means the loan agreement, dated as of March 29, 2012, among Hychico S.A., as borrower, and Inter-American Investment Corporation, as lender and arranger, for a loan in the original principal amount of U.S.\$14,000,000, guaranteed by the Company and secured by certain assets.

“*Moody’s*” means Moody’s Investors Service, Inc., or any successor thereto.

“*Net Cash Proceeds*” means, with respect to any Asset Sale, the proceeds in the form of cash or Cash Equivalents, including payments in respect of deferred payment obligations when received in the form of cash or Cash Equivalents, received by the Company or any Restricted Subsidiary from such Asset Sale, net of:

- (1) out-of-pocket expenses and fees relating to such Asset Sale (including, without limitation, legal, accounting and investment banking fees and sales commissions);
- (2) taxes paid or payable in respect of such Asset Sale after taking into account any reduction in consolidated tax liability due to available tax credits or deductions and any tax sharing arrangements;
- (3) repayment of Indebtedness secured by a Lien permitted under the Indenture that is required to be repaid in connection with such Asset Sale;
- (4) all distributions and other payments required to be made to minority interest holders in Subsidiaries or joint ventures as a result of such Asset Sale; and
- (5) appropriate amounts to be provided by the Company or any Restricted Subsidiary, as the case may be, as a reserve, in accordance with IFRS, against any liabilities associated with such Asset Sale

and retained by the Company or any Restricted Subsidiary, as the case may be, after such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, but excluding any reserves with respect to Indebtedness;

provided, however, that in the event that any consideration for an Asset Sale (which would otherwise constitute Net Cash Proceeds) is required to be held in escrow or reserved pending determination of whether a purchase price adjustment will be made or liability will be paid, such consideration (or any portion thereof) shall become Net Cash Proceeds only at such time as it is released to the Company or its Restricted Subsidiaries from escrow or such reserve is released, and *provided further* that any consideration received in the form of Cash Equivalents in connection with an Asset Sale which is subsequently converted to cash shall only be deemed to be Net Cash Proceeds at the time of such conversion and shall thereafter be applied in accordance with “—Certain Covenants—Limitation on Asset Sales” within 365 days of such conversion.

“*Obligations*” means, with respect to any Indebtedness, any principal, interest (including, without limitation, Post-Petition Interest), premium, Additional Amounts, penalties, fees, indemnifications, reimbursements, damages, and other liabilities payable under the documentation governing such Indebtedness, including in the case of the Notes, the Indenture.

“*Officers’ Certificate*” shall mean a certificate signed by two officers or by an officer and the chief financial officer of the Company or any Restricted Subsidiary, as the case may be, and delivered to the Trustee.

“*Opinion of Counsel*” means a written opinion (in form and substance reasonably acceptable to the Trustee) of counsel, who may be an employee of or counsel for the Company (except as otherwise provided in the Indenture), obtained at the expense of the Company, a Surviving Entity or a Restricted Subsidiary, and who is reasonably acceptable to the Trustee.

“*Permitted Business*” means the business or businesses conducted by the Company and its Restricted Subsidiaries as of the Issue Date and any business ancillary or complementary thereto.

“*Permitted Indebtedness*” has the meaning set forth under clause (2) of “—Certain Covenants—Limitation on Incurrence of Additional Indebtedness.”

“*Permitted Investments*” means:

- (1) Investments by the Company or any Restricted Subsidiary in any Person that is, or that result in any Person becoming, immediately after such Investment, a Restricted Subsidiary or constituting a merger or consolidation of such Person into the Company or with or into a Restricted Subsidiary; provided that such Person is engaged solely in a Permitted Business;
- (2) Investments by any Restricted Subsidiary in the Company;
- (3) Investments in cash and Cash Equivalents;
- (4) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date;
- (5) any extension, modification or renewal of any Investments existing as of the Issue Date (but not Investments involving additional advances, contributions or other investments of cash or property or other increases thereof, other than as a result of the accrual or accretion of interest or original issue discount or payment-in-kind securities, in each case pursuant to the terms of such Investment as of the Issue Date);
- (6) Investments permitted pursuant to clause (2)(b) or (d) of “—Certain Covenants—Limitation on Transactions with Affiliates;”
- (7) Investments received as a result of the bankruptcy, insolvency, receivership or reorganization of any Person or taken in settlement of or other resolution of claims or disputes, and, in each case, extensions, modifications and renewals thereof;

- (8) Investments made by the Company or its Restricted Subsidiaries as a result of non-cash consideration permitted to be received in connection with an Asset Sale made in compliance with the covenant described under “—Certain Covenants—Limitation on Asset Sales;”
- (9) Investments in the form of Hedging Obligations permitted under clause 2(d) of “—Certain Covenants—Limitation on Incurrence of Additional Indebtedness”;
- (10) receivables owing to the Company or any Restricted Subsidiary created or acquired in the ordinary course of business;
- (11) payroll, travel, moving and other loans or advances to, or Guarantees issued to support the obligations of, officers and employees, in each case in the ordinary course of business;
- (12) extensions of credit and prepayment of expenses to customers, suppliers, utility providers, licensees and other trade creditors in the ordinary course of business consistent with past practice;
- (13) Investments in the nature of deposits with respect to leases or utilities provided to third parties in the ordinary course of business;
- (14) Investments in any Notes issued under the Indenture;
- (15) Investments made exclusively with the net proceeds of any issuance of Capital Stock (other than Disqualified Stock), Subordinated Indebtedness or Deferred Interest Subordinated Indebtedness of the Company or any Restricted Subsidiary; and
- (16) any other Investments in any Person the primary business of which is a Permitted Business in an aggregate amount not exceeding, and taken together with any additional Investments made pursuant to this clause (16), the greater of U.S.\$10 million (or the equivalent in other currencies) or 2.5% of Consolidated Total Assets, calculated as of the end of the most recent fiscal quarter ending at least 45 days prior to the date of such Investment.

“*Permitted Liens*” means any of the following Liens:

- (1) Liens existing on the Issue Date (including, without limitation, Liens created pursuant to the Loan Agreement) and any extension, renewal or replacement thereof;
- (2) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, suppliers, materialmen, repairmen and other Liens imposed by law incurred in the ordinary course of business for sums not yet delinquent or being contested in good faith, if such reserve or other appropriate provision, if any, as shall be required by IFRS shall have been made in respect thereof;
- (3) zoning restrictions, licenses, sublicenses, easements, servitudes, rights of way, title defects, covenants running with the land, and other similar charges or encumbrances or restrictions, and leases or subleases granted by the Company or any Restricted Subsidiary to other Persons, in each case not materially interfering with the ordinary operation of any property subject thereto or the conduct of the business of the Company or any Restricted Subsidiary or materially and adversely affecting the value of the property subject thereto;
- (4) Liens Incurred or deposits made in the ordinary course of business in connection with workers’ compensation, unemployment insurance and other types of social security, including any Lien securing letters of credit issued in the ordinary course of business in connection therewith, or to secure the performance of tenders, statutory obligations, surety and appeal bonds, customs duties, bids, leases, government performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money);
- (5) Liens securing trade letters of credit issued in the ordinary course of business, which Liens extend only to the goods and documents related to such letters of credit and which letters of credit were issued in compliance with “—Certain Covenants—Limitation on Incurrence of Additional Indebtedness”;

- (6) Liens for taxes, assessments or other governmental charges not yet subject to penalties for non-payment or which are being contested in good faith by appropriate proceedings, *provided* that appropriate reserves required pursuant to IFRS have been made in respect thereof;
- (7) judgment Liens in respect of judgments that do not give rise to an Event of Default so long as such Lien is adequately bonded and any appropriate legal proceedings which may have been duly initiated for the review of such judgment have not been finally terminated or the period within which such proceeding may be initiated has not expired;
- (8) Liens arising solely by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depository institution; *provided, however*, that (A) such deposit account is not a dedicated cash collateral account and is not subject to restrictions against access by the Company or any of its Subsidiaries in excess of any regulations of the Central Bank of Argentina or analogous governmental authorities and (B) such deposit account is not intended by the Company or any of its Subsidiaries to provide collateral to such depository institution;
- (9) Liens to secure the Notes;
- (10) Liens securing Hedging Obligations;
- (11) any Lien securing or providing for the payment of Indebtedness Incurred in connection with any Project Financing, *provided* that the properties to which any such Lien applies are (a) properties which are the subject of such Project Financing or (b) revenues or claims which arise from the operation, failure to meet specifications, failure to complete, exploitation, sale or loss of, or damage to, such properties;
- (12) Liens to secure any Refinancing Indebtedness which is Incurred to Refinance any Indebtedness below which has been secured by a Lien permitted under the covenant described under "—Certain Covenants—Limitation on Liens" not incurred pursuant to clause (17) and which Indebtedness has been Incurred in accordance with "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness;" *provided* that such new Liens:
 - (a) are no less favorable to the Holders of Notes and are not more favorable to the lienholders with respect to such Liens than the Liens in respect of the Indebtedness being Refinanced; and
 - (b) do not extend to any property or assets other than the property or assets securing the Indebtedness Refinanced by such Refinancing Indebtedness;
- (13) Liens securing Acquired Indebtedness Incurred in accordance with "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness" not incurred in connection with, or in anticipation or contemplation of, the relevant acquisition, merger or consolidation; *provided* that
 - (a) such Liens secured such Acquired Indebtedness at the time of and prior to the Incurrence of such Acquired Indebtedness by the Company or a Restricted Subsidiary and were not granted in connection with, or in anticipation of the Incurrence of such Acquired Indebtedness by the Company or a Restricted Subsidiary; and
 - (b) such Liens do not extend to or cover any property of the Company or any Restricted Subsidiary other than the property that secured the Acquired Indebtedness prior to the time such Indebtedness became Acquired Indebtedness of the Company or a Restricted Subsidiary and are no more favorable to the lienholders than the Liens securing the Acquired Indebtedness prior to the Incurrence of such Acquired Indebtedness by the Company or a Restricted Subsidiary;
- (14) Liens securing Indebtedness or other obligations of a Restricted Subsidiary owing to the Company or another Restricting Subsidiary and permitted to be Incurred under the Indenture;

- (15) Liens (including extensions and renewals thereof) upon real or personal property acquired after the Issue Date; *provided* that (A) such Lien is created solely for the purpose of securing Indebtedness Incurred in accordance with the “Limitation on Indebtedness” covenant, (i) to finance the cost (including the cost of design, development, construction, improvement, installation or integration) of the item of property or assets subject thereto and such Lien is created prior to, at the time of or within 180 days after the later of the acquisition, the completion of construction or the commencement of full operation of such property, or (ii) to refinance any Indebtedness previously so secured, (B) the principal amount of the Indebtedness secured by such Lien does not exceed 100% of such cost, and (C) any such Lien shall not extend to or cover any property or assets other than such item of property or assets and any improvements on such item;
- (16) Liens on the Capital Stock of Unrestricted Subsidiaries; and
- (17) any other Liens securing an amount of Indebtedness outstanding at any one time not to exceed the greater of U.S.\$40 million (or the equivalent in other currencies) and 7.5% of Consolidated Total Assets.

“*Permitted Receivables Financing*” means any receivables financing facility or arrangement entered into by the Company or a Restricted Subsidiary, provided that the aggregate consideration received in any such financing is at least equal to the Fair Market Value of the receivables and related assets sold, less customary discounts, reserves or amounts reflecting the implicit interest rate.

“*Person*” means an individual, partnership, limited partnership, corporation, company, limited liability company, unincorporated organization, trust or joint venture, or a governmental agency or political subdivision thereof.

“*Post-Petition Interest*” means all interest accrued or accruing after the commencement of any insolvency or liquidation proceeding (and interest that would accrue but for the commencement of any insolvency or liquidation proceeding) in accordance with and at the contract rate (including, without limitation, any rate applicable upon default) specified in the agreement or instrument creating, evidencing or governing any Indebtedness, whether or not, pursuant to applicable law or otherwise, the claim for such interest is allowed as a claim in such insolvency or liquidation proceeding.

“*Preferred Stock*” means, with respect to any Person, any Capital Stock of such Person that has preferential rights over any other Capital Stock of such Person with respect to dividends, distributions or redemptions or upon liquidation.

“*Project Financing*” means any financing of the acquisition, construction and/or development of any properties in connection with a project (a) if the Person or Persons providing such financing agree expressly to, or by operation of the relevant financing documents, look to the properties so financed and the revenues to be generated by the operation of, or loss or damage to, such properties (except to the extent set forth in clause (b)) as the sole source of repayment for the moneys advanced and (b) for which there is no recourse to the Company or its Subsidiaries other than (i) recourse to the relevant project finance Subsidiary or (ii) recourse to the equity investment, equity commitment, completion guaranty, funded debt investment or debt funding commitment of the Company or its Subsidiaries in such project, which recourse in each case shall be in a fixed or capped amount.

“*Qualified Capital Stock*” means any Capital Stock that is not Disqualified Capital Stock and any warrants, rights or options to purchase or acquire Capital Stock that is not Disqualified Capital Stock that are not convertible into or exchangeable into Disqualified Capital Stock.

“*Qualified Merger Jurisdiction*” shall mean (i) Argentina, (ii) any country that participates in the European Union or the North American Free Trade Agreement (NAFTA), Denmark, Sweden, Norway, Finland, Brazil, Chile, Japan and China, and (iii) any other nation that has Investment Grade sovereign debt ratings from two Rating Agencies.

“*Qualified Strategic Investor*” shall mean any Person, or an Affiliate of such Person, that (i) conducts a significant part of its business activity and operations in the energy or oil and gas sector and (ii) has an (a)

international investment grade rating for its long-term debt of at least BBB- by S&P or Baa3 by Moody's or (b) a local credit rating for its long-term debt of at least "A".

"*Rating Agencies*" means Moody's, S&P and Fitch (or if any of such entities shall not make a rating of the Notes publicly available, such other "nationally recognized statistical rating organization", within the meaning of Rule 15c3-1 under the Exchange Act, as the Company may select as a replacement agency).

"*Reference Period*" has the meaning set forth in the definition of Consolidated Net Indebtedness to Consolidated EBITDA Ratio.

"*Refinance*" means, in respect of any Indebtedness, to issue any Indebtedness in exchange for or to refinance, replace, defease or refund such Indebtedness in whole or in part. "*Refinanced*" and "*Refinancing*" have correlative meanings.

"*Refinancing Indebtedness*" means Indebtedness of the Company or any Restricted Subsidiary issued to Refinance any other Indebtedness of the Company or a Restricted Subsidiary so long as:

- (1) the aggregate principal amount (or initial accreted value, if applicable) of such new Indebtedness as of the date of such proposed Refinancing does not exceed the aggregate principal amount (or initial accreted value, if applicable) of the Indebtedness being Refinanced (plus the amount of any premium required to be paid under the terms of the instrument governing such Indebtedness and the amount of reasonable expenses incurred by the Company in connection with such Refinancing);
- (2) such new Indebtedness has a Weighted Average Life to Maturity that is equal to or greater than the Weighted Average Life to Maturity of the Indebtedness being Refinanced;
- (3) if the Indebtedness being Refinanced is:
 - Indebtedness of the Company, then such Refinancing Indebtedness will be Indebtedness of the Company;
 - Indebtedness of a Restricted Subsidiary, then such Refinancing Indebtedness will be Indebtedness of the Company and/or such Restricted Subsidiary; and
 - Subordinated Indebtedness or Deferred Interest Subordinated Indebtedness, then such Refinancing Indebtedness will be subordinate to the Notes at least to the same extent and in the same manner as the Indebtedness being Refinanced.

"*Replacement Assets*" means, on any date, property or assets (other than current assets) of a nature or type or that are used in a Permitted Business and shall include Capital Stock of any Person holding such property or assets, which is primarily engaged in a Permitted Business and will upon the acquisition by the Company or any Restricted Subsidiary of such Capital Stock, become a Restricted Subsidiary.

"*Restricted Payment*" has the meaning set forth under "*—Certain Covenants—Limitation on Restricted Payments.*"

"*Restricted Subsidiary*" means any Subsidiary of the Company which at the time of determination is not an Unrestricted Subsidiary.

"*Reversion Date*" has the meaning set forth under "*—Covenant Suspension.*"

"*Revocation*" has the meaning set forth under "*—Certain Covenants—Limitation on Designation of Unrestricted Subsidiaries.*"

"*S&P*" means Standard & Poor's Rating Service or any successor thereto.

"*Sale and Leaseback Transaction*" means any direct or indirect arrangement with any Person or to which any such Person is a party, providing for the leasing to the Company or any Restricted Subsidiary of any property, whether owned by the Company or any Restricted Subsidiary at the Issue Date or later acquired, which has been or is to be sold or transferred by the Company or any such Restricted Subsidiary.

“Senior Indebtedness” means the Notes and any other Indebtedness of the Company or any Restricted Subsidiary that ranks equal in right of payment with the Notes.

“Significant Subsidiary” means a Restricted Subsidiary of the Company that would constitute a “Significant Subsidiary” of the Company in accordance with Rule 1-02 under Regulation S-X under the Securities Act in effect on the Issue Date.

“Stated Maturity” means, with respect to any security, the date specified in such security as the fixed date on which the final payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency unless such contingency has occurred).

“Subordinated Indebtedness” means, with respect to the Company or any Restricted Subsidiary, any Indebtedness of the Company or such Restricted Subsidiary, as the case may be, which is expressly subordinated in right of payment to the Notes.

“Subsidiary” means, with respect to any Person, any other Person of which such Person owns, directly or indirectly, more than 50% of the voting power of the other Person’s outstanding Voting Stock.

“Surviving Entity” has the meaning set forth under “—Certain Covenants—Limitation on Merger, Consolidation and Sale of Assets.”

“Suspended Covenants” has the meaning set forth under “—Covenant Suspension.” “Suspension Period” has the meaning set forth under “—Covenant Suspension.”

“Transaction Costs” means the nonrecurring out-of-pocket expenses (including, but not limited to, underwriter’s fees and expenses, prepayment fees and expenses and attorney’s fees) accrued by the Company and its Restricted Subsidiaries in connection with the issuance of the Notes and the application of the proceeds thereof as described under “Use of Proceeds”.

“Unrestricted Subsidiary” means Hychico S.A. and any other Subsidiary of the Company Designated as an Unrestricted Subsidiary pursuant to “—Certain Covenants—Limitation on Designation of Unrestricted Subsidiaries.” Any such Designation may be revoked by a Board Resolution of the Company, subject to the provisions of such covenant.

“Voting Stock” means, with respect to any Person, securities of any class of Capital Stock of such Person then outstanding and normally entitled to vote in the election of members of the Board of Directors (or equivalent governing body) of such Person. The term “normally entitled” means without regard to any contingency.

“Weighted Average Life to Maturity” means, when applied to any Indebtedness at any date, the number of years (calculated to the nearest one-twelfth) obtained by dividing:

- (1) the then outstanding aggregate principal amount or liquidation preference, as the case may be, of such Indebtedness into
- (2) the sum of the products obtained by multiplying:
 - (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payment of principal or liquidation preference, as the case may be, including payment at final maturity, in respect thereof, by
 - (b) the number of years (calculated to the nearest one-twelfth) which will elapse between such date and the making of such payment.

Notices

Notices to holders of non-global notes will be mailed to them, by first class mail, postage prepaid, at their registered addresses while notices to holders of global notes will be given to DTC in accordance with its applicable procedures.

The Company will also be required to cause all such other publications of such notices as may be required from time to time in any manner by the provisions of the Argentine Capital Markets Law, the CNV Rules and by any applicable Argentine law and/or regulation (including without limitation publishing notices at the official site of the CNV (www.cnv.gob.ar)).

For so long as any Notes are listed on the BYMA and traded on the MAE, the Company will publish all notices in the Bulletin of the BYMA, or where applicable and as provided by the applicable rules from time to time, and in the online bulletin of the MAE.

For so long as any Notes are listed on the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market and the rules of such exchange so require, the Company will publish all notices to holders in English via the website of the Luxembourg Stock Exchange at <http://www.bourse.lu>, *provided* that such method of publication satisfies the rules of such exchange.

Notices will be deemed to have been given on the date of mailing or of publication as aforesaid or, if published on different dates, on the date of the first such publication.

Events of Default

The following are “Events of Default” with respect to the Notes:

- (1) default in the payment when due of the principal of or premium, if any, on (including, in each case, any related Additional Amounts) any Notes, including the failure to make a required payment to purchase Notes tendered pursuant to an optional redemption, Change of Control Offer or an Asset Sale Offer;
- (2) default for 30 days or more in the payment when due of interest (including any related Additional Amounts) on any Notes;
- (3) the failure to perform or comply with any of the provisions described under “—Certain Covenants—Limitations on Merger, Consolidation and Sale of Assets;”
- (4) the failure by the Company or any Restricted Subsidiary to comply with any other covenant or agreement contained in the Indenture or the Notes for 60 days or more after written notice to the Company thereof from the Trustee or the Holders of at least 25% in aggregate principal amount of the outstanding Notes;
- (5) (a) the failure to pay principal of Indebtedness of the Company or any Restricted Subsidiary prior to the expiration of any applicable grace period provided in such Indebtedness on the date of such default, and such default has not been waived or the time for payment of such amounts has not been expressly extended or (b) the acceleration of any Indebtedness of the Company or any Restricted Subsidiary prior to its Stated Maturity; *provided* that Indebtedness as to which such principal payment was not made or was so accelerated has an outstanding principal amount of U.S.\$20 million (or the equivalent in other currencies) or more in the aggregate;
- (6) failure by the Company or any Restricted Subsidiaries to pay one or more final judgments against any of them, aggregating U.S.\$20 million (or the equivalent in other currencies) or more, which are not paid, discharged or stayed for a period of 60 days or more (to the extent not covered by a reputable and creditworthy insurance company); or
- (7) certain events of bankruptcy affecting the Company or any Restricted Subsidiaries.

If an Event of Default (other than an Event of Default specified in clause (7) above with respect to the Company) has occurred and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of outstanding Notes may declare the unpaid principal of and premium, if any, and accrued and unpaid interest on all the Notes to be immediately due and payable by notice in writing to the Company and the Trustee specifying the Event of Default and that it is a “notice of acceleration.” If an Event of Default specified in clause (7) above occurs with respect to the Company, then the unpaid principal of and premium,

if any, and accrued and unpaid interest on all the Notes will become immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

At any time after a declaration of acceleration with respect to the Notes as described in the preceding paragraph, the Holders of a majority in principal amount of the Notes may waive all past defaults and rescind and annul such declaration and its consequences:

- (1) if the rescission would not conflict with any judgment or decree;
- (2) if all existing Events of Default have been cured or waived, except nonpayment of principal or interest that has become due solely because of the acceleration;
- (3) to the extent the payment of such interest is lawful, interest on overdue installments of interest and overdue principal, which has become due otherwise than by such declaration of acceleration, has been paid; and
- (4) if the Company has paid the Trustee its compensation and reimbursed the Trustee for its expenses, disbursements and advances outstanding at that time.

No rescission will affect any subsequent Default or impair any rights relating thereto.

The Holders of a majority in principal amount of the Notes may waive any existing Default or Event of Default under the Indenture, and its consequences, except a default in the payment of the principal of, premium, if any, or interest on any Notes.

Subject to the provisions of the Indenture relating to the duties of the Trustee, the Trustee is under no obligation to exercise any of its rights or powers under the Indenture at the request, order or direction of any of the Holders, unless such Holders have offered to the Trustee indemnity reasonably satisfactory to it. Subject to all provisions of the Indenture and applicable law, the Holders of a majority in aggregate principal amount of the then outstanding Notes have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee.

No Holder of any Notes will have any right to institute any proceeding with respect to the Indenture or for any remedy thereunder, unless:

- (1) such Holder gives to the Trustee written notice of a continuing Event of Default;
- (2) Holders of at least 25% in aggregate principal amount of the then outstanding Notes make a written request to pursue the remedy;
- (3) such Holders of the Notes provide to the Trustee satisfactory indemnity;
- (4) the Trustee does not comply within 60 days; and
- (5) during such 60-day period the Holders of a majority in principal amount of the outstanding Notes do not give the Trustee a written direction which, in the opinion of the Trustee, is inconsistent with the request;

provided that a Holder of a Note may institute suit for enforcement of payment of the principal of and premium, if any, or interest on such Note on or after the respective due dates expressed in such Note.

Notwithstanding anything to the contrary, the right of a Holder of a Note to receive payment of principal of or interest on its Note on or after the Stated Maturity thereof, or to bring suit for the enforcement of any such payment on or after such dates, may not be impaired or affected without the consent of that Holder. The time of validity of a holder to claim to payment of interest and repayment of principal is six months.

The Company is required, upon becoming aware of any Default or Event of Default, to deliver to the Trustee written notice of such Default or Event of Default, the status thereof and what action the Company is taking or proposes to take in respect thereof. In addition, the Company is required to deliver to the Trustee, within 90 days after the end of each fiscal year, an Officers' Certificate indicating whether the signers thereof know of any Default or Event of Default that occurred during the previous fiscal year. In the absence

of receipt any such written notice of Default or Event of Default from the Company and any description of any Default or Event of Default in such Officers' Certificate, the Trustee shall not be deemed to have notice or be charged with knowledge of any Default or Event of Default. The Indenture provides that if a Default or Event of Default occurs and is continuing of which the Trustee has received written notice, the Trustee must send to each Holder notice of the Default or Event of Default within 45 days after the occurrence thereof. Except in the case of a Default or Event of Default in the payment of principal of, premium, if any, or interest on any Note, the Trustee may withhold notice if and so long as a committee of its trust officers in good faith determines that withholding notice is in the interests of the Holders.

Legal Defeasance and Covenant Defeasance

The Company may, at its option and at any time, elect to have its obligations discharged with respect to the outstanding Notes ("Legal Defeasance"). Legal Defeasance means that the Company will be deemed to have paid and discharged the entire indebtedness represented by the outstanding Notes on the 91st day after the deposit specified in clause (1) of the second following paragraph, except for:

- (1) the rights of Holders to receive payments in respect of the principal of, premium, if any, and interest on, the Notes when such payments are due from the trust referred to below;
- (2) the Company's obligations with respect to the Notes concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payments;
- (3) the rights, powers, trust, duties and immunities of the Trustee and the Company's obligations in connection therewith; and
- (4) the Legal Defeasance provisions of the Indenture.

In addition, the Company may, at its option and at any time, elect to have its obligations released with respect to the covenants that are described under "—Certain Covenants" (other than "Limitation on Merger, Consolidation and Sale of Assets") ("Covenant Defeasance") and thereafter any omission to comply with such obligations will not constitute a Default or Event of Default with respect to the Notes. In the event Covenant Defeasance occurs, certain events (other than non-payment and bankruptcy, receivership, reorganization and insolvency events with respect to the Company) described under "—Events of Default" will no longer constitute an Event of Default with respect to the Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

- (1) the Company must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders cash in U.S. dollars, certain direct non-callable obligations of, or guaranteed by, the United States, or a combination thereof, in such amounts as will be sufficient, without reinvestment (in the opinion of a nationally recognized firm of independent public accountants), to pay the principal of, premium, if any, and interest (including Additional Amounts) on the Notes on the stated date for payment thereof or on the applicable redemption date, as the case may be;
- (2) in the case of Legal Defeasance, the Company has delivered to the Trustee an Opinion of Counsel from a nationally recognized law firm in the U.S. reasonably acceptable to the Trustee and independent of the Company to the effect that:
 - (a) the Company has received from, or there has been published by, the Internal Revenue Service a ruling; or
 - (b) since the Issue Date, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel shall state that, the Holders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

- (3) in the case of Covenant Defeasance, the Company has delivered to the Trustee an Opinion of Counsel from a nationally recognized law firm in the U.S. reasonably acceptable to the Trustee and independent of the Company to the effect that the Holders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;
- (4) no Default or Event of Default has occurred and is continuing on the date of the deposit pursuant to clause (1) of this paragraph;
- (5) the Company has delivered to the Trustee an Officers' Certificate stating that such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, the Indenture or any other material agreement or instrument to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound;
- (6) the Company has delivered to the Trustee an Officers' Certificate stating that the deposit was not made by the Company with the intent of preferring the Holders over any other creditors of the Company or any Subsidiary of the Company or with the intent of defeating, hindering, delaying or defrauding any other creditors of the Company or others;
- (7) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel from U.S. counsel reasonably acceptable to the Trustee and independent of the Company, each stating that all conditions precedent provided for or relating to the Legal Defeasance or the Covenant Defeasance have been complied with; and
- (8) the Company has delivered to the Trustee an Opinion of Counsel from U.S. counsel reasonably acceptable to the Trustee and independent of the Company to the effect that the trust funds will not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect (except as to surviving rights or registration of transfer or exchange of the Notes, as expressly provided for in the Indenture) as to all outstanding Notes when:

- (1) either:
 - (a) all the Notes theretofor authenticated and delivered (except lost, stolen or destroyed Notes which have been replaced or paid and Notes for whose payment money has theretofor been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust) have been delivered to the Trustee for cancellation; or
 - (b) all Notes not theretofor delivered to the Trustee for cancellation have become due and payable, and the Company has irrevocably deposited or caused to be deposited with the Trustee funds or certain direct, non-callable obligations of, or guaranteed by, the United States sufficient without reinvestment to pay and discharge the entire Indebtedness on the Notes not theretofor delivered to the Trustee for cancellation, for principal of, premium, if any, and interest on the Notes to the date of deposit, together with irrevocable instructions from the Company directing the Trustee to apply such funds to the payment of sums payable; and
- (2) the Company has paid all other sums payable under the Indenture and the Notes by it; and
- (3) the Company has delivered to the Trustee an Officers' Certificate and legal opinion stating that all conditions precedent under the Indenture relating to the satisfaction and discharge of the Indenture have been complied with.

Meeting of Holders; Modification of the Indenture

(a) *Meetings of Noteholders; Amendment and Waiver.* If required by Argentine law, the Trustee or the Company shall, upon the written request of the Holders of at least 5.0% in aggregate principal amount of the Notes at the time outstanding, or the Company or the Trustee at its discretion, may, call a meeting of the Holders to make, give or take any request, demand, authorization, direction, notice, consent, waiver or other action provided by the Notes, given or taken by the Holders of such Notes, including the modification of any of the terms and conditions. Any such action may be taken by the written consent of Holders if permitted under Argentine law then in effect. Any meetings will be held in the City of Buenos Aires; *provided, however,* that the Company or the Trustee may determine to hold any such meetings in the City of New York and/or London. In any case, meetings shall be held at such time and at such place in any such city as the Company or the Trustee shall determine. Any resolution passed at a meeting convened in London or the City of New York shall be binding on all Holders (whether present or not at such meeting), only upon ratification by a meeting of such Holders held in the City of Buenos Aires in accordance with the Negotiable Obligations Law.

Meetings of Holders are subject to a first and second notice; the second to occur upon the failure of the first. Both the first and second notice convening a meeting of Holders may be made simultaneously, in which case the meeting convened by the second notice, upon the failure of the first, may be held within an hour of such failure. The quorum for the first notice will be persons holding or representing at least 60% in aggregate principal amount of Notes at the time Outstanding (other than Notes held by the Company, an affiliate of the Company or the Trustee). No business shall be transacted, unless a quorum is present when the meeting is called to order. In the absence of a quorum within 30 minutes of the time appointed for any such meeting, the meeting shall be adjourned for a period of one hour and the quorum for the reconvened meeting shall be persons holding or representing at least 30% in aggregate principal amount of Notes at the time Outstanding (other than Notes held by the Company, an affiliate of the Company or the Trustee).

The Indenture contains provisions for Holders present or represented at meetings of Holders convened in London or the City of New York to appoint representatives at meetings of Holders in the City of Buenos Aires. Subject as aforesaid, any resolution duly passed will be binding on all Holders (whether or not they were present at the meeting at which such resolution was passed). If a meeting is being held pursuant to a written request of Holders, the agenda for the meeting shall be as determined in the request and such meeting shall be convened within 40 days from the date such written request is received by the Trustee or the Company, as the case may be. Notice of any meeting of Holders (which shall include the date, place and time of the meeting, the agenda therefor and the requirements to attend) shall be given not less than 10 days nor more than 30 days prior to the date fixed for the meeting in the Official Gazette of Argentina, in one other newspaper of general circulation in Argentina (which is expected to be *La Nación*), on the website of the Luxembourg Stock Exchange (<http://www.bourse.lu>) (so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require), in the bulletins of the markets where the Notes are listed and/or traded and as otherwise required by the Negotiable Obligations Law and also in the manner provided under the Indenture, and any publication thereof shall be for five consecutive business days in each place of publication.

The Holders of the Notes may act, in lieu of a meeting, through written consent.

(b) *Modification of the Indenture.* From time to time, the Company and the Trustee, without the consent of the Holders, may amend, modify or supplement the Indenture and the Notes for the following purposes:

- (1) to cure any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under the Indenture which shall not be inconsistent with the provisions of this Indenture; *provided* such actions shall not materially and adversely affect the interest of the Holders;
- (2) to provide for the assumption by a successor Person of the obligations of the Company under the Indenture;

- (3) to add Guarantees with respect to the Notes or release such a Guarantee in accordance with the terms of the Indenture;
- (4) to secure the Notes;
- (5) to add to the covenants of the Company for the benefit of the Holders or surrender any right or power conferred upon the Company;
- (6) to provide for the issuance of additional Notes in accordance with the Indenture;
- (7) to evidence the replacement of the Trustee as provided for under the Indenture;
- (8) if necessary, in connection with any release of any security permitted under the Indenture;
- (9) to make any other change that does not adversely affect the rights of any Holder in any material respect;
- (10) to conform the text of the Indenture or the Notes to any provision of “Description of the Notes” in this offering memorandum to the extent such provision was intended to be a verbatim recitation of the text of the Indenture or the Notes (as applicable); or
- (11) to comply with any requirement of the CNV, BYMA, MAE or any market on which the notes are listed, provided that it does not adversely affect the rights of any Holder in any material respect.

Other modifications to, amendments of, and supplements to, the Indenture or the Notes may be made with the consent of the Holders of at least a majority in aggregate principal amount of the then outstanding Notes issued under the Indenture and which, if required by Argentine law, shall be present or represented at a meeting in which a quorum is present, except that, without the consent of any affected Holder, no amendment may:

- (1) reduce the percentage in principal amount of outstanding Notes, the consent of the Holders which is required for the adoption of a resolution, or the quorum required at any meeting of Holders at which a resolution is adopted or the percentage in principal amount of Notes, the Holders of which are entitled to request the calling of a meeting of Holders of Notes;
- (2) reduce the rate of or change or have the effect of changing the time for payment of interest on any Notes;
- (3) reduce the principal of, premium, if any, or change or have the effect of changing the fixed maturity of any Notes, or change the date on which any Notes may be subject to redemption, or reduce the redemption price therefor;
- (4) make any Notes payable in a currency other than that stated in the Notes;
- (5) make any change in provisions of the Indenture entitling each Holder to receive payment of principal of, premium, if any, and interest on such Notes on or after the due date thereof or to bring suit to enforce such payment, or permitting Holders of a majority in principal amount of Notes to waive Defaults or Events of Default;
- (6) amend, change or modify in any material respect the obligation of the Company to make and consummate a Change of Control Offer in respect of a Change of Control that has occurred or make and consummate an Asset Sale Offer with respect to any Asset Sale that has been consummated;
- (7) make any change in the provisions of the Indenture described under “—Additional Amounts” that adversely affects the rights of any Holder or amend the terms of the Notes in a way that would result in a loss of exemption from any applicable taxes; and
- (8) make any change to the provisions of the Indenture or the Notes that adversely affects the ranking of the Notes.

Prescription

All claims against us for the payment of principal of, premium, if any, or interest, or for other amounts payable in respect of the Notes (including Additional Amounts), will be time barred unless made within 5 (five) years, in the case of principal, and 2 (two) years, in the case of interest, from the date on which the relevant payment was due, or within the shorter period established by applicable law.

Governing Law; Jurisdiction

The Indenture and the Notes will be governed by, and construed in accordance with, the law of the State of New York.

The Company will submit to the jurisdiction of the U.S. federal and New York state courts located in The City of New York, Borough of Manhattan and will appoint an agent for service of process with respect to any actions brought in these courts arising out of or based on the Indenture or the Notes.

Currency Indemnity

The Company will pay all sums payable under the Indenture and the Notes solely in U.S. dollars. Any amount that you receive or recover in a currency other than U.S. dollars in respect of any sum expressed to be due to you from the Company will only constitute a discharge to us to the extent of the U.S. dollar amount which you are able to purchase with the amount received or recovered in that other currency on the date of the receipt or recovery or, if it is not practicable to make the purchase on that date, on the first date on which you are able to do so. If the U.S. dollar amount is less than the U.S. dollar amount expressed to be due to you under any Note, the Company will indemnify you against any loss you sustain as a result. In any event, the Company will indemnify you against the cost of making any purchase of U.S. dollars. For the purposes of this paragraph, it will be sufficient for you to certify in a satisfactory manner that you would have suffered a loss had an actual purchase of U.S. dollars been made with the amount received in that other currency on the date of receipt or recovery or, if it was not practicable to make the purchase on that date, on the first date on which you were able to do so. In addition, you will also be required to certify in a satisfactory manner the need for a change of the purchase date.

The indemnities described above:

- constitute a separate and independent obligation from the other obligations of the Company;
- will give rise to a separate and independent cause of action;
- will apply irrespective of any indulgence granted by any Holder; and
- will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note.

The Trustee

The Bank of New York Mellon is the Trustee under the Indenture. The principal office of the Trustee at which its corporate trust business is administered is located at 101 Barclay Street, 7th Floor 7E, New York, NY 10286, Attention: International Corporate Trust.

Except during the continuance of an Event of Default, the Trustee will perform only such duties as are specifically set forth in the Indenture. During the existence of an Event of Default, the Trustee will exercise such rights and powers vested in it by the Indenture, and use the same degree of care and skill in its exercise as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

Luxembourg Listing and Listing Agent

Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to have them admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange, and the Company will use its commercial best efforts to obtain and maintain listing of the Notes on the Official List of the Luxembourg Stock Exchange. The Bank of New York Mellon S.A./N.V., Luxembourg Branch is the

Luxembourg Listing Agent in respect of the Notes. The address of the Luxembourg Listing Agent is set forth on the back cover of this offering memorandum.

BOOK-ENTRY; DELIVERY AND FORM

The Notes are being offered and sold only:

- to “qualified institutional buyers” (as defined in Rule 144A) in reliance on Rule 144A under the Securities Act (the “Rule 144A Notes”); or
- in offshore transactions in reliance on Regulation S under the Securities Act (the “Regulation S Notes”).

The Notes will be issued in fully registered global form in minimum denominations of U.S.\$1,000 and integral multiples of U.S.\$1,000 in excess thereof. Rule 144A Notes initially will be represented by one global note in registered form without interest coupons (the “Rule 144A Global Note”). Regulation S Notes initially will be represented by one global note in registered form without interest coupons (the “Regulation S Global Notes” and, together with the Rule 144A Global Notes, the “Global Notes”).

The Global Notes will be deposited upon issuance with the Trustee as custodian for The Depository Trust Company (“DTC”), in New York, New York, and registered in the name of DTC or its nominee for credit to an account of a direct or indirect participant in DTC, including Euroclear Bank S.A./N.V. (“Euroclear”), and Clearstream Banking, société anonyme (“Clearstream, Luxembourg”), as described below under “—Depository Procedures.”

Except as set forth below, the Global Notes may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the Global Notes may not be exchanged for Notes in certificated form except in the limited circumstances described below under “—Exchange of Book-Entry Notes for Certificated Notes.”

The Notes will be subject to certain restrictions on transfer and will bear a restrictive legend as described under “Transfer Restrictions” in this offering memorandum. In addition, transfers of beneficial interests in the Global Notes will be subject to the applicable rules and procedures of DTC and its direct or indirect participants (including, if applicable, those of Euroclear and Clearstream, Luxembourg), which may change from time to time.

Depository Procedures

The following description of the operations and procedures of DTC, Euroclear and Clearstream, Luxembourg are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to change by them. We take no responsibility for these operations and procedures and urge investors to contact the systems or their participants directly to discuss these matters.

DTC is a limited-purpose trust company created to hold securities for its participating organizations (collectively, the “Participants”) and facilitate the clearance and settlement of transactions in those securities between Participants through electronic book-entry changes in accounts of its Participants. The Participants include securities brokers and dealers (including the initial purchasers), banks, trust companies, clearing corporations and certain other organizations. Access to DTC’s system is also available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly (collectively, the “Indirect Participants”). Persons who are not Participants may beneficially own securities held by or on behalf of DTC only through Participants or Indirect Participants. DTC has no knowledge of the identity of beneficial owners of securities held by or on behalf of DTC. DTC’s records reflect only the identity of Participants to whose accounts securities are credited. The ownership interests and transfer of ownership interests of each beneficial owner of each security held by or on behalf of DTC are recorded on the records of the Participants and Indirect Participants.

Pursuant to procedures established by DTC:

- upon deposit of the Global Notes, DTC will credit the accounts of Participants designated by the initial purchasers with portions of the principal amount of the Global Notes; and
- ownership of such interests in the Global Notes will be maintained by DTC (with respect to the Participants) or by the Participants and the Indirect Participants (with respect to other owners of beneficial interests in the Global Notes).

Investors in the Global Notes may hold their interests therein directly through DTC, if they are Participants in such system, or indirectly through organizations (including Euroclear and Clearstream, Luxembourg) that are Participants or Indirect Participants in such system. Euroclear and Clearstream, Luxembourg will hold interests in the Notes on behalf of their Participants through customers' securities accounts in their respective names on the books of their respective depositaries. The depositaries, in turn, will hold interests in the Notes in customers' securities accounts in the depositaries' names on the books of DTC.

All interests in a Global Note, including those held through Euroclear or Clearstream, Luxembourg, will be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream, Luxembourg will also be subject to the procedures and requirements of those systems. The laws of some states require that certain persons take physical delivery of certificates evidencing securities they own. Consequently, the ability to transfer beneficial interests in a Global Note to such persons will be limited to that extent. Because DTC can act only on behalf of Participants, which in turn act on behalf of Indirect Participants, the ability of beneficial owners of interests in a Global Note to pledge such interests to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interests, may be affected by the lack of a physical certificate evidencing such interests. For certain other restrictions on the transferability of the Notes, see “—Exchange of Book-Entry Notes for Certificated Notes.”

Except as described below, owners of interests in the Global Notes will not have Notes registered in their names, will not receive physical delivery of Notes in certificated form and will not be considered the registered owners or holders thereof under the Indenture for any purpose.

Payments in respect of the principal of and premium, if any, and interest on a Global Note registered in the name of DTC or its nominee will be remitted by the Trustee (or the Paying Agents if other than the Trustee) to DTC in its capacity as the registered holder under the Indenture. The Company and the Trustee will treat the persons in whose names the Notes, including the Global Notes, are registered as the owners thereof for the purpose of receiving such payments and for any and all other purposes whatsoever. Consequently, none of the Company, the Trustee or any agent of the Company or the Trustee has or will have any responsibility or liability for:

- any aspect of DTC's records or any Participant's or Indirect Participant's records relating to or payments made on account of beneficial ownership interests in the Global Notes, or for maintaining, supervising or reviewing any of DTC's records or any Participant's or Indirect Participant's records relating to the beneficial ownership interests in the Global Notes; or
- any other matter relating to the actions and practices of DTC or any of its Participants or Indirect Participants.

DTC has advised the Company that its current practice is to credit the accounts of the relevant Participants with the payment on the payment date in amounts proportionate to their respective holdings in the principal amount of the relevant security as shown on the records of DTC, unless DTC has reason to believe it will not receive payment on such payment date. Payments by the Participants and the Indirect Participants to the beneficial owners of Notes will be governed by standing instructions and customary practices and will be the responsibility of the Participants or the Indirect Participants and will not be the responsibility of DTC, the Trustee or the Company. Neither the Company nor the Trustee nor any agent of the Company or the Trustee will be liable for any delay by DTC or any of its Participants in identifying the beneficial owners of the Notes, and the Company and the Trustee and their respective agents may

conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes.

Except for trades involving only Euroclear and Clearstream, Luxembourg participants, interests in the Global Notes are expected to be eligible to trade in DTC's Same-Day Funds Settlement System and secondary market trading activity in such interests will therefore settle in immediately available funds, subject in all cases to the rules and procedures of DTC and its Participants.

Subject to the transfer restrictions described under "Transfer Restrictions" in this offering memorandum, transfers between Participants will be effected in accordance with DTC's procedures, and will be settled in same-day funds, and transfers between participants in Euroclear and Clearstream, Luxembourg will be effected in accordance with their respective rules and operating procedures.

Subject to the transfer restrictions described under "Transfer Restrictions" in this offering memorandum, cross-market transfers between Participants, on the one hand, and Euroclear or Clearstream, Luxembourg participants, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, Luxembourg, as the case may be, by their depositaries. Cross-market transactions will require delivery of instructions to Euroclear or Clearstream, Luxembourg, as the case may be, by the counterparty in that system in accordance with the rules and procedures and within the established deadlines (Brussels time) of that system. Euroclear or Clearstream, Luxembourg, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositaries to take action to effect final settlement on its behalf by delivering or receiving interests in the relevant Global Note in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear and Clearstream, Luxembourg participants may not deliver instructions directly to the depositaries for Euroclear or Clearstream, Luxembourg.

Because of time zone differences, the securities account of a Euroclear or Clearstream, Luxembourg participant purchasing an interest in a Global Note from a Participant will be credited and reported to the relevant Euroclear or Clearstream, Luxembourg participant, during the securities settlement processing day (which must be a business day for Euroclear and Clearstream, Luxembourg) immediately following the settlement date of DTC. DTC has advised the Company that cash received in Euroclear or Clearstream, Luxembourg as a result of sales of interests in a Global Note by or through a Euroclear or Clearstream, Luxembourg participant to a Participant will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream, Luxembourg cash account only as of the business day for Euroclear or Clearstream, Luxembourg following DTC's settlement date.

DTC has advised the Company that it will take any action permitted to be taken by a holder of Notes only at the direction of one or more Participants to whose account with DTC interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of the Notes as to which such Participant or Participants has or have given such direction.

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the foregoing procedures to facilitate transfers of interests in the Global Notes among participants in DTC, Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or to continue to perform such procedures, and the procedures may be discontinued at any time. Neither the Company nor the Trustee will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

The information in this section concerning DTC, Euroclear and Clearstream, Luxembourg and their book-entry systems has been obtained from sources that the Company believes to be reliable, but the Company takes no responsibility for the accuracy thereof.

Exchange of Book-Entry Notes for Certificated Notes

The Global Notes are exchangeable for certificated notes in definitive, fully registered form without interest coupons (the "Certificated Notes") only in the following limited circumstances:

- DTC notifies the Company that it is unwilling or unable to continue as depositary for the Global Note or DTC ceases to be a clearing agency registered under the Exchange Act at a time when DTC is required to be so registered in order to act as depositary, and in each case the Company fails to appoint a successor depositary within 90 days of such notice;
- the Company notifies the Trustee in writing that the Global Note shall be so exchangeable; or
- if there shall have occurred and be continuing an Event of Default with respect to the Notes.

In all cases, Certificated Notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by or on behalf of DTC (in accordance with its customary procedures) and will bear the applicable restrictive legend referred to in “Transfer Restrictions” in this offering memorandum, unless the Company determines otherwise in accordance with the Indenture and in compliance with applicable law.

Transfers Within and Between Global Notes

Through and including the 40th day after the later of the commencement of the offering of the Notes and the closing of the offering (the “40-day Period”), beneficial interests in the Regulation S Global Note may be transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Note only if such transfer is made pursuant to Rule 144A and the transferor first delivers to the Trustee a certificate (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a qualified institutional buyer within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and in accordance with all applicable securities laws of the states of the United States and other jurisdictions. After the expiration of the 40-day Period, beneficial interests in the Regulation S Global Note may be transferred to a person who takes delivery in the form of a beneficial interest in the Rule 144A Global Note without compliance with these certification requirements.

Beneficial interests in the Rule 144A Global Note may be transferred to a person who takes delivery in the form of a beneficial interest in the Regulation S Global Note only upon receipt by the Trustee of a written certification (in the form provided in the Indenture) from the transferor to the effect that such transfer is being made in accordance with Regulation S or Rule 144 under the Securities Act (if available).

The Trustee shall be entitled to receive such evidence as may be reasonably requested by them to establish the identity and/or signatures of the transferor and transferee.

Transfers of beneficial interests within a Global Note may be made without delivery of any written certification or other documentation from the transferor or the transferee.

Transfers of beneficial interests in the Regulation S Global Note for beneficial interests in the Rule 144A Global Note or vice versa will be effected by DTC by means of an instruction originated by the Trustee through the DTC Deposit/Withdraw at Custodian system. Accordingly, in connection with any transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note or vice versa, as applicable. Any beneficial interest in one of the Global Notes that is transferred to a person who takes delivery in the form of an interest in another Global Note will, upon transfer, cease to be an interest in such Global Note and will become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other Global Note for so long as it remains such an interest.

TAXATION

General

The following summary contains a description of the material U.S. and Argentine federal tax consequences of the purchase, ownership and disposition of the Notes by certain non-Argentine resident holders.

This summary is based upon federal tax laws of the United States and Argentina as in effect on the date of this offering memorandum, all of which are subject to change. This summary does not purport to be a comprehensive description of all the U.S. or Argentine federal income tax considerations that may be relevant to a decision to purchase, hold or dispose of the Notes. The summary does not address any tax consequences under the laws of any state, municipality or locality of Argentina or the United States or the laws of any taxing jurisdiction other than the federal laws of Argentina and the United States.

Prospective investors should consult their own tax advisors as to the Argentine and United States tax consequences of the purchase, ownership and disposition of Notes, including, in particular, the effect of any foreign (non-Argentine and non-U.S.), state or local tax laws.

Argentina has also entered into or is negotiating several other double taxation treaties with various countries that may have an impact on the tax treatment of the purchase, ownership or disposition of Notes. Prospective purchasers of Notes should consult their own tax advisors as to the tax consequences, if any, of the application of any such treaties.

Argentine Federal Tax Considerations

General

The following is a general summary of the principal Argentine federal income tax consequences of the acquisition, ownership and disposition of the Notes by holders that are not residents of Argentina, for Argentine federal tax purposes, and that do not hold such Notes through a permanent establishment in Argentina, for tax purposes, to which income under the Notes is attributable; for purposes of this summary, each such holder is referred to as a foreign holder.

This summary is based on the Argentine federal income tax law (*Ley de Impuesto a las Ganancias*) and regulations in effect on the date of this offering memorandum, all of which are subject to change, possibly with retroactive effect, or to new or different interpretations, which could affect the continued validity of this general summary.

This summary does not address all of the Argentine tax consequences that may be applicable to specific holders of the Notes and does not purport to be a comprehensive description of all the Argentine tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes. In particular, this summary does not describe any tax consequences arising under the laws of any state, locality, municipality or taxing jurisdiction other than certain federal laws of Argentina.

Potential investors should consult with their own tax advisors regarding the particular consequences of the purchase, ownership or disposition of the Notes under the federal laws of Argentina or any other jurisdiction or under any applicable double taxation treaty.

Income Tax

Interest payments

Except as described below, interest payments on the Notes will be exempt from Argentina income tax if the Notes are issued in accordance with Negotiable Obligations Act and qualify for tax-exempt treatment under Section 36 bis of that act. Pursuant to Section 36 of the Negotiable Obligations, interest on the Notes will be exempt if the following conditions (the “Section 36 Conditions”) are met:

- (a) That the Notes be distributed by public offering, and, to such end, be authorized by the CNV (Argentine Securities and Exchange Commission), in compliance with the Capital Markets Law and the CNV Regulations.
- (b) The issuer guarantees that the funds to be obtained from the placement of the Notes shall be applied to (i) investments in physical assets located in Argentina, (ii) to be added to working capital in Argentina, (iii) to refinancing liabilities, and/or (iv) to making capital contributions to the issuing company's subsidiaries and affiliates, and the proceeds are in turn to be applied exclusively for the purposes specified above, as established in the resolution that decided the issuance and made known to the public by means of a prospectus.
- (c) The issuer must provide evidence to the CNV, at the time in the manner prescribed by regulation, as to the use of the proceeds of the offering made hereby for any of the purposes described in sub-section (b) above.

In accordance with the Joint Resolution AFIP/CNV No. 3872-664/2016 (published in the Official Gazette on May 9, 2016), it has been established that the AFIP and the CNV will implement, independently, all of the regulations that they believe to be appropriate in connection with public offerings of securities, within the scope of their respective competencies.

If the issuer does not comply with Section 36 Conditions, the issuer will be liable for payment of the corresponding tax on the Notes' interest. In such case, the issuer must apply, within the context of income taxes, the highest rate contemplated by Article 90 of the Income Tax Law to the income accrued in favor of the investors, such rate currently being 35%. Pursuant to General Resolution No. 1516/2003, modified by General Resolution No. 1578/2003, the AFIP regulated the mechanism pursuant to which income tax will be assessed against an issuer who did not comply with the requirements of Article 36 of the Negotiable Obligations Act.

Executive Order No. 1076, dated July 2, 1992 (as amended by Executive Order No. 11578, dated July 15, 1992, both ratified by Act No. 24.307, dated December 30, 1993) eliminated the Argentine income tax exemption described above for taxpayers subject to tax adjustment for inflation rules pursuant to Title VI of the Argentina Income Tax Act. Those subjects to such law include corporations, *sociedades en comandita por acciones y en comandita simple*, limited liability companies, civil associations and foundations, those entities and organizations referred to in Article 1 of Law No. 22.016, trust constituted in accordance with Law No. 24.441 (as amended and regulated) (except those where the trustor is also the beneficiary, which do not apply in the case of financial trust or when the trustor/beneficiary is a foreign entity), investments funds not contemplated by the first paragraph of Article 1 of Law No. 24.083, sole proprietorships and individuals carrying on certain business activities in Argentina, and other entities not specifically included in the fourth category of the Income Tax Law (hereinafter, the "Holders of Title VI"). As a result of this executive order, interest paid to Holders of Title VI is not exempt.

The payment of the tax contemplated in the above paragraph must be paid directly by Holders of Title IV to the extent the withholding regime described herein does not apply. In the event that the issuer is not regulated by the provisions of the Argentine Financial Entities Act, and the beneficiaries of interest payments are also not financial institutions regulated by the provisions of the Argentine Financial Entities Act, applicable income tax must be withheld and paid by the issuer. Such withholding in such case, which is up to 35% of the amount of the interest paid, must comply with the tax laws in force in Argentina. Such withholding will be regarded as a payment on account of such tax by the beneficiary of such payment.

In respect of foreign beneficiaries of any such interest payments (contemplated by Title V of the Income Tax Law, which includes human persons, undivided estates and legal entities resident in foreign countries who receive income from Argentina ("Foreign Beneficiaries"), such Foreign Beneficiaries are not subject to Article 21 of the Income Tax Law nor Article 106 of Law No. 11.683, which establish that tax exemptions do not apply when, as a result of the application of an exemption, revenue that would have been collected by Argentina tax authority would be collected instead by a foreign tax authority.

As a result of the above, so long as the Section 36 Conditions are complied with, interest on the Notes will be exempt from income taxes in respect of human persons and undivided estates resident in Argentina and Foreign Beneficiaries.

Capital Gains

Human persons resident in Argentina, undivided estates located in Argentina and Foreign Beneficiaries without a permanent establishment in Argentina are not subject to income tax on capital gains derived from the purchase, sale or other disposition of the Notes, in accordance with the exemption contemplated by Article 36 BIS (to the extent compliant there with).

As a result of Decree no. 1.076, dated July 2, 1992, Holders of Title VI are subject to income tax on capital gains derived from the purchase, sale or other disposition of the Notes as prescribed by Argentine tax regulations. Holders of Title VI that sell negotiable obligations must determine, as of the end of the respective year, the gain obtained from such sale and pay the corresponding tax.

Foreign Beneficiaries are not subject to Article 21 of the Income Tax Law nor Article 106 of Law No. 11.683, which establish that tax exemptions do not apply when, as a result of the application of an exemption, revenue that would have been collected by the Argentine tax authority would be collected instead by a foreign tax authority.

Value-added Tax

If Notes are issued pursuant to the terms and obligations discussed in the previous section, the financial transactions and services related to the issuance, subscription, placement, transfer, amortization, interest and settlement thereof and the respective guarantees shall also be exempt from value-added tax. Furthermore, interest payments made in respect of the Notes will also be exempt from any VAT to the extent the Notes are issued pursuant to a public offering authorized by the CNV.

Personal Assets Tax

Pursuant to Law No. 23,966 (the “PAT Law”) as amended by Law No.27,260, published in the Official Gazette on July 22, 2016, the personal assets tax (“PAT”) non-taxable minimum threshold and tax rates applicable to Argentine domiciled individuals and undivided estates vary according to the fiscal period. If the aggregate value of assets of the Argentine domiciled taxpayer exceeds the non-taxable minimum threshold, only the exceeding amount will be subject to PAT taxation.

The following PAT rates apply:

Fiscal Year		Applicable rate
2016	Value of taxable assets exceeding Ps.800,00	0.75%
2017	Value of taxable assets exceeding Ps.950,000	0.50%
2018 and subsequent periods	Value of taxable assets exceeding Ps.1,050,000	0.25%

Foreign domiciled individuals and undivided estates located abroad shall only be subject to taxation over the assets located in Argentina. The tax is levied on a surrogate based in Argentina, who is either subject to Minimum Presumed Income tax, or an undivided state or an individual based in Argentina who administer and/or can dispose of the good. The surrogate may then claim the payment of the tax from the foreign domiciled individual or undivided state. The applicable rate payable by these taxpayers is 0.75% for tax period 2016, 0.50% for 2017 and 0.25% for 2018 and thereafter. The tax shall not be paid if the amount to be remitted is equal to or lower than Ps.255.75.

Notwithstanding the foregoing, Section 26 of the PAT law prescribes that certain assets such as the notes are excluded from taxation via a surrogate. Therefore, although assets held by foreign domiciled individuals and undivided states are technically subject to PAT, the PAT law does not establish a mechanism for paying the tax corresponding to the Notes.

The tax rate is applicable on the market value in the case of listed securities or on the purchase price plus accrued interest in the case of unlisted securities. Individuals and undivided estates residing abroad are not subject if PAT is equal to or less than Ps.255.75.

In some cases, with respect to assets directly held by certain companies or other entities domiciled abroad (namely, off-shore companies other than insurance companies, open investment funds, pension funds or banking or financial entities with head offices incorporated or domiciled in those countries whose central banks or similar banking entities have adopted the Basel Committee's international rules on banking supervision), the law assumes, against all evidence to the contrary, that such assets are held by individuals or undivided estates domiciled in the country. Accordingly, such assets shall be subject to the Personal Assets Tax is 1.50% for tax period 2016, 1.00% for 2017 and 0.50% for 2018 and thereafter. Notwithstanding the above, Decree No. 812/1996, dated July 22, 1996, provides that the legal presumption discussed above will not apply to corporate debt securities, such as the Notes, the public offering of which has been authorized by the CNV and which are traded on stock exchanges located in Argentina or abroad

In order to ensure that this legal presumption will apply and as such, that the Issuer will not be liable as a substitute obligor with respect to the Notes, the Issuer will keep among its records a duly certified copy of the CNV resolution authorizing the public offering of equity securities or corporate debt securities, and the documentation evidencing that such certificate or resolution was in force on December 31st of the year in which the fiscal obligation occurred, as required by AFIP General Resolution No. 2151, dated October 1, 2006.

In the event that the tax authority understands that the Issuer does not have the documentation evidencing the authorization by the CNV, and that the applicable securities are not traded on domestic or foreign stock markets, the Issuer will be responsible for paying the relevant tax.

CAPEX shall take the necessary actions to meet the conditions detailed above, so that the Notes held by legal persons domiciled abroad can be included within the scope of the exemption.

Presumed Minimum Income Tax

Notes held by companies domiciled at Argentina, civil associations, foundations, sole proprietorships, trusts, certain mutual funds organized in Argentina and certain permanent establishments belonging to foreign parties, among others, shall pay tax equal to 1.0% of the total value of such holdings located in Argentina or abroad as of their respective year-ends if its value exceeds the amount of Ps.200,000. In the event that a taxpayer owns assets located abroad, this amount will be increased by the amount resulting from multiplying AR\$200,000 by a percentage that represents the taxable assets located abroad, as compared to the taxpayer's total assets.

This tax will only be owed if the income tax determined for any fiscal year does not equal or exceed the amount owed under it. Pursuant to Law No. 25.063, income tax assessed for a particular fiscal year is considered as a payment on account of this tax. If the income tax which may be deducted on account of this tax is insufficient so that such tax must be paid in a certain fiscal year, it will be possible to acknowledge this tax as a credit toward income tax owed in the immediately following ten fiscal years. In the case of local financial entities regulated by the law on financial entities, leasing entities and insurance companies, the assessable tax base will be 20% of the value of assessable assets.

In respect of such tax, negotiable obligations that are listed on exchanges or markets will be valued in accordance with the last negotiated value thereof at the end of fiscal year. Non-negotiable obligations will be valued at cost, increasing, as applicable, with interest and exchange rate differences that have accrued to the applicable date.

In general, human persons and undived estates domiciled and located in Argentina and human persons or legal entities that do not have a permanent establishment in Argentina, subject to certain exceptions, are not subject to the tax for their investments in the Notes, whether issued pursuant to a public offering or a private offering. Such persons and entities are only subject to the tax to the extent that they establish a

domicile or presence in the country for commercial activities. The ownership of the Notes is not considered to be sufficient to establish such a permanent establishment.

This tax has been abrogated by Law No.27,260 as of fiscal periods commencing after January 1, 2019.

Turnover Tax

This tax is levied on gross income earned from an activity during the year and it is applied by each of the provincial jurisdictions. Below is the tax treatment applicable in the two most relevant jurisdictions.

Buenos Aires City Tax Code, Section 179(1), second paragraph, sets forth that revenues from any transaction on Notes issued in accordance with Law 23,576, the interest collected and updates accrued and the selling price in case of a transfer, shall be exempt provided the income tax exemption is applicable.

The province of Buenos Aires Tax Code sets forth a similar exemption in Section 207 (c), second paragraph.

Considering the autonomous authority vested in each provincial jurisdiction in connection with tax matters, any potential effects derived from these transactions must be analyzed, in addition to the tax treatment established by other provincial jurisdictions. Potential investors must consider the turnover tax impact depending on the local jurisdictions involved.

Stamp Tax

Stamp taxes represent a local tax that is applicable on contracts of an onerous character that are formalized pursuant to public and/or private instruments that are executed in the provinces or the Autonomous City of Buenos Aires or executed in one jurisdiction and having effects in another one.

Negotiable Obligations Law, Section 35, sets forth that corporate bond holders shall not be subject to federal stamp tax. However, such law only admits the possibility of requesting the provinces to grant a similar exemption in their respective jurisdictions. This request has been accepted only by some jurisdictions.

In the province of Buenos Aires, Section 297 (46) sets forth an exemption for acts, contracts and transactions, including money delivered and received related to the issuance, subscription placement or transfer of Notes, as well as any capital stock increases made to issue shares to be delivered as a result of corporate bond conversions, issued in accordance with the system of Laws No. 23,576 and 23,962.

Also, acts, contracts and operations related to issuance of securities placed by public offering under the terms of Argentine Law No. 26,831 by companies authorized by the CNV are exempt from stamp tax in the province of Buenos Aires. This exemption applies if the authorization to place the security by public offering is filed within 90 calendar days from the execution of any such act, contracts and operations and if the placement of the securities is not performed within 180 calendar days from the authorization to place such securities by public offering. The Tax Code of the province of Buenos Aires has an exemption for agreements related to the negotiation of shares and other securities that are authorized by the CNV.

The Tax Code of the City of Buenos Aires sets forth a similar exemption in Section 470 (53). The Tax Code of the City of Buenos Aires has an exemption for agreements related to the negotiation of shares and other securities that are authorized by the CNV. The Tax Code of the City of Buenos Aires also exempts from stamp tax those acts, contracts and operations related to issuance of securities placed by means of public offering under Argentine Law No. 17,811 by companies authorized by the CNV. This exemption applies if the authorization to place the security by public offering is filed within 90 calendar days from the execution of any such act, contracts and operations and if the placement of the securities is performed within 180 calendar days from the authorization to place such securities by public offering.

System of collection and Control over Credits on Bank Accounts

Various provincial tax authorities (for example Corrientes, Córdoba, Tucumán, Buenos Aires, and Salta) have established a regime to ensure the collection of turnover tax denominated SIRCERB. The

collection regime contemplates the withholding of certain credits on deposit in bank accounts maintained with Argentine financial entities. The collection regime generally applies to taxpayers included in a list provided by the local tax authorities involved.

Such rates vary between the various provinces with the highest current amount being 5%.

Collections made under these regimes shall be considered as a payment on account of the respective turnover tax.

Investors should consider any tax consequences relating to such turnover tax that may be applicable to them.

Tax on Bank Debits and Credits in Argentine bank accounts

Law No. 25,413 establishes, with certain exceptions, a tax levied upon debits and credits on bank accounts maintained at financial institutions located in Argentina and on other transactions that are used as a substitute for the use of bank accounts. The general tax rate is 0.6% for each debit and credit (although in certain cases an increased rate of 1.2% and a reduced rate of 0.075% may apply).

Pursuant to Decree No. 534/2004, 34.0% of the tax paid on credits levied at the 0.6% tax rate and 17.0% of the tax paid on transactions levied at the 1.2% tax rate will be considered as a payment on account of income taxes, tax on assets or the special contribution over the capital of cooperative associations.

The credit of such amounts as a payment on account will be carried out, with no distinction, against income tax, tax on assets or the special contribution over the capital of cooperative associations. The exceeding amount will not be subject to compensation with other taxes or transfer in favor of third parties, being able to be transferred, until its exhaustion, to other fiscal periods of the above-mentioned taxes.

Certain exceptions to this tax apply based on the type if taxpayer and intended use of the accounts. For example, debits and credits in banking accounts opened by foreign legal entities in accordance with Communication "A" 3250 of the Argentina Central Bank and used exclusively for the purpose of making financial investments in Argentina are exempted from this tax in accordance with section 10, paragraph s) of Decree 380/2001.

In case Holders receive payments in local bank checking accounts, such tax may apply.

Court Tax

In the event that it becomes necessary to institute enforcement proceedings in relation to the Notes in Argentina, a court tax (currently at a rate of 3.0%) will be imposed on the amount of any claim brought before the Argentine courts sitting in the City of Buenos Aires.

Other taxes

On the provincial level, the province of Buenos Aires ("province of Bs. As.") established a Free Transmission of Goods Tax (Law No. 14,044 modified by Law N° 14,200) -as from January 1, 2011- which main characteristics are:

- The FTGT comprehends enrichments from all free transmission of goods, including inheritance, legacies, donations, etc.
- Individuals and legal entities are subject to the FTGT.
- Tax payers domiciled in the province of Bs. As. are subject to the FTGT over goods located in and out of the province of Bs. As., and tax payers domiciled in other provinces other than the province of Bs. As. are subject to the FTGT over the free enrichment of goods located in the province of Bs. As.
- Notes –such as the Notes- issued by an entity domiciled in the province of Bs. As. are considered as located in the province of Bs. As.

- Transfers of goods are exempted from the FTGT when the total amount of goods transferred is equal or less than Ps.107,640 (448,500 if the transference is to parents, children or spouse).
- The tax rates have been set between 4% to 21.92% according to the tax base and the degree of kinship involved.

The free transfer of notes may be subject to this tax if it meets the thresholds above.

The province of Entre Ríos in 2013, pursuant to Law No. 10.197 imposed a tax on the free transfer of assets, which would apply if the beneficiary of such transfer is domiciled in such province or if the transferred assets are located within such province. The taxable base and rates relating to such tax are similar to those applicable for the FTGT in Decree 2554/2014 (published on the Oficial Gazzete of the province on October 24, 2014) and its amendments established that free transfers of assets whose value is equal to or less than Ps.60.000 (or Ps.250.000 in respect of parents, children or spouses) are exempt.

Potential investors must consider the tax on the free transfer of assets impact depending on the local jurisdictions involved.

Double Taxation Treaties

Argentina has entered into tax treaties with several countries. At present, there is no double taxation treaty between Argentina and United States.

Inflow of Funds from Originated from non-cooperative Countries According to Tax Procedure Law (Law No. 11,683 as amended), any local entity receiving funds of any kind (that is, loans, capital contributions, etc.) from foreign entities located in low or no taxation jurisdictions, is subject to Income Tax and Value Added Tax on a 110% taxable base of the amounts received of such entities (subject to some limited exceptions). The foregoing is based upon an assumption that such amounts constitute unjustified asset increases for the local receiving party. The Argentine tax resident may rebut such legal presumption by duly evidencing before the Argentine Tax Authority that the funds arise from activities effectively performed by the Argentine taxpayer or a third party in such jurisdictions, or that such funds have been previously declared.

Accordingly, Notes may not (i) be originally acquired by a person domiciled or incorporated in a low taxation jurisdiction, or (ii) be purchased by any person through a bank account opened in a low taxation jurisdiction. Low or no taxation jurisdictions, pursuant to Argentine legislation, are listed in Article 21.7 of Regulatory Decree of Argentine Income Tax Law.

Decree No. 589/2013 replaced Article 21.7 of Regulatory decree of Argentine Income Tax Law establishing that, to all effects set forth under Argentine Income Tax Law and regulatory decree thereof, any reference to low or no taxation countries should be construed as a reference to the countries which are not considered as cooperating countries for fiscal transparency purposes. Cooperating countries for fiscal transparency purposes are considered to be those countries executing an agreement with Argentina for exchange of information concerning tax matters or an agreement to avoid international double taxation with a broad information exchange provision, always provided that such exchange of information is effectively complied with.

The Federal Administration of Public Revenues prepares and keeps an updated list of the countries considered as cooperating countries for fiscal transparency purposes. The provisions of Decree No. 589/2013 are applicable since January 1, 2014. You can review such list on the following website: <http://www.afip.gov.ar>

Certain United States Federal Income Tax Considerations

The following is a summary of certain U.S. federal income tax consequences of the purchase, ownership and disposition of Notes as of the date hereof. Except where noted, this summary deals only with Notes that are held as capital assets by a U.S. holder (as defined below) who acquired the Notes upon

original issuance at their “issue price” (the first price at which a substantial amount of Notes are sold for money, excluding sales to underwriters, placement agents or wholesalers).

A “U.S. holder” means a beneficial owner of the Notes that is for U.S. federal income tax purposes any of the following:

- an individual citizen or resident of the United States;
- a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more U.S. persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

This summary is based upon provisions of the Internal Revenue Code of 1986, as amended (the “Code”), and regulations, rulings and judicial decisions as of the date of this offering memorandum. Those authorities may change, perhaps retroactively, so as to result in U.S. federal income tax consequences different from those summarized below. This summary does not address all aspects of U.S. federal income taxes and does not address the effects of the Medicare contribution tax on net investment income or non-U.S., state, local or other tax considerations (such as estate and gift tax laws) that may be relevant to U.S. holders in light of their particular circumstances. In addition, it does not represent a detailed description of the U.S. federal income tax consequences applicable to you if you are subject to special treatment under the U.S. federal income tax laws. For example, this summary does not address:

- tax consequences to holders who may be subject to special tax treatment, such as dealers in securities or currencies, traders in securities that elect to use the mark-to-market method of accounting for their securities, financial institutions, regulated investment companies, real estate investment trusts, individual retirement amounts and other tax-deferred accounts, tax-exempt entities or insurance companies;
- tax consequences to persons holding the Notes as part of a hedging, integrated, constructive sale or conversion transaction or a straddle;
- tax consequences to persons that have ceased to be U.S. citizens or lawful permanent residents of the United States, U.S. citizens or lawful permanent residents living abroad, persons that have a permanent establishment in Argentina, or holders of the Notes whose “functional currency” is not the U.S. dollar; or
- alternative minimum tax consequences, if any.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds the Notes, the tax treatment of a partner in such partnership generally will depend upon the status of the partner and the activities of the partnership. If you are a partner in an entity or arrangement treated as a partnership for U.S. federal income tax purposes holding our Notes, you should consult your tax advisors.

If you are considering the purchase of Notes, you should consult your own tax advisors concerning the particular U.S. federal income tax consequences to you of the purchase, ownership and disposition of the Notes, as well as the consequences to you arising under other U.S. federal tax laws and the laws of any other taxing jurisdiction.

Payments of Interest

It is expected, and this discussion assumes, that the Notes will not be issued with original issue discount (“OID”) for U.S. federal income tax purposes. Accordingly, interest on a Note generally will be taxable to you as ordinary income at the time it is paid or accrued in accordance with your method of accounting for U.S. federal income tax purposes. For these purposes, interest on the Notes includes any Argentine tax

withheld from the interest payments you receive and additional amounts paid in respect of any such Argentine withholding tax. If, however, the Notes are not issued with less than a statutorily defined de minimis amount of OID, a U.S. holder will be required to include a portion of the OID in gross income as interest in each taxable year or portion thereof in which the U.S. holder holds the Notes, even if the U.S. holder has not received a cash payment in respect of the OID. The amount of a Note's OID is the excess of the Note's principal amount over its issue price.

You may be entitled to deduct or credit any Argentine tax withheld from interest payments you receive, subject to certain limitations (including that the election to deduct or credit foreign taxes applies to all of your foreign taxes for a particular tax year). Interest income (including any additional amounts) on a Note generally will be considered foreign source income and, for purposes of the U.S. foreign tax credit, generally will be considered passive category income. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisors regarding the availability of the foreign tax credit under your particular circumstances.

Sale, Exchange, Retirement or Other Taxable Disposition of Notes

Your tax basis in a Note will, in general, be your cost for that Note. Upon the sale, exchange, retirement or other taxable disposition of a Note, you generally will recognize gain or loss equal to the difference between the amount you realize upon the sale, exchange, retirement or other taxable disposition (less an amount equal to any accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income) and your tax basis of the Note. Such gain or loss will be capital gain or loss and generally will be treated as U.S. source gain or loss. Consequently, because any such gain generally would be U.S. source income, you may not be able to claim a credit for any Argentine tax imposed upon a taxable disposition of a Note unless such credit can be applied (subject to applicable limitation) against tax due on other income treated as derived from foreign sources. Capital gains of non-corporate U.S. holders (including individuals) derived in respect of capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Backup Withholding and Information Reporting

Payments of principal, and interest on, and the proceeds of sale or other disposition (including exchange) of Notes by a U.S. paying agent or other U.S. intermediary will be reported to the U.S. Internal Revenue Service and to the U.S. holder as may be required under applicable regulations. Backup withholding may apply to these payments, if the U.S. holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to comply with applicable certification requirements. Certain U.S. holders are not subject to backup withholding. U.S. holders should consult their tax advisors about these rules and any other reporting obligations that may apply to the ownership or disposition of Notes, including requirements related to the holding of certain "specified foreign financial assets."

The above description is not intended to constitute a complete analysis of all tax consequences relating to the ownership of Notes. Prospective purchasers of Notes should consult their own tax advisors concerning the tax consequences of their particular situations.

PLAN OF DISTRIBUTION

Subject to the terms and conditions of the purchase agreement, we have agreed to sell and the initial purchasers named below have severally agreed to purchase from us the following respective principal amounts of Notes listed opposite their names below:

Initial Purchaser	Principal Amount of Notes
Deutsche Bank Securities Inc.	U.S.\$138,889,000
J.P. Morgan Securities LLC.....	U.S.\$138,889,000
BBVA Securities Inc.....	U.S.\$11,111,000
Itau BBA USA Securities, Inc.	U.S.\$11,111,000
Total	U.S.\$300,000,000

The purchase agreement provides that the obligations of the several initial purchasers to purchase the Notes offered hereby are subject to certain conditions precedent and that the initial purchasers will purchase all of the Notes offered by this offering memorandum if they purchase any of the Notes.

The initial purchasers may offer and sell the Notes through certain of their affiliates. In addition, after the initial offering, the initial purchasers may change the offering price and other selling terms of the Notes.

We have agreed to indemnify the initial purchasers against certain liabilities, including liabilities under the Securities Act, and to contribute to payments the initial purchasers may be required to make in respect of any of these liabilities.

The Notes have not been, and will not be, registered under the Securities Act. Each initial purchaser has agreed that it will offer or sell the Notes only (i) in the United States to qualified institutional buyers (“QIBs”) in reliance on Rule 144A under the Securities Act or (ii) outside the United States in reliance on Regulation S under the Securities Act. The Notes being offered and sold pursuant to Regulation S may not be offered, sold or delivered in the United States or to, or for the account or benefit of, any U.S. person, unless the Notes are registered under the Securities Act or an exemption from the registration requirements thereof is available. Terms used above have the meanings given to them by Regulation S and Rule 144A under the Securities Act. See “Transfer Restrictions.”

The Notes are a new issue of securities and there is currently no market for the Notes. In addition, the Notes are subject to certain restrictions on resale and transfer as described under “Transfer Restrictions” in this offering memorandum. We have applied for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and on BYMA and admitted to trading on the Euro MTF Market and on the MAE.

We have agreed that, for a period of 90 days from the closing of the offering, we will not, without the prior written consent of the initial purchasers, offer, sell or contract to sell, pledge or otherwise dispose of, any debt securities substantially similar to the Notes, issued or guaranteed by us and having a tenor of more than one year. The initial purchasers in their sole discretion may release any of the securities subject to the purchase agreement at any time without notice.

In connection with the offering of the Notes, the initial purchasers may engage in overallotment, stabilizing transactions and covering transactions. Overallotment involves sales in excess of the offering size, which creates a short position for the initial purchasers. Stabilizing transactions involve bids to purchase the Notes in the open market for the purpose of pegging, fixing or maintaining the price of the Notes. Covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions, covering transactions and overallotment transactions may have the effect of preventing or delaying a decline in the market price of the Notes or cause the price of the Notes to be higher than it would otherwise be in the absence of those

transactions. If the initial purchasers engage in stabilizing, covering or overallotment transactions, they may discontinue them at any time. Any such stabilizing, covering or overallotment transactions will be subject to the limits imposed by applicable laws and regulations, including the CNV Rules, as amended by Resolution No. 662/2016 of the CNV. We cannot assure you that the trading market for the Notes will be liquid, that an active public market for the Notes will develop or, if developed, that it will continue to exist. If an active public trading market for the Notes does not develop or persist, the market price and liquidity of the Notes may be adversely affected.

In addition, in the ordinary course of their business activities, the initial purchasers, the Local Placement Agents and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. The initial purchasers, Local Placement Agents or their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

We expect to deliver the Notes against payment for the Notes on or about May 15, 2017, which will be the third business day following the date of this offering memorandum (such settlement being referred to as “T+3”).

The offering of the Notes comprises (i) a public offering within the meaning of the Argentine Capital Markets Law in Argentina, in accordance with the CNV Rules and other applicable Argentine laws to “qualified investors” (*inversores calificados*) in Argentina, as defined by Article 12, Section II, Chapter VI of Title II of the CNV Rules, made through BACS Banco de Crédito y Securitización S.A., Banco CMF S.A., and Banco Hipotecario S.A. (together, the “Local Placement Agents”) (the “Local Offering”), and (ii) an offer outside Argentina to QIBs in reliance on Rule 144A and to non-U.S. persons in reliance upon Regulation S under the Securities Act made by the initial purchasers (the “International Offering”).

Certain of the initial purchasers, the Local Placement Agents and their respective affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us and/or our affiliates. Consequently, they have received, or may in the future receive, customary fees, interest and commissions for these transactions.

International Offering

The Notes are being placed outside of Argentina by means of an offering in accordance with the laws of the applicable jurisdictions, under exemptions to registration or public offering requirements.

The Notes have not been, and will not be, registered under the Securities Act. The initial purchasers will offer or sell the Notes only (i) in the United States to QIBs in reliance on Rule 144A under the Securities Act or (ii) in offshore transactions in reliance on Regulation S under the Securities Act. The Notes being offered and sold pursuant to Regulation S may not be offered, sold or delivered in the United States or to, or for the account or benefit of, any U.S. person, unless the Notes are registered under the Securities Act or an exemption from the registration requirements thereof is available. Terms used above have the meanings given to them by Regulation S and Rule 144A under the Securities Act. See “Transfer Restrictions.”

The offering of the Notes outside of Argentina is being made with this offering memorandum. We, as issuer, and the initial purchasers entered into the purchase agreement described below on the date of this offering memorandum. The initial purchasers have undertaken outside of Argentina a variety of marketing methods consistent with international practices for the placement of securities in comparable transactions (including, without limitation road shows, global or individual conference calls, one-on-one or group meetings, and distribution of the offering memorandum), and may also offer and sell the Notes through certain of their qualified affiliates. The placement and allocation of the Notes is being undertaken through a book-building process. After completion of such book-building process, the initial purchasers shall, record expressions of interest received from investors outside of Argentina and from the Local Placement Agents in

Argentina in an electronic registry book maintained in New York City in accordance with customary practice and applicable regulations further described under the heading “—Placement and Allocation” below.

Until the expiration of 40 days after the commencement of this offering, any offer or sale of Notes within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act, unless the dealer makes the offer or sale pursuant to Rule 144A or another available exemption from registration under the Securities Act.

Local Offering

The Notes are being placed in Argentina by means of an offering under a program that will qualify as a public offering conducted in accordance with the Argentine Securities Law, the CNV Rules and other applicable Argentine laws. For this purpose, the Notes have been authorized for public offering in Argentina under a program by means of Resolutions No. 18,632 dated April 27, 2017 and No. 2,372/EMI dated April 28, 2017, each of them issued by the CNV. The Local Offering will be made to “qualified investors” (*inversores calificados*) in Argentina, as defined by Article 12, Section II, Chapter VI of Title II of the CNV Rules by way of an Argentine prospectus and an Argentine pricing supplement in the Spanish language with information substantially similar to that included in this offering memorandum.

The Local Placement Agents may only solicit or receive purchase orders from investors who are Argentine residents.

Placement and Allocation

Placement Efforts

We and the Local Placement Agents will conduct marketing efforts and will offer the Notes by means of a public offering in Argentina pursuant to the Argentine Securities Law, the CNV Rules and other applicable Argentine laws, including, without limitation, Chapter IV, Title VI of the CNV Rules. In addition, we and the initial purchasers will undertake marketing efforts for the placement of the Notes to investors outside Argentina in accordance with the laws of the applicable jurisdictions.

The placement efforts will consist of a variety of marketing methods and activities customarily undertaken in transactions of this type. Such marketing efforts may include: (i) international and/or local road shows with institutional investors; (ii) calls with institutional investors, where such investors will have the opportunity to ask questions regarding our business and the Notes; (iii) electronic road shows; (iv) the publication of a summary of the Argentine prospectus and Argentine pricing supplement (containing information substantially similar to that included in this offering memorandum) in the BCBA bulletin and the publication of other notices in newspapers and bulletins; (v) the distribution (electronically or in hard copy) of the preliminary offering memorandum and this offering memorandum outside Argentina, and the Argentine prospectus and the Argentine pricing supplement in Argentina; and (vi) the availability to investors of hard copies of the preliminary offering memorandum and this offering memorandum at the principal offices of the initial purchasers.

Book-Building

The placement of the Notes is being conducted pursuant to book-building process undertaken by the initial purchasers.

Investors interested in purchasing the Notes must make expressions of interest (each an “Expression of Interest”) specifying the requested principal amount of the Notes which they seek to purchase, the minimum amount of which shall be no less than U.S.\$150,000 and in integral multiples of U.S.\$ 1,000, as well as the yield offered for the Notes, expressed as a semi-annual rate rounded to three decimals (the “Offered Yield”).

As described further below, the initial purchasers will record the Expressions of Interest received from investors outside of Argentina and from the Local Placement Agents in Argentina in an electronic registry book exclusively maintained by the initial purchasers in New York City in accordance with customary

practice for this type of international offering in the United States and applicable regulations pursuant to Article 1, Section I, Chapter IV, Title VI of the CNV Rules.

Subject to the Argentine Capital Markets Law and the CNV Rules and other applicable laws and regulations and in compliance with the transparency obligations, we, the Local Placement Agents and the initial purchasers reserve the right to terminate the offering at any time in compliance with applicable law and to reject, in whole or in part, any Expression of Interest due to mistake, omission or non-compliance with laws, and to not allocate any Notes or allocate Notes in a lower amount than that requested by an investor in its Expression of Interest in accordance with the allocation procedures described below. In addition, the initial purchasers and the Local Placement Agents reserve the right to reject Expressions of Interest for lack of compliance with the requirements of the anti-money laundering regulations.

Offering Period

In Argentina, the Expressions of Interest must be made with the Argentine Placement Agents, who will in turn submit them to the initial purchasers in accordance with procedures to be determined by the initial purchasers. Subject to the CNV Rules and other applicable regulations, the Local Placement Agents may request that investors in Argentina that make Expressions of Interest provide payment guarantees in respect of their requested orders. Outside of Argentina, the Expressions of Interest must be made with the initial purchasers.

The Expressions of Interest may only be made during the period which will begin and expire on the dates and at the hours set forth in a subscription notice (the “Subscription Notice”) in accordance with Chapter IV, Title VI of the CNV Rules published in (i) BCBA bulleting and in the MAE’s electronic gazette and (ii) the CNV’s webpage (www.cnv.gob.ar) under the tab “Información Financiera/Financial Information,” (such period, the “Offering Period,” the date and time of the expiration of the Offering Period, the “Final Time for Filing Expressions of Interest,” and the last day of such period, the “Allocation Date”). After the Final Time for Filing Expressions of Interest, no new Expressions of Interest will be recorded in the electronic registry book.

On the Allocation Date, during the period specified in the Subscription Notice, the initial purchasers shall record in the electronic registry book all Expressions of Interest received before the Final Time for Filing Expressions of Interest and shall thereafter close the electronic registry book (the exact date and time of the effective registration of the Expressions of Interest in the electronic registry book and closing of the electronic registry book determined by the initial purchasers in their sole discretion within the range described above) (the “Register Closing Time,” which shall be set forth in the Subscription Notice). Any Expressions of Interest received before the Final Time for Filing Expressions of Interest shall not be binding and may be withdrawn or modified until the Register Closing Time. Therefore, as from the Register Closing Time, The Expressions of Interest may not be modified. In accordance with the provisions of Article 7, Section I, Chapter IV, Title VI of the CNV Rules, investors may waive their right to expressly ratify their Expressions of Interest with effect as of the Register Closing Time. Accordingly, all Expressions of Interest not withdrawn or modified as of the Register Closing Time shall constitute firm, binding and definitive offers based on the terms presented (as amended as of such time) with effect as of the Register Closing Time, without need for any further action by the investor.

Allocation

On the Allocation Date, after the closing of the electronic registry book by the initial purchasers, we, jointly with the initial purchasers, will determine in accordance with the demand of the Notes (or demand curve): (i) the issue price, (ii) the interest rate, (iii) the applicable yield determined by us (the “Applicable Yield”) and (iv) the amount of the Notes to be issued, in each case based on the offers received and in accordance with the book-building procedures.

In addition, on the Allocation Date, following the final allocation of the Notes, we will publish a notice announcing the results of the placement of the Notes on the CNV webpage and, as soon as possible thereafter, in the BCBA bulletin and the MAE electronic gazette specifying the amount of Notes to be issued, the issue price, the interest rate and the Applicable Yield (the “Results Notice”).

Amendment, Suspension and/or Extension

The Offering Period may be modified, suspended or extended prior to expiration of the original term, by public announcement. Neither we, the Local Placement Agents or the initial purchasers shall be responsible in the event of a modification, suspension or extension of the Offering Period or of the Allocation Date, and those investors who have submitted an Expression of Interest shall not be entitled to any compensation as a result thereof. In the event the Allocation Date is terminated or revoked or a decision is made not to issue the Notes or proceed with the offering, all Expressions of Interest received shall automatically expire.

In the event the Offering Period is suspended or extended, investors that have submitted Expressions of Interest during that period may in their sole discretion and without penalty withdraw such Expressions of Interest at any time during the period of the suspension or the new extended Offering Period.

Rejection of Expressions of Interest; Termination of Placement

Expressions of Interest may be rejected if they contain mistakes or omissions that make their processing unduly burdensome or impede their processing in the system, or for non-compliance with laws as further described below.

Those investors who have submitted Expressions of Interest must provide to the Local Placement Agents or the initial purchasers all information and documentation they may require in order to comply with applicable laws and regulations related to the prevention of anti-money laundering and the financing of terrorism. In cases where the information provided is inadequate, incomplete and/or untimely, the Local Placement Agents and the initial purchasers may, without liability, reject such Expressions of Interest.

We, the Local Placement Agents and the initial purchasers reserve the right to reject an Expression of Interest if any of us considers that applicable laws or regulations have not been satisfied. Such applicable laws and regulations include those related to anti-money laundering, such as those issued by the UIF, the CNV or the Central Bank, as well as any applicable securities regulations. Any decision to reject an Expression of Interest will take into account the principle of fair treatment among investors.

Any modification of these procedures will be published for one business day on the CNV's webpage and in the BCBA bulletin as well as in the MAE's electronic gazette.

We may terminate the placement of Notes during or immediately following the completion of the Offering Period if: (i) no Expressions of Interest have been received or all of the Expressions of Interest have been rejected; (ii) the yield offered by investors was higher than the yield we expected; (iii) the Expressions of Interest represent a principal amount of the Notes that, being reasonably considered, would not justify the issuance of the Notes; (iv) taking into account the resulting economic equation, the issuance of the Notes is unprofitable for us; or (v) there were material adverse changes in the international financial markets and/or the local or international capital markets, or in our general condition and/or that of Argentina, including, for example, political, economic, financial conditions or our credit, such that the issuance of Notes described within this offering memorandum would not be advisable; or (vi) investors have not complied with laws and regulations related to anti-money laundering and the financing of terrorism, including those issued by the UIF, the CNV and the Central Bank. In addition, the offering of the Notes may be terminated in accordance with the terms and conditions of the Purchase Agreement.

Allocation Procedures

Investors with Expressions of Interest indicating an Offered Yield lower than or equal to our Applicable Yield may purchase the Notes subject to applicable laws and the allocation, as decided jointly by us and the initial purchasers based on the criteria described below.

We expect to place the Notes mainly among international as well as Argentine institutional buyers, including, without limitation, investment funds, pension funds, insurance companies, financial institutions, securities brokers and private banking accounts managers. We shall give preference to those Expressions of Interest received from investors who, in general, maintain long-term positions in securities of same type as

that of the Notes, thereby making it more likely that the secondary market for the Notes benefits from a stable investor base that is able to understand credit risk and which intends to maintain a long-term position in the Notes. This, in turn, helps to create a benchmark for the Notes which we expect will facilitate our future access to the international capital markets. Specifically, Expressions of Interest received from institutional investors, regulated investors or international financial institutions will be granted preference.

The criteria for allocating the Notes among the investors to be applied by us shall be based on, among others, the investor's previous international transactions involving issuers in emerging markets, the size of the Expression of Interest, the competitiveness of the Offered Yield, the investor's interest in our credit profile and the investor's creditworthiness.

We cannot assure investors that their Expressions of Interest will be allocated nor that, if allocated, they will be allocated the full amount of the Notes requested or that the proportion of the allocation of the aggregate amount of Notes requested between two equal Expressions of Interest will be the same.

No investor having submitted an Expression of Interest with an Offered Yield higher than the Applicable Yield determined by us shall receive any Notes. Neither we nor the initial purchasers nor the Local Placement Agents shall have any obligation to inform any investor whose Expression of Interest have been totally or partially excluded, that such Expressions of Interest have been totally or partially excluded.

Settlement

The settlement of the Notes will take place on the issue date of the Notes, which will be the third business day subsequent to the Allocation Date or any other subsequent date provided in the Results Notice. All Notes shall be paid by the investors on or before the issue date, in accordance with the instructions of each initial purchaser and/or Local Placement Agent, in U.S. Dollars by wire transfer to an account outside of Argentina to be specified by the initial purchasers and/or the Local Placement Agents in accordance with standard market practice.

Notice to Prospective Investors in the European Economic Area

This offering memorandum has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State") will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of Notes. Accordingly, any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of the offering contemplated in this offering memorandum may only do so in circumstances in which no obligation arises for the Issuer or any of the initial purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor the initial purchasers have authorized, nor do they authorize, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or the initial purchasers to publish a prospectus for such offer. The expression "Prospectus Directive" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

Notice to Prospective Investors in the United Kingdom

Each initial purchaser has represented and agreed that:

- it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Notice to Prospective Investors in Canada

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the initial purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Notice to Prospective Investors in Switzerland

This offering memorandum does not constitute an issue prospectus pursuant to Article 652a or Article 1156 of the Swiss Code of Obligations and the Notes will not be listed on the SIX Swiss Exchange. Therefore, this offering memorandum may not comply with the disclosure standards of the listing rules (including any additional listing rules or prospectus schemes) of the SIX Swiss Exchange. Accordingly, the Notes may not be offered to the public in or from Switzerland, but only to a selected and limited circle of investors who do not subscribe to the Notes with a view to distribution. Any such investors will be individually approached by the initial purchasers from time to time.

Notice to Prospective Investors in Hong Kong

The Notes may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong) and no advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

The contents of this offering memorandum have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this offering memorandum, you should obtain independent professional advice.

Notice to Prospective Investors in Japan

The Notes offered in this offering memorandum have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "Financial Instruments and Exchange Act"). The Notes have not been offered or sold and will not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any

resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Notice to Prospective Investors in Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to compliance with conditions set forth in the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:
- to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than U.S.\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;
- where no consideration is or will be given for the transfer; or
- where the transfer is by operation of law.

Notice to Prospective Investors in Brazil

The offering of the Notes described in this offering memorandum will not be carried out by any means that would constitute a public offering in Brazil under Law No. 6,385, of December 7, 1976, as amended, and under CVM Rule (*Instrução*) No. 400, of December 29, 2003, as amended. The offering and sale of the Notes have not been and will not be registered with the *Comissão de Valores Mobiliários* in Brazil. Any public offering of the Notes in Brazil, as defined under Brazilian laws and regulations, requires prior registration with the CVM under Law No. 6,385, dated of 7 December 1976, as amended, and CVM Instruction No. 400, dated 29 December 2003, as amended. Therefore, the Notes may not be issued, distributed, offered, placed or negotiated in the Brazilian capital markets, except in circumstances which do not constitute a public offering, distribution, placement or negotiation in the Brazilian capital markets, as well as any documents relating to the offering of the Notes and any information contained in those documents, may not be distributed to the public in Brazil nor be used in connection with any offer for subscription or sale of the Notes to the public in Brazil.

Notice to Prospective Investors in Chile

The offering of the Notes will begin on May 1, 2017 and is subject to General Rule No. 336 of the Chilean Securities Commission (*Superintendencia de Valores y Seguros de Chile*, or the “SVS”). The Notes being offered are not registered in the Securities Registry (*Registro de Valores*) or in the Foreign Securities Registry (*Registro de Valores Extranjeros*) of the SVS and, therefore, the Notes are not subject to the supervision of the SVS. As with all unregistered securities, the issuer of the Notes is not required to disclose public information about the Notes in Chile. The Notes may not be publicly offered in Chile unless they are registered in the corresponding securities registry.

La oferta de los valores comienza el 1 de mayo del 2017 y está acogida a la NCG 336 de la superintendencia de Valores y Seguros de Chile (la “SVS”). La oferta versa sobre valores no inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la SVS, por lo que los valores no están sujetos a la fiscalización de dicho organismo. Por tratarse de valores no inscritos, no existe obligación por parte del emisor de entregar en Chile información pública respecto de los valores. Estos valores no pueden ser objeto de oferta pública a menos que sean inscritos en el registro de valores correspondiente.

Notice to Prospective Investors in Argentina

The Notes are being placed in Argentina by the Local Placement Agents, through an offering that will qualify as a public offering conducted in accordance with the Argentine Capital Markets Law, the CNV Rules and other applicable Argentine laws. For this purpose, the Notes have been authorized for public offering in Argentina by means of Resolution No. 2,372/EMI of the CNV, dated April 28, 2017. The Local Offering will be made to “qualified investors” (*inversores calificados*) in Argentina, as defined by Article 12, Section II, Chapter VI of Title II of the CNV Rules, by way of an Argentine prospectus and an Argentine pricing supplement in the Spanish language with information substantially similar to that included in this offering memorandum. The CNV authorization means only that the information requirements of the CNV have been satisfied. The CNV has not rendered any opinion in respect of the accuracy of the information contained in the Argentine prospectus and pricing supplement or in this offering memorandum.

Notice to Prospective Investors in Colombia

The notes may not be offered, sold or negotiated in Colombia, except under circumstances which do not constitute a public offering of securities under applicable Colombian securities laws and regulations. Furthermore, foreign financial entities must abide by the terms of Decree 2555 of 2010 to offer privately the notes to their Colombian clients.

Notice to Prospective Investors in Peru

The notes and the information contained in this offering memorandum are not being publicly marketed or offered in Peru and will not be distributed or caused to be distributed to the general public in Peru. The notes have not been and will not be approved by or registered with the Peruvian securities regulatory authority, the Superintendence of the Securities Market (Superintendencia del Mercado de Valores). Accordingly, the notes cannot be offered or sold within Peruvian territory except to the extent any such offering qualifies as a private offering under Peruvian regulations and complies with the provisions on private offerings set forth therein. This notice is for information purposes only and it does not constitute a public offering of any kind in Peru.

TRANSFER RESTRICTIONS

The Notes have not been registered and will not be registered under the Securities Act, any U.S. state securities laws or the laws of any other jurisdiction (other than Argentina), and may not be offered or sold within the United States or to or for the account or benefit of, U.S. persons except pursuant to transactions exempt from, or not subject to, registration under the Securities Act and the securities laws of any other jurisdiction. Accordingly, the Notes are being offered and sold only:

- in the United States to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A under the Securities Act; and
- outside of the United States, to certain persons, other than U.S. persons, in offshore transactions in reliance on Regulation S under the Securities Act.

Purchasers' Representations and Restrictions on Resale and Transfer

Each purchaser of Notes (other than the initial purchasers in connection with the initial issuance and sale of Notes) and each owner of any beneficial interest therein will be deemed, by its acceptance or purchase thereof, to have represented and agreed as follows:

- it is purchasing the Notes for its own account or an account with respect to which it exercises sole investment discretion and it and any such account is either (a) a qualified institutional buyer and is aware that the sale to it is being made pursuant to Rule 144A or (b) a non-U.S. person that is outside the United States;
- it acknowledges that the Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any U.S. state or any other jurisdiction and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth above;
- it understands and agrees that Notes initially offered in the United States to qualified institutional buyers will be represented by a global note and that Notes offered outside the United States pursuant to Regulation S will also be represented by a global note;
- it will not resell or otherwise transfer any of such Notes except (a) to us, (b) within the United States to a qualified institutional buyer in a transaction complying with Rule 144A under the Securities Act, (c) outside the United States in compliance with Rule 903 or 904 under the Securities Act, (d) pursuant to another exemption from registration under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act;
- it agrees that it will give to each person to whom it transfers the Notes notice of any restrictions on transfer of such Notes;
- it acknowledges that prior to any proposed transfer of Notes (other than pursuant to an effective registration statement or in respect of Notes sold or transferred either pursuant to (a) Rule 144A or (b) Regulation S) the holder of such Notes may be required to provide certifications relating to the manner of such transfer as provided in the indenture;
- it acknowledges that the Trustee, Co-Registrar or Transfer Agent for the Notes will not be required to accept for registration the transfer of any Notes acquired by it, except upon presentation of evidence satisfactory to us that the restrictions set forth herein have been complied with;
- it acknowledges that we, the initial purchasers and their affiliates and other persons will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the acknowledgements, representations and agreements deemed to have been made by its purchase of the Notes are no longer accurate, it will promptly notify us and the initial purchasers; and

- (i) if it is acquiring the Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each account.

Legends

The following is the form of restrictive legend which will appear on the face of the Rule 144A global note, and which will be used to notify transferees of the foregoing restrictions on transfer:

“This note has not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), or any U.S. state securities laws. The holder hereof, by purchasing this note, agrees for the benefit of the issuer that this note or any interest or participation herein may be offered, resold, pledged or otherwise transferred only (1) to the issuer, (2) so long as this note is eligible for resale pursuant to Rule 144A under the Securities Act (“Rule 144A”), to a person who the seller reasonably believes is a qualified institutional buyer (as defined in Rule 144A) in accordance with Rule 144A, (3) in an offshore transaction in accordance with Rule 903 or 904 of Regulation S under the Securities Act, (4) pursuant to an exemption from registration under the Securities Act (if available) or (5) pursuant to an effective registration statement under the Securities Act, and in each of such cases in accordance with any applicable securities laws of any state of the United States or other applicable jurisdiction. The holder hereof, by purchasing this note, represents and agrees that it shall notify any purchaser of this note from it of the resale restrictions referred to above.”

This legend may be removed solely at the direction of the issuer.”

The following is the form of restrictive legend which will appear on the face of the Regulation S global note and which will be used to notify transferees of the foregoing restrictions on transfer:

“This note has not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), or any U.S. state securities laws. The holder hereof, by purchasing this note, agrees that neither this note nor any interest or participation herein may be offered, resold, pledged or otherwise transferred in the absence of such registration unless such transaction is exempt from, or not subject to, such registration and in accordance with any applicable securities laws of any other applicable jurisdiction.

This legend may be removed solely at the direction of the issuer.”

The resale restriction periods may be extended, in our discretion, in the event of one or more issuances of additional Notes, as described under “Description of the Notes”. The above legends (including the restrictions on resale specified thereon) may be removed solely at our direction.

For further discussion of the requirements (including the presentation of transfer certificates) under the indenture to effect exchanges or transfers of interest in global Notes and certificated Notes, see “Description of the Notes.”

GENERAL INFORMATION

Clearing Systems

The Notes have been accepted for clearance through DTC, Euroclear and Clearstream. The CUSIP, ISIN and Common Codes numbers for the Notes are as follows:

	CUSIP Number	ISIN Number	Common Code
Rule 144A Global Notes	139612AE5	US139612AE59	159598446
Regulation S Global Notes	P20058AC0	USP20058AC08	159598233

Listing

We have applied to have the Notes listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market of such exchange. In Luxembourg, this offering memorandum will be distributed free of charge by the Luxembourg Listing Agent to anyone upon request. We have also applied to have the Notes listed on BYMA, and for trading on the MAE. However, we cannot assure you that the Notes will remain listed.

Available Information

Copies of our by-laws, the Indenture, as may be amended or supplemented from time to time, our published Audited Annual Financial Statements and any published Unaudited Interim Financial Statements will be available at our principal executive offices, as well as at the offices of the trustee, registrar, paying agent and transfer agent, as such addresses are set forth in this offering memorandum. We believe the auditor's reports included herein have been accurately reproduced.

Authorization

We have obtained all necessary consents, approvals and authorizations in connection with the issuance and performance of the Notes. The Program was approved by our shareholders on March 15, 2017, and the issuance of the Notes was approved by our board of directors on April 18, 2017, by delegation of authority granted by our shareholders on March 15, 2017. The Program and the issue of the Notes have been authorized by the CNV pursuant to Resolutions No. 18,632, dated April 27, 2017 and No. 2,372/EMI, dated April 28, 2017.

Incorporation

We were incorporated as an Argentine *sociedad anónima* on December 20, 1988.

No Material Adverse Change

Except as disclosed in this offering memorandum, there has been no material adverse change in the financial position or prospects of our company and our subsidiaries taken as a whole since January 31, 2017.

No Material Litigation

Except as disclosed in this offering memorandum, there are no pending actions, suits or proceedings against or affecting us or any of our properties, which, if determined adversely to us, would individually or in the aggregate have an adverse effect on our financial condition or would adversely affect our ability to perform our obligations under the Notes or which are otherwise material in the context of the issue of the Notes, and, to the best of our knowledge, no such actions, suits or proceeding are threatened.

LEGAL MATTERS

Certain legal matters in connection with this offering are being passed upon for us by Linklaters LLP, our special U.S. counsel, and for the initial purchasers by Shearman & Sterling LLP, special U.S. counsel to the initial purchasers. Certain matters relating to the validity of the Notes will be passed upon for us by Estudio Beccar Varela, our special Argentine counsel, and for the initial purchasers by Tavarone, Rovelli, Salim & Miani Abogados, special Argentine counsel to the initial purchasers.

INDEPENDENT ACCOUNTANTS

The financial statements as of and for the three years ended April 30, 2016, 2015 and 2014, included in this Offering Memorandum, have been audited by Price Waterhouse & Co. S.R.L., a member firm of PricewaterhouseCoopers global network, independent accountants, as stated in their report appearing herein.

With respect to the unaudited financial information of the Company for the nine-month periods ended January 31, 2017 and 2016, included in this offering memorandum, Price Waterhouse & Co S.R.L. reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their separate report dated March 13, 2017 appearing herein states that they did not audit and they do not express an opinion on that unaudited financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

INDEPENDENT EXPERTS

Certain oil, condensate, gas and natural gas liquids (NGL) reserves and resources data included herein was reviewed by DeGolyer and MacNaughton in reliance upon the authority of such firm as experts in estimating proved oil, condensate, gas and NGL reserves and resources.

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As of January 31, 2017 stated in pesos and presented in comparative format

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CONSOLIDATED FINANCIAL STATEMENTS
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REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

To the President and Directors of
Capex S.A.
Legal address: Córdoba Av. 948/950 5th C Floor
Autonomous City of Buenos Aires
Tax Code: 30-62982706-0

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of Capex S.A. and its subsidiaries (the "Company") as at January 31, 2017 and the related condensed interim consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the nine and three months periods then ended, and the notes 1 and 3 to 26 and Exhibits A and C to H.

The balances and other information corresponding to the fiscal year 2016 and to its interim periods are an integral part of the financial statements mentioned above; therefore, they must be considered in connection with these financial statements.

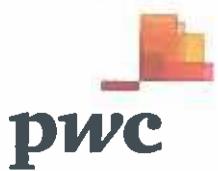
Board of Directors responsibility

The Board of Directors of the Company is responsible for the preparation and presentation of these condensed interim consolidated financial statements in accordance with International Financing Reporting Standards, which were adopted by the Argentine Federation of Professional Councils in Economic Sciences (FACPCE) as professional accounting standards and incorporated into the regulations of the National Securities Commission (CNV), as approved by the International Accounting Standards Board (IASB); therefore, it is responsible for the preparation and presentation of the condensed interim individual financial statements mentioned in the first paragraph in accordance with International Accounting Standard 34 "Interim Financial Reporting" (IAS 34). Our responsibility is to express a conclusion on this condensed interim consolidated financial information based on our review.

Scope of our review

We conducted our review in accordance with International Standard on Review Engagement 2410 "Review of interim financial information performed by independent auditor of the entity", which was adopted as the standard of review in Argentina by Technical Pronouncement No. 33 of FACPCE as was approved by the International Auditing and Assurance Standard Board (IAASB). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements is not prepared, in all material respects, in accordance with IAS 34.

Autonomous City of Buenos Aires, March 13, 2017.

PRICE WATERHOUSE & CO. S.R.L.

199 (Partner)

Dr. Nicolás A. Carusoni
Public Accountant



CAPEX S.A.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
As of January 31, 2017 stated in pesos and presented in comparative format

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REVIEW REPORT OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOMENCLATURE

Currencies

Terms	Definition
\$	Argentine peso
€	Euro
GBP	Pound sterling
US\$	United States dollar

Glossary of terms

Terms	Definition
Bbl	Barrel
BTU	British thermal unit
CC	Combined cycle
CNV	National Securities Commission
CSJN	Supreme Court of Justice
CT ADC	Agua del Cajón Power Plant
CVP	Variable production cost
FACPCE	Argentine Federation of Professional Councils in Economic Sciences
GWh	Gigawatts per hour
IASB	International Accounting Standards Board
Km	Kilometer
km ²	Square kilometer
KW	Kilowatt
LVFVD	Sales settlement with maturity to be defined
m ³	Cubic meter
MMBTU	Millions of British thermal unit
WEM	Wholesale Electricity Market
Mm ³	Thousand cubic meters
MMm ³	Million cubic meters
MMNm ³	Billion cubic meters
Mtn	Thousands of tons
MW	Megawatt
NCP ARG	Professional Accounting Standards prevailing prior to IFRS
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
Nm ³	Standard cubic meter
OyM	Operation and Maintenance
DEEF	Diadema Eolic Energy Farm
tn	Ton
V/N	Nominal value
WTI	West Texas Intermediate

CAPEX S.A.**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**
for the nine-month period ended January 31, 2017 compared with the prior year

Fiscal year No. 29 commenced on May 1, 2016

Company legal domicile: Córdoba Av. 948/950, 5th floor, department C, City of Buenos Aires

Company main activity: Generation of electricity

Registration number with the Superintendence of Commercial Companies: 1,507,527

Date of by-laws: December 26, 1988

Date of the latest registration with the Public Registry of Commerce:

- Latest amendment: September 30, 2005

Duration of Company: December 26, 2087

Name of parent company: Compañías Asociadas Petroleras Sociedad Anónima (C.A.P.S.A.)

Legal domicile: Córdoba Av. 948/950, 5th floor, department C, City of Buenos Aires

Main activity: Exploitation of hydrocarbons

Participation of parent company in capital stock and votes: 75.2%

CAPITAL STOCK

Type of shares	Subscribed, paid-in and registered with the Public Registry of Commerce
179,802,282 ordinary, book-entry Class "A" shares of \$ 1 par value and one vote each, authorized to be placed for public offering	\$ 179,802,282



Condensed Interim Consolidated Statement of Financial Position

As of January 31, 2017 and April 30, 2016

Stated in pesos

	Note/ Exhibit	01.31.2017	04.30.2016
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	9/ A	6,749,936,893	4,553,549,826
Investments in subsidiaries		75,000	-
Spare parts and materials		109,692,645	160,296,481
Net deferred income tax	10	23,155,544	24,214,743
Other receivables	11	76,393,508	113,570,294
Trade receivables	12	146,906,518	100,444,863
Total Non-Current Assets		7,106,160,108	4,952,076,207
CURRENT ASSETS			
Spare parts and materials		34,700,013	47,140,393
Inventories		2,342,563	3,274,450
Other receivables	11	90,446,026	103,856,669
Trade receivables	12	464,154,622	699,074,460
Financial instruments at fair value	13/ C	119,687,968	-
Financial instruments at amortized cost	13/ D	-	568,799,995
Cash and cash equivalents	14	1,325,233,196	244,425,609
Total Current Assets		2,036,564,388	1,666,571,576
Total Assets		9,142,724,496	6,618,647,783

The accompanying Notes 1 to 25 and Exhibit A and C to H form an integral part of these Condensed Interim Consolidated Financial Statements.



Condensed Interim Consolidated Statement of Financial Position

As of January 31, 2017 and April 30, 2016

Stated in pesos

	Note / Exhibit	01.31.2017	04.30.2016
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Capital stock		179,802,282	179,802,282
Additional paid-in capital		79,686,176	79,686,176
Legal reserve		-	23,508,318
Optional reserve		-	43,367,267
Reserve for assets revaluation	15	2,878,845,608	1,692,108,746
Retained earnings		236,683,490	(231,664,704)
Total shareholders' equity attributable to shareholders		3,375,017,556	1,786,808,085
Non-controlling interest		24,034,900	10,490,689
Total shareholders' equity		3,399,052,456	1,797,298,774
LIABILITIES			
NON-CURRENT LIABILITIES			
Trade payables	16	38,395,776	33,176,202
Financial liabilities	17	3,425,262,402	3,152,592,897
Net deferred tax liabilities	10	1,704,311,954	907,810,751
Provisions and other charges	E	2,730,347	3,244,352
Total Non-Current Liabilities		5,170,700,479	4,096,824,202
CURRENT LIABILITIES			
Trade payables	16	240,614,811	339,763,833
Financial liabilities	17	148,409,325	238,186,176
Salaries and social security contributions	18	44,607,170	50,861,297
Taxes		91,890,955	39,852,551
Other liabilities		47,449,300	55,860,950
Total Current Liabilities		572,971,561	724,524,807
Total Liabilities		5,743,672,040	4,821,349,009
Total Shareholders' equity and liabilities		9,142,724,496	6,618,647,783

The accompanying Notes 1 to 25 and Exhibit A and C to H form an integral part of these Condensed Interim Consolidated Financial Statements.



Condensed Interim Consolidated Statement of Comprehensive Income

For the nine and three-month periods ended January 31, 2017 and 2016

Stated in pesos

		Nine months		Three months	
	Note / Exhibit	01.31.2017	01.31.2016	01.31.2017	01.31.2016
Net sales	20	2,145,152,137	1,201,722,029	723,252,310	457,653,325
Cost of sales	F	(682,253,189)	(448,565,922)	(244,927,498)	(170,399,935)
Gross income		1,462,898,948	753,156,107	478,324,812	287,253,390
Selling expenses	H	(333,009,758)	(171,195,376)	(115,405,173)	(67,660,389)
Administrative expenses	H	(132,142,377)	(95,316,816)	(44,988,827)	(36,823,927)
Other operating income, net	21	1,730,575	101,956	953,030	333,543
Operating income		999,477,388	486,745,871	318,883,842	183,102,617
Finance income	22	217,160,854	358,280,711	88,601,416	261,851,228
Finance costs	22	(690,836,532)	(1,379,685,234)	(258,401,712)	(1,077,033,119)
Other financial results	E	(1,262,469)	546,692	54,521	242,742
Result before Income Tax		524,539,241	(534,111,960)	149,138,067	(631,836,532)
Income tax expense		(186,297,160)	185,743,010	(53,645,039)	220,127,720
Net result for the period		338,242,081	(348,368,950)	95,493,028	(411,708,812)
Items that will not be reclassified to profit or loss					
Other comprehensive income	15	1,252,011,601	-	1,252,011,601	-
Comprehensive result for the period		1,590,253,682	(348,368,950)	1,347,504,629	(411,708,812)
Net result for the period attributable to:					
Company shareholders		335,960,412	(347,796,024)	94,910,047	(411,217,545)
Non-controlling interest		2,281,669	(572,926)	582,981	(491,267)
Comprehensive result for the period		338,242,081	(348,368,950)	95,493,028	(411,708,812)
Comprehensive result for the period attributable to:					
Company shareholders		1,588,209,471	(347,796,024)	1,347,159,106	(411,217,545)
Non-controlling interest		2,044,211	(572,926)	345,523	(491,267)
Comprehensive result for the period		1,590,253,682	(348,368,950)	1,347,504,629	(411,708,812)
Basic and diluted net result per share					
- Attributable to Company Shareholders		1.86850	(1.93432)	0.52786	(2.28705)
Basic and diluted comprehensive result per share					
- Attributable to Company Shareholders		8.83309	(1.93432)	7.49245	(2.28705)

The accompanying Notes 1 to 25 and Exhibit A and C to H form an integral part of these Condensed Interim Consolidated Financial Statements.



Condensed Interim Consolidated Statement of Changes in Shareholders' Equity
 For the nine-month periods ended January 31, 2017 and 2016
 Stated in pesos

Attributable to the Company shareholders						
			Retained earnings			
Capital Stock			Retained earnings	Other accumulated comprehensive results	Retained earnings	Subtotal
	Outstanding shares	Additional paid-in capital	Legal reserve	Optional reserve ⁽¹⁾	Reserve for assets revaluation ⁽²⁾	
Balances at April 30, 2015	179,802,282	79,686,176	-	-	671,801,964	66,875,585
Ordinary Shareholders' Meeting of August 7, 2015	-	-	23,508,318	43,367,267	-	(66,875,585)
Comprehensive result for the nine-month period	-	-	-	-	-	(347,796,024)
Reversal of reserve for assets revaluation	-	-	-	-	(19,553,777)	19,553,777
Balances at January 31, 2016	179,802,282	79,686,176	23,508,318	43,367,267	652,248,187	(328,242,247)
Comprehensive result for the three-month period	-	-	-	-	1,048,198,511	88,239,591
Reversal of reserve for assets revaluation	-	-	-	-	(8,337,952)	8,337,952
Balances at April 30, 2016	179,802,282	79,686,176	23,508,318	43,367,267	1,692,108,746	(231,664,704)
Ordinary Shareholders' Meeting of August 17, 2016	-	-	(23,508,318)	(43,367,267)	-	66,875,585
Capital contribution from Interenergy Argentina S.A. to Hychico S.A.	-	-	-	-	-	-
Comprehensive result for the nine-month period	-	-	-	-	1,252,249,059	335,960,412
Reversal of reserve for assets revaluation	-	-	-	-	(65,512,197)	65,512,197
Balances at January 31, 2017	179,802,282	79,686,176	-	-	2,878,845,608	236,683,490
						3,375,017

⁽¹⁾ For investments and/or cancellation of debts and/or absorption of losses.

⁽²⁾ Created by the revaluation of assets (see Note 15).

The accompanying Notes 1 to 25 and Exhibit A and C to H form an integral part of these Condensed Interim Consolidated Financial Statements.

Condensed Interim Consolidated Statement of Cash Flows

For the nine-month periods ended January 31, 2017 and 2016

Stated in pesos

	Note / Exhibit	01.31.2017	01.31.2016
Net cash flows provided by operating activities:			
Comprehensive result for the period		1,590,253,682	(348,368,950)
Adjustments to arrive at net cash flows provided by operating activities:			
Exchange difference generated by cash and cash equivalents		(65,735,436)	(1,039,875)
Income tax		186,297,160	(185,743,010)
Interest accrued on financial liabilities and others		293,836,690	268,712,387
Exchange difference generated by financial liabilities	17	342,753,760	1,057,097,605
Exchange difference in financial instruments at amortized cost not considered as cash or cash equivalents		-	(198,998,139)
Exchange difference generated by receivables with CAMMESA		(3,881,129)	(3,313,940)
Interest accrued on receivables and payables	22	3,160,567	864,226
Depreciation of Property, plant and equipment	9 / A	358,849,111	210,420,162
Other comprehensive income	15	(1,252,011,601)	-
Increase / (recovery) of the provision for property, plant and equipment	9 / E	1,262,469	(546,692)
Recovery / (increase) of the provision for turnover and obsolescence of spare parts and materials	21 / E	(1,049,229)	(81,129)
Provision for lawsuits and fines	21 / E	480,995	-
Changes in net operating assets and liabilities:			
Decrease / (Increase) in trade receivables		185,971,268	(176,692,772)
Decrease / (Increase) in other receivables		61,806,727	(41,027,577)
Decrease / (Increase) in inventories		931,887	(1,552,962)
Decrease / (Increase) in spare parts and materials		64,093,445	(104,212,971)
Decrease / (Increase) in trade payables		(100,988,129)	11,989,957
Decrease in debts for remunerations and social security charges		(6,254,127)	(8,090,897)
Increase in taxes		(10,465,215)	(3,110,879)
(Decrease) / Increase in other liabilities		(8,467,900)	16,258,940
Court judgements paid		(995,000)	(633,000)
Tax on assets paid		(4,770,800)	(2,107,640)
Net cash flows provided by operating activities		1,635,079,195	489,822,844
Net cash flows of investment activities			
Payments for the purchase of property, plant and equipment		(626,902,525)	(378,434,117)
Changes of financial instruments at amortized cost not considered as cash or cash equivalents		449,112,027	(2,228,720)
Irrevocable contributions		(18,750)	-
Net cash flows used in investment activities		(177,809,248)	(380,662,837)
Net cash flows of financing activities			
Interest paid and others	17	(205,785,467)	(145,771,641)
Loans settled with compensations (net)	17	(22,529,329)	19,634,362
Repayment of financial liabilities	17	(225,383,000)	(57,657,926)
Proceeds from financial liabilities	17	-	171,750,000
Contributions from third parties in subsidiaries		11,500,000	-
Net cash flows used in financing activities		(442,197,796)	(12,045,205)
Net increase in cash, cash equivalents and overdrafts		1,015,072,151	97,114,802
Exchange difference generated by cash and cash equivalents		65,735,436	1,039,875
Cash, cash equivalents and overdrafts at the beginning of the year	14	244,425,609	241,480,927
Cash, cash equivalents and overdrafts at the end of the period	14	1,325,233,196	339,635,604

Condensed Interim Consolidated Statement of Cash Flows (Cont'd)

For the nine-month periods ended January 31, 2017 and 2016

Stated in pesos

Transactions not entailing movements of cash

Supplementary information

	01.31.2017	01.31.2016
Provision for well capping	(3,424,428)	(9,841,957)
Capital contributions to be made in E G Wind S.A.	(56,250)	-

The accompanying Notes 1 to 25 and Exhibit A and C to H form an integral part of these Condensed Interim Consolidated Financial Statements.



Notes to the Condensed Interim Consolidated Financial Statements

As of January 31, 2017 and 2016 and April 30, 2016

Stated in pesos

NOTE 1 – GENERAL INFORMATION

Capex S.A. ("the Company") and its subsidiaries Servicios Buproneu S.A. (SEB) and Hychico S.A. (Hychico) (jointly, "the Group") have as main activity the generation of electric power, the production of oil and gas, the provision of services related to the processing and separation of gases and the generation of electric power through the production of hydrogen and oxygen.

The Company was incorporated in 1988 to carry out oil and gas exploration in Argentina and it has subsequently added the electricity generation business.

In January 1991, the Company acquired 100% of the rights over the Agua del Cajón area located in the Neuquén Basin in the south east of the province of Neuquén, under a 25-year concession with an extension option for 10 years. On April 13, 2009, a Memorandum of Understanding was signed, whereby the province of Neuquén granted the Company an extension to the original term until January 11, 2026.

Consequently, the Company was engaged to:

- pay US\$ 17,000,000;
- Conduct an action plan that will include investments and expenses for an aggregate amount of US\$ 144,000,000 until the expiration of the concession extension term;
- Pay an extraordinary 3% production fee;
- Pay an extraordinary charge which entails paying an additional percentage of the extraordinary fee ranging from 1% to 3% depending on the price of crude and natural gas with regard to a scale of reference prices.

The electricity generation business has a total nominal generation capacity of 672 MW (ISO), including an open cycle with a total nominal capacity of 371MW and a combined cycle with supplementary firing with a total nominal capacity of 301 MW.

To connect the power station with the National Interconnected System (SIN), a total of 111km of three high-voltage lines of 132kW were built, with Arroyito and Chocón Oeste being the interconnection points. Due to the operating needs of the combined cycle, an additional high-voltage line of 500 KW was built, the connection point of which is in Chocón Oeste. Thus, delivery is highly reliable and flexible.

The Company processes the gas produced, which is rich in liquefied components, in an LPG plant owned by SEB. Propane, butane and stabilized gasoline are obtained from this process. Propane and butane are sold separately and stabilized gasoline is sold together with crude oil, while the remaining gas is used as fuel to generate electricity. The efficiency levels of this plant are approximately 99.6%.

The Company started through Hychico two projects for the generation of wind power and the production of oxygen and hydrogen by electrolysis. Hydrogen is used as fuel for the generation of electric power, by mixing hydrogen with gas; oxygen is destined for the industrial gases market in the region and the produced wind power is sold in the WEM.

The Company trades its shares in the Buenos Aires Stock Exchange.



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

As of January 31, 2017 and 2016 and April 30, 2016

Stated in pesos

NOTE 2- OIL AND GAS RESERVES (NOT COVERED BY REVIEW REPORT OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS)

Below is the estimate of hydrocarbon reserves in the Agua del Cajón area made by the Company at December 31, 2015, which has been audited by the independent auditor Lic. Ana M. Nardone in compliance with the requirements of ES Resolution 324/06, having as its horizon the expiry of the concession in January 2026 (see Note 1):

Products		Proven			Probable	Possible
		Developed	Non-developed	Total		
Gas	MMm ³ ⁽¹⁾	3,636	1,339	4,975	430	408
Oil	Mbbl	1,830	566	2,396	654	830
	Mm ³	291	90	381	104	132

Proven developed reserves at January 31, 2017, based on the audited reserves at December 31, 2015 and adjusted according to production for the period January 2016 to January 2017, are as follows:

Gas	MMm ³ ⁽¹⁾	3,023
Oil	Mbbl	1,530
	Mm ³	243

⁽¹⁾ Determined at 9,300 K/Cal per m³

NOTE 3 - REGULATORY FRAMEWORK OF THE OIL&GAS, ELECTRIC AND LPG SECTORS

There were no changes in the regulatory framework of the oil & gas, electric and LPG sectors compared with the information provided in the consolidated financial statements for the year ended April 30, 2016, except for:

Electricity Sector

Program for the maintenance of electricity generating units

From May 2016 to January 2017, Capex has received from CAMMESA disbursements for \$ 114.8 million (see Note 17). Subsequent to January 31, 2017 and until the date of issuance of these financial statements the Company received additional \$ 12.5 million.

From the beginning of the program until January 31, 2017, the Company received from CAMMESA disbursements for \$ 443.1 million. The funds disbursed by CAMMESA have been offset with the remuneration of non-recurring maintenance when the Company had a legally enforceable right of set-off. The current debt is of \$ 324.9 million; which is shown under "Financial liabilities", net of the receivables accrued with CAMMESA in relation to the Non-recurring maintenance remuneration and net interest accrued for \$146.4 million (see Note 17).

ES Resolution 19 - E/2017 of the Ministry of Energy and Mining

On January 27, 2017, the Ministry of Energy and Mining adopted Resolution No. 19 - E/2017 (ES Res 19 E/17), which established a remunerative mechanism which values positively the greater accuracy in the statement of guaranteed availability of generation of conventional source electricity. The aim is to adopt remuneration criteria with economically reasonable, foreseeable and efficient conditions by means of mid-term commitments, with the possibility of transferring them to the demand. It will come into force as from February 1, 2017, annulling the Remuneration Schedule established in EES Resolution No. 22/16.



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

As of January 31, 2017 and 2016 and April 30, 2016

Stated in pesos

NOTE 3 - REGULATORY FRAMEWORK OF THE OIL&GAS, ELECTRIC AND LPG SECTORS (CONT'D.)

ES Resolution 19 - E/2017 of the Ministry of Energy and Mining (Cont.)

ES Resolution 19 - E/2017 sets out that a WEM generating, co-generating and self-generating agent, owner of a conventional power generation plant, can declare Offers of Guaranteed Availability in order to subscribe to Commitments of Guaranteed Availability (CoDiG, for its acronym in Spanish) in terms of the power and energy of the installed generation units, along with the seasonal statements in the summer. The statements of Offered Guaranteed Availability (DIGO, for its acronym in Spanish) will cover periods of 3 years, differentiating the values in different seasonal periods of six months. For 2017, the DIGOs will be enabled for the winter season. State-owned MEM Generation Agents are excluded from these offers (including the Argentine share of binational entities), as well as Generation Agents which have committed to supply energy and/or power by means of specific agreements.

The remuneration schedule is US dollar denominated.

Likewise, for those generators with balances for the financing of the *Maintenance Program for Electricity Generation Units*, after paying the credits already accrued, the Resolution foresees their payback or reimbursement, deducting up to 1 US\$/MWh per generated MW from the monthly settlement, until the financing is fully repaid.

Finally, it also sets forth a specific remuneration schedule for those plants generating hydroelectric energy and those with plant shutdown.

The remuneration to enabled thermal generators is composed of:

i) A remuneration for monthly available power, subdivided in:

- a) a minimum price associated to Real Available Power,
- b) a base price pursuant to the fulfillment of a DIGO and
- c) a maximum additional price related to the fulfillment of an Assigned Power, the latter receiving an additional amount to the unit price to cope with more demanding situations.

ii) A remuneration for generated and operated energy, which will be the sum of Generated Energy and Operated Energy, which might be increased in accordance with the fulfillment of thermal efficiency objectives.

The values set by Resolution ES 19 - E/2017 for technologies with similar characteristics to CT ADC (>150 MW) are the following:

i) Remuneration for monthly available power

a) Power minimum price

Technology / Scale	[US\$/MW-month]
CC big P > 150 MW	3,050

b) Base Price to remunerate the Offered Guaranteed Availability (DIGO, for its acronym in Spanish)

Period	[US\$/MW-month]
May 17 – Oct 17	6,000
Nov 17 onwards	7,000



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

As of January 31, 2017 and 2016 and April 30, 2016

Stated in pesos

NOTE 3 - REGULATORY FRAMEWORK OF THE OIL&GAS, ELECTRIC AND LPG SECTORS (CONT'D.)

Resolution 19 - E/2017 of the Ministry of Energy and Mining (Cont.)

c) Additional Price

Period	[US\$/MW-month]
May 17 – Oct 17	1,000
Nov 17 onwards	2,000

ii) Remuneration for generated and operated energy

a) Generated Energy: non-fuel variable prices, per type of fuel consumed by the generating unit, is established in the following chart:

Technology / Scale	Natural Gas [US\$/MWh]
CC - Big	5.0

b) Operated Energy: the generators will receive a monthly remuneration on this concept, represented by the integration of time powers in the period, valued at 2.0 US\$/MWh for any type of fuel.

Remuneration of other Generation Technologies:

The resolution also covers remunerations for other generation technologies which are not applicable to the Group.

The effects of this Resolution will cause a significant increase in the income of the electricity segment.

Gas sector

Incentive Program for Natural Gas Injection for Companies with Reduced Injection

On June 13, 2016 Capex received \$107,931,422 in BONAR 2020 corresponding to the amount accrued and due until December 31, 2015.

On August 31, 2016 Capex collected \$114,907,274 for the January-March 2016 quarter. At the date of issue of these financial statements the credits assigned have been fully collected.

Resolution 46-E / 2017 - Incentive Program for Investments in Developments of Natural Gas Production derived from Unconventional Reservoirs

On March 2, 2017, the Ministry of Energy and Mining issued Resolution 46-E/2017, by means of which the Incentive Program for Investments in Developments of Natural Gas Production derived from Unconventional Reservoirs (the "Program") was created with the aim of stimulating the investments in natural gas production derived from unconventional reservoirs in the Neuquén Basin.



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

As of January 31, 2017 and 2016 and April 30, 2016

Stated in pesos

NOTE 3 - REGULATORY FRAMEWORK OF THE OIL&GAS, ELECTRIC AND LPG SECTORS (CONT' D.)

The Program will be in force from its publication in the Official Gazette to December 31, 2021.

Companies that have the right to produce unconventional gas derived from concessions located in the Neuquina Basin may request adherence to this Program. They should be registered with the National Registry of Oil Companies. Further, to be included in this Program, these companies should have a specific investment plan approved by the competent provincial authority, in conformity with the Secretariat of Hydrocarbon Resources.

The compensation is calculated based on the production of unconventional gas to be sold, that is to say, the natural gas prepared for commercialization, excluding internal consumption in the fields and taking into account the difference between the effective price (average weighted price of each company's sales of natural gas to the internal market) and the minimum price.

The minimum price will be:

- (i) 7,50 US\$/MMbtu for calendar year 2018,
- (ii) 7,00 US\$/MMbtu for calendar year 2019,
- (iii) 6,50 US\$/MMbtu for calendar year 2020, and
- (iv) 6,00 US\$/MMbtu for calendar year 2021.

The payment of the first compensation under the program will be made in the month after the request is submitted or in January 2018, whichever occurs later. Nevertheless, those companies taking part in the "Incentive Program for Natural Gas Injection for Companies with Reduced Injection", created by Resolution 60/2013 of the former Commission for the Strategic Planning and Coordination of the National Hydrocarbon Investment Plan, which adhere to the current program, may receive compensation, if applicable, as from the month following submission of request for adherence to the Program. For the 2017 compensation, the minimum price used will be the one set in this program for the year 2018.

Capex is registered with the Incentive Program (Resolution 60/13) mentioned in the paragraph above, thus it is allowed to adhere to the new Program under this Resolution, and will immediately submit the necessary documentation for its approval.

NOTE 4 - BASIS FOR PREPARATION AND PRESENTATION

These Condensed Interim Consolidated Financial Statements have been prepared in accordance with International Accounting Standard No. 34 "Interim Financial Reporting" (IAS34) approved by the IASB.

The National Securities Commission ("CNV"), by means of General Resolutions Nos. 562/09 and 576/10, has established the application of Technical Pronouncements Nos. 26 and 29 issued by the Argentine Federation of Professional Councils in Economic Sciences (FACPCE), adopting International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), for those entities included in the public offering regime of Law No. 17811, due either to their stock or corporate bonds, or having requested listing authorization to be included in this regime.

This condensed interim consolidated financial information must be read jointly with the consolidated financial statements of the Group as of April 30, 2016.

The condensed interim consolidated financial statements corresponding to the nine and three-month periods ended January 31, 2017 and 2016 have not been audited. The Company Management estimates that they include all necessary adjustments to present the results of each period in a reasonable manner. The results of the nine and three-month periods ended January 31, 2017 and 2016 do not necessarily reflect the proportion of the Group's results during full fiscal years. Figures are stated in Argentine pesos without cents, except otherwise expressly stated.

The condensed interim consolidated financial statements have been approved for their issuance by the Board of Directors on March 13, 2017.



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

As of January 31, 2017 and 2016 and April 30, 2016

Stated in pesos

NOTE 4 - BASIS FOR PREPARATION AND PRESENTATION (CONT'D.)

Comparative Information

Balances at April 30, 2016 and for the nine and three-month periods ended on January 31, 2016, which are disclosed for comparative purposes, arise from financial statements at those dates. Certain immaterial reclassifications have been made to the figures corresponding to the financial statements presented in comparative form in order to maintain consistency in the disclosure with the figures of the present period.

Financial reporting in hyperinflationary economies

IAS 29 "Financial reporting in hyperinflationary economies" requires that the financial statements of an entity whose functional currency is that of a hyperinflationary economy, be restated in constant currency at the end date of the reporting period, regardless of whether they are based on the historical cost method or the currency cost method. For this purpose, in general terms, for non-cash items it is necessary to compute the inflation recorded since the acquisition date or since the date of revaluation, as applicable. To conclude on the existence of a hyperinflationary economy, the standard establishes a series of factors to be considered; among them, a cumulative inflation rate over three years that approaches, or exceeds, 100%. Taking into consideration the inconsistency of the inflation data published, the downward trend of inflation and the fact that the rest of the indicators do not provide a final conclusion, the Board understands there is not enough evidence to conclude that Argentina is a hyperinflationary economy as of January 31, 2017. Therefore, the restatement criteria of the financial information as described on IAS 29 have not been applied in the current fiscal year.

NOTE 5 - ACCOUNTING STANDARDS

The accounting policies adopted for these condensed interim consolidated financial statements are consistent with those used in the consolidated financial statements for the year ended on April 30, 2016.

Revaluation of the CT ADC, Buildings and Land, LPG Plant and Diadema Eolic Energy Farm

As of January 31, 2017, Capex has updated the fair values of the revalued assets, hiring the services of independent experts. Their participation has been approved by the Board of Directors based on skills such as the knowledge of the market, reputation and independence. Furthermore, the Board of Directors decides, after discussing with experts, the valuation methods and, where applicable, the entry data to be used in each case.

To determine the fair value of Buildings and Land, as they are assets for which there is an active market in their current status, the sale price in that market has been used, through appraisals of real estate agents renowned in the area. This valuation method is classified under IFRS 13, as hierarchy of fair value level 2.

To determine the fair value of the LPG Plant and DEEF, the independent expert appraiser has used the replacement cost method depreciated, determining the components of the plants and obtaining the values like new of suppliers renown in the industry and of specialized publications, as well as adding the cost of freight, insurance, assembly and other general expenses, and computing the factor of status and of functional obsolescence. In the case of the LPG plant, the depreciation ratio was 61.3% and 57.8% as of January 31, 2017 and April 30, 2016, respectively. For DEEF, it was 23.5% and 23% as of January 31, 2017 and April 30, 2016, respectively. To determine the fair value of the LPG Plant, the independent expert appraiser has used the economic obsolescence depreciation ratio of 36.4% and 41.3% as of January 31, 2017 and April 30, 2016, respectively, based on the occurrence of external factors such as the increase of direct and indirect costs and a decrease in sales price, which led to a loss in assets value. This valuation method is classified under IFRS 13, as hierarchy of fair value level 3.

To determine the fair value of CT ADC, Capex, with the independent expert appraiser, used the income approach until April 30, 2016, estimating the flow of discounted future income that the CT ADC would generate during the remaining useful life.

To estimate future income, Capex developed a flow of income considering two alternative scenarios weighted based on probabilities of occurrence, caution and different terms for the increases in the rate schedule.



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

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NOTE 5 - ACCOUNTING STANDARDS (CONT'D)

For the first scenario, the tariff schedule in force at the date for the activity of electricity generation was taken as basis for the projection, considering it would be adjusted by an index with the estimated increases in costs.

For the second scenario, a report issued by an independent consultant was taken as a basis, including the estimation of the value of the remuneration of power, variable costs and investment in line with the principles defined in Law No. 24065, which, according to statements made by the National Government, at that date, was the path along which the segment of electricity generation, transportation and distribution would develop in the future. This scenario was already under way, if we consider: i) the declaration of the state of emergency in the national electricity sector until December 31, 2017, with the Ministry of Energy and Mining being instructed to implement an action plan for the segments of electricity generation, transportation and distribution with the purpose of having an adequate quality and reliability of energy supply and of ensuring the service of electric public utilities in proper technical and economic conditions; ii) the increases granted to distributors through Resolution 06/2016, transferring a greater part of the price to end users; iii) the increases granted to generating companies through ES Resolution 22/2016; and iv) the concept expressed by the National Government of restoring profitability so that the investments needed in the sector can be made.

As of April 30, 2016, Capex, based on the experience and on the measures announced by the government at that date, granted an 85% of probability of occurrence to the first scenario and a 15% to the second one, thus determining the flow of discounted future income using a discount rate in dollars equivalent to 10.5% nominal annual, which reflected the expectations of the market on these future amounts. For both scenarios, the flows of income were prepared considering variables such as: i) estimates on availability of the CT ADC; ii) changes in the costs to be incurred; and iii) relevant macroeconomic variables.

This valuation method is classified under IFRS 13, as fair value hierarchy, Level 3.

As of April 30, 2016, the cash inflow into the CT ADC covered a period equal to the remaining useful life estimated in 19 years, which was based on detailed budgets and projections approved by the Board of Directors.

Below are the main unobservable variables used to develop the cash flows as of April 30, 2016:

	Scenario A	Scenario B
	85% weighting	15% weighting
as of 04.30.2016		
Average tariff ARS/Mwh in real terms	166.7	570.0
Average annual generation	4,039 Gwh	
Discount rate	10.5%	

As mentioned in Note 2, on January 27, 2017, the Ministry of Energy and Mining issued ES Resolution 19E/17, effective as from February 1, 2017, which adopts remuneration criteria with economically reasonable, foreseeable and efficient conditions by means of mid-term commitments, implementing a remunerative mechanism which values positively the greater accuracy in the statement of guaranteed availability by generating companies, setting a remuneration schedule of monthly available power and generated and operated energy. These effects on the flow of income used in the income approach results in a significant increase in it.

Therefore, as of January 31, 2017, Capex requested the independent expert appraiser the definition of the fair value of the CT ADC by means of the replacement cost method depreciated, determining the components of the plants and obtaining the values like new of specialized publications, as well as adding the cost of freight, insurance, assembly and other general expenses, and computing the factor of status and of functional obsolescence, applicable according to the consumed useful life of the assets; the depreciation ratio applied was 61.8%. Such valuation, under the replacement cost method depreciated, showed a fair value lower than the projected cash flow considering the effect of the application of ES Resolution 19E/2017. Thus, Capex understands that the method that best shows the fair value of the CT ADC is the replacement cost method depreciated. Consequently, it modified the valuation method from income approach to replacement cost method depreciated. This valuation method is classified under IFRS 13, as hierarchy of fair value Level 3.



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

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NOTE 5 - ACCOUNTING STANDARDS (CONT'D)

The main factors that could affect the values of the revalued assets in future periods are as follows: i) the estimated useful life, ii) the impairment due to functional obsolescence and iii) a fluctuation in the costs of the components. Capex estimates that any sensitivity analysis that considers relevant modifications to those factors could lead to significant changes.

The Board of Directors determines the policies and procedures to be followed by the recurring measurements of the fair value of revalued assets. Further, at each reporting period closing date, the significant variations in the fair values of assets measured are analyzed based on the revaluation model, or if there are any changes to the fair value; and therefore, the need to record a new revaluation. The application of the revaluation model to the assets mentioned implies that revaluation be made with the adequate frequency to ensure that the fair value of the revalued asset does not significantly differ from its book value.

The Board of Directors has approved the revaluations made to the different class of assets. The most recent revaluation is dated January 31, 2017.

At January 31, 2017, Capex has compared the recoverable values of its revalued assets with their carrying values, measured based on the revaluation model, concluding that they do not exceed their recoverable values.

The increases due to revaluations are recognized in the Statement of Comprehensive Income under the caption Other comprehensive income and they are accumulated in the Reserve for revaluation of assets in the Statement of Changes in Shareholders' Equity, unless such increase implies a reduction of the revaluation of that asset previously recognized in the Statement of Income, in which case the increase is recognized in the Statement of Income. A reduction due to revaluation is recognized in the Statement of Income, unless such reduction is offset by an increase in the revaluation of the same asset previously recognized in the Reserve for revaluation of assets. At the time of sale of a revalued asset, any Reserve for the revaluation of assets related to that asset is transferred to Retained earnings (see Note 15). See in Note 19.c) to the consolidated financial statements at April 30, 2016, the concepts established by the CNV for the reserve for revaluation of assets.

Depreciation of revalued assets is recognized in the statement of income for the period/year. At the closing of the period/year, a reversal of the reserve for revaluation of assets to Retained earnings is recorded due to the difference between depreciation based on the revalued book value of the asset and depreciation based on the original cost of the asset.

There were no transfers between levels 1, 2 and 3 in the year ended April 30, 2016 and the nine-month period ended January 31, 2017.

At January 31, 2017, technicians from the Company and independent experts performed a review of the useful life assigned to the revalued assets, which showed no significant variations other than those determined at April 30, 2016.

NOTE 6 - ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the condensed interim consolidated financial statements at a given date requires that Management makes estimates and evaluations affecting the amount of assets and liabilities recorded and contingent assets and liabilities disclosed at the date of issue of the financial statements, as well as income and expenses recorded during the period.

These estimates and judgements are constantly assessed and are based on past experience and other factors that are reasonable under the existing circumstances. Actual future results may differ from those estimates and assessments made at the date these condensed interim consolidated financial statements were prepared.

In the preparation of these condensed interim consolidated financial statements, critical judgments made by Management when applying the Group accounting policies and the sources of information used for the related estimates are the same as those applied to the consolidated financial statements for the fiscal year ended April 30, 2016, except as mentioned in Note 5 regarding the fair values of the revalued assets.



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

As of January 31, 2017 and 2016 and April 30, 2016

Stated in pesos

NOTE 7 - ADMINISTRATION OF FINANCIAL RISKS

The Group's activities expose it to several financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit and liquidity risks.

There were no significant changes in the risk management policies since the last fiscal year.

NOTE 8 – SEGMENT REPORTING

The Board has determined operating segment based on the reports it reviews and which are used for strategic decision making.

Segment reporting is presented in a manner consistent with the internal reporting. The Board and senior managers of the Company are responsible for assigning resources and assessing the profitability of operating segments.

Management information used in the decision making is prepared on a monthly basis and is broken down as follows per Company segment:

- 1) oil & gas exploration, production and sale ("Oil and Gas"),
- 2) the generation of electricity ("Electricity ADC"),
- 3) the production and sale of liquefied petroleum gas (LPG),
- 4) generation of eolic electric power ("Energy DEEF"),
- 5) generation of energy with hydrogen ("Energy HYDROGEN"), and
- 6) Oxygen production and sale ("Oxygen").

Income received from CAMMESA, broken down by segment at January 1, 2017, which amount to \$ 1,642.3 million, is allocated to:

- 1) Gas revenue for \$ 1,126.3 million: payments received from CAMMESA as Own Fuel Recognition, the remuneration of which is fixed in US dollars and associated with the price of gas for generation plants, and
- 2) Electric power revenue for \$ 515.9 million: specific remuneration for the generation of power.

Segment reporting information is as follows:



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

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NOTE 8 – SEGMENT REPORTING (CONT'D.)

	Nine months at 01.31.2017							
	Oil and gas	ADC Energy	LPG	Energy DEEF	Hydrogen Energy	Oxygen	Deletions	Total
Net sales	351,874,635	1,642,284,275	115,426,362	30,747,098	3,287,590	1,532,177	-	2,145,152,137
Reclassification between segments	1,194,821,011	(1,126,343,038)	(68,477,973)	-	-	-	-	-
Sales among segments	1,546,695,646	515,941,237	46,948,389	30,747,098	3,287,590	1,532,177	-	2,145,152,137
Participation per segment over sales	72.0%	24.1%	2.2%	1.4%	0.2%	0.1%	-	100.0%
Cost of sales	(365,135,878)	(267,357,989)	(34,503,017)	(9,368,776)	(4,142,071)	(1,745,458)	-	(682,253,189)
Gross Income	1,181,559,768	248,583,248	12,445,372	21,378,322	(854,481)	(213,281)	-	1,462,898,948
Participation per segment over Gross Income	80.7%	17.0%	0.9%	1.5%	-0.1%	0.0%	-	100.0%
Selling Expenses	(259,304,110)	(62,437,265)	(10,342,119)	(57,970)	(613,318)	(254,976)	-	(333,009,758)
Administrative Expenses	(79,188,659)	(38,691,187)	(11,913,822)	(383,115)	(1,216,934)	(748,660)	-	(132,142,377)
Other operating income / (expenses), net	249,929	1,166,482	314,570	-	(406)	-	-	1,730,575
Operating Income	843,316,928	148,621,278	(9,495,999)	20,937,237	(2,685,139)	(1,216,917)	-	999,477,388
Finance Income	133,793,159	49,054,561	23,774,395	4,145,115	4,488,419	2,051,821	(186,616)	217,160,854
Finance Costs	-	(667,492,518)	15,295	(23,537,450)	(5,932)	(2,543)	186,616	(690,836,532)
Other financial results	-	-	-	(1,477,659)	215,190	-	-	(1,262,469)
Result before income tax	977,110,087	(469,816,679)	14,293,691	1,544,902	319,689	1,087,551	-	524,539,241
Income tax expense	-	-	-	-	-	-	-	(186,297,160)
Net Result for the period							-	338,242,081
Other comprehensive income	-	-	-	-	-	-	-	1,252,011,601
Net comprehensive result for the period							-	1,590,253,682
Depreciation								
Cost of Sales	(189,847,531)	(149,829,199)	(9,265,126)	(7,981,523)	(875,419)	(215,530)	-	(358,014,328)
Administrative Expenses	(139,240)	(649,868)	(45,675)	-	-	-	-	(834,783)
Total	(189,986,771)	(150,479,067)	(9,310,801)	(7,981,523)	(875,419)	(215,530)	-	(358,849,111)
	Three months at 01.31.2017							
	Oil and gas	ADC Energy	LPG	Energy DEEF	Hydrogen Energy	Oxygen	Deletions	Total
Net sales	111,518,268	552,705,716	43,045,705	14,406,476	1,072,824	503,321	-	723,252,310
Reclassification between segments	429,145,443	(402,609,891)	(26,535,552)	-	-	-	-	-
Sales among segments	540,663,711	150,095,825	16,510,153	14,406,476	1,072,824	503,321	-	723,252,310
Participation per segment over sales	74.8%	20.8%	2.3%	2.0%	0.1%	0.1%	-	100.0%
Cost of sales	(138,153,470)	(89,754,913)	(13,457,097)	(1,098,884)	(1,720,294)	(742,840)	-	(244,927,498)
Gross Income	402,510,241	60,340,912	3,053,056	13,307,592	(647,470)	(239,519)	-	478,324,812
Participation per segment over Gross Income	84.1%	12.6%	0.6%	2.8%	-0.1%	-0.1%	-	100.0%
Selling Expenses	(90,090,292)	(21,153,300)	(3,754,232)	(46,270)	(253,231)	(107,848)	-	(115,405,173)
Administrative Expenses	(27,042,114)	(13,249,339)	(4,161,364)	(73,602)	(285,081)	(177,327)	-	(44,988,827)
Other operating income, net	117,262	565,081	269,034	-	1,653	-	-	953,030
Operating Income	285,495,097	26,503,354	(4,593,506)	13,187,720	(1,184,129)	(524,694)	-	318,883,842
Finance Income	63,328,995	10,028,906	10,865,757	1,879,505	1,743,622	816,743	(62,112)	88,601,416
Finance Costs	-	(249,399,169)	6,433	(9,071,338)	176	74	62,112	(258,401,712)
Other financial results	-	-	-	-	(17,209)	71,730	-	54,521
Result before income tax	348,824,092	(212,866,909)	6,278,684	5,995,887	542,460	363,853	-	149,138,067
Income tax expense	-	-	-	-	-	-	-	(53,645,039)
Net Result for the period							-	95,493,028
Other comprehensive income	-	-	-	-	-	-	-	1,252,011,601
Net comprehensive result for the period							-	1,347,504,629
Depreciation								
Cost of Sales	(68,715,444)	(47,840,359)	(3,088,375)	(2,660,506)	(185,125)	(178,525)	-	(122,668,334)
Administrative Expenses	(43,853)	(217,459)	(16,950)	-	-	-	-	(278,262)
Total	(68,759,297)	(48,057,818)	(3,105,325)	(2,660,506)	(185,125)	(178,525)	-	(122,946,596)



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

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NOTE 8 – SEGMENT REPORTING (CONT'D.)

	Nine months at 01.31.2016							
	Oil and gas	ADC Energy	LPG	Energy DEEF	Hydrogen Energy	Oxygen	Deletions	Total
Net sales	514,929,040	599,508,199	60,516,477	23,984,202	2,055,991	728,120	-	1,201,722,029
Reclassification between segments	289,120,242	(317,498,239)	28,377,997	-	-	-	-	-
Sales among segments	804,049,282	282,009,960	88,894,474	23,984,202	2,055,991	728,120	-	1,201,722,029
Participation per segment over sales	66.8%	23.5%	7.4%	2.0%	0.2%	0.1%	-	100.0%
Cost of sales	(279,629,459)	(130,131,322)	(27,048,852)	(7,733,633)	(3,033,102)	(989,554)	-	(448,565,922)
Gross Income	524,419,823	151,878,638	61,845,622	16,250,569	(977,111)	(261,434)	-	753,156,107
Participation per segment over Gross Income	69.5%	20.2%	8.2%	2.2%	-0.1%	0.0%	-	100.0%
Selling Expenses	(139,360,832)	(25,440,048)	(5,371,493)	(668,534)	(272,642)	(81,827)	-	(171,195,376)
Administrative Expenses	(54,564,763)	(27,554,593)	(10,416,493)	(249,432)	(1,788,682)	(742,853)	-	(95,316,816)
Other operating income / (expenses), net	57,465	66,907	(9,129)	-	(13,287)	-	-	101,956
Operating Income	330,551,693	98,950,904	46,048,507	15,332,603	(3,051,722)	(1,086,114)	-	486,745,871
Finance Income	272,174,391	13,067,238	53,298,421	2,620,140	12,752,095	4,516,097	(147,671)	358,280,711
Finance Costs	-	(1,324,435,004)	(24,135)	(55,080,103)	(216,929)	(76,734)	147,671	(1,379,685,234)
Other financial results	-	-	-	-	331,502	215,190	-	546,692
Result before income tax	602,726,084	(1,212,416,862)	99,322,793	(37,127,360)	9,814,946	3,568,439	-	(534,111,960)
Income tax expense	-	-	-	-	-	-	-	185,743,010
Net Result for the period	-	-	-	-	-	-	-	(348,368,950)
Other comprehensive income	-	-	-	-	-	-	-	-
Net comprehensive result for the period	-	-	-	-	-	-	-	(348,368,950)
Depreciation								
Cost of Sales	(139,492,539)	(55,156,095)	(11,038,314)	(2,889,524)	(875,419)	(215,530)	-	(209,667,421)
Administrative Expenses	(329,892)	(384,079)	(38,770)	-	-	-	-	(752,741)
Total	(139,822,431)	(55,540,174)	(11,077,084)	(2,889,524)	(875,419)	(215,530)	-	(210,420,162)

	Three months at 01.31.2016							
	Oil and gas	ADC Energy	LPG	Energy DEEF	Hydrogen Energy	Oxygen	Deletions	Total
Net sales	208,451,914	217,451,971	21,581,217	9,225,960	703,119	239,144	-	457,653,325
Reclassification between segments	101,912,119	(113,874,507)	11,962,388	-	-	-	-	-
Sales among segments	310,364,033	103,577,464	33,543,605	9,225,960	703,119	239,144	-	457,653,325
Participation per segment over sales	67.8%	22.6%	7.3%	2.0%	0.2%	0.1%	-	100.0%
Cost of sales	(104,808,820)	(51,584,160)	(10,221,010)	(2,889,476)	(691,982)	(204,487)	-	(170,399,935)
Gross Income	205,555,213	51,993,304	23,322,595	6,336,484	11,137	34,657	-	287,253,390
Participation per segment over Gross Income	71.6%	18.1%	8.1%	2.2%	0.0%	0.0%	-	100.0%
Selling Expenses	(57,323,699)	(7,994,314)	(2,123,408)	(92,881)	(97,679)	(28,408)	-	(67,660,389)
Administrative Expenses	(21,157,409)	(10,696,752)	(4,046,789)	(62,903)	(616,043)	(244,031)	-	(36,823,927)
Other operating income, net	142,741	173,214	17,592	-	(4)	-	-	333,543
Operating Income	127,216,846	33,475,452	17,169,990	6,180,700	(702,589)	(237,782)	-	183,102,617
Finance Income	201,814,382	4,273,395	40,321,907	1,485,141	10,360,966	3,651,858	(56,421)	261,851,228
Finance Costs	-	(1,033,279,000)	(1,762)	(43,688,543)	(89,475)	(30,760)	56,421	(1,077,033,119)
Other financial results	-	-	-	-	171,012	71,730	-	242,742
Result before income tax	329,031,228	(995,530,153)	57,490,135	(36,022,702)	9,739,914	3,455,046	-	(631,836,532)
Income tax expense	-	-	-	-	-	-	-	220,127,720
Net Result for the period	-	-	-	-	-	-	-	(411,708,812)
Other comprehensive income	-	-	-	-	-	-	-	-
Net comprehensive result for the period	-	-	-	-	-	-	-	(411,708,812)
Depreciation								
Cost of Sales	(52,187,805)	(22,913,040)	(3,679,439)	(963,174)	(291,806)	(71,843)	-	(80,107,107)
Administrative Expenses	(131,790)	(137,124)	(13,603)	-	-	-	-	(282,517)
Total	(52,319,595)	(23,050,164)	(3,693,042)	(963,174)	(291,806)	(71,843)	-	(80,389,624)

Capex did not make sales to foreign customers at January 31, 2017 and is not owner of assets which are not financial instruments abroad.

At January 31, 2016 Capex made sales of LPG to foreign customers.



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

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NOTE 9 - PROPERTY, PLANT AND EQUIPMENT

	01.31.2017	01.31.2016
Residual value at beginning of year	4,553,549,826	2,646,497,530
Additions	630,326,953	388,276,074
(Increase) / Recovery of provisions	(1,262,469)	546,692
Revaluation	1,926,171,694	-
Depreciation	(358,849,111)	(210,420,162)
Residual value at the end of period	6,749,936,893	2,824,900,134

From the depreciation expense for the nine-month periods ended January 31, 2017 and 2016, \$ 358,014,328 y \$ 209,667,421, respectively, were allocated to Cost of sales and \$ 834,783 y \$ 752,741, respectively, to Administrative Expenses.

Below is the revaluation by group of assets:

	Net book value at cost value at 04.30.2016	Additions/ Retirements/Provisions for the period – Net	Depreciation for the period at cost value	Residual value at cost value
CT ADC	424,657,006	175,379,401	(70,036,730)	529,999,677
Building and land in Neuquén	33,678,702	-	(155,334)	33,523,368
LPG Plant	60,706,301	-	(3,780,314)	56,925,987
DEEF	59,171,460	1,869,990	(2,889,524)	58,151,926
Remaining assets	1,363,853,876	451,815,093	(191,604,511)	1,624,064,458
Totalz	1,942,067,345	629,064,484	(268,466,413)	2,302,665,416

	Revaluation at 04.30.2016	Additions/ Retirements for the period- Revaluation	Depreciation for the period – Revaluation	Residual value of revaluation	Net book value at 01.31.2017
CT ADC	2,246,969,913	1,856,789,937	(79,792,468)	4,023,967,382	4,553,967,059
Building and land in Neuquén	174,915,591	54,492,095	(13,419)	229,394,267	262,917,635
LPG Plant	87,757,002	25,967,357	(5,484,812)	108,239,547	165,165,534
DEEF	101,839,975	(11,077,695)	(5,091,999)	85,670,281	143,822,207
Remaining assets	-	-	-	-	1,624,064,458
Total	2,611,482,481	1,926,171,694	(90,382,698)	4,447,271,477	6,749,936,893

NOTE 10 - NET DEFERRED TAX ASSETS / LIABILITIES

The net deferred tax position is as follows:

	01.31.2017	04.30.2016
Deferred tax assets:		
Deferred tax assets to be recovered after 12 months	39,792,124	193,834,548
Deferred tax assets to be recovered in 12 months	3,326,395	5,983,073
Deferred tax liabilities:		
Deferred tax liabilities to be recovered after 12 months	(1,672,824,780)	(1,058,095,476)
Deferred tax liabilities to be recovered in 12 months	(51,450,149)	(25,318,153)
Net deferred tax liabilities ⁽¹⁾	(1,681,156,410)	(883,596,008)

⁽¹⁾ This amount is shown in the condensed interim consolidated financial statement as follows: \$ 23,155,544 and \$ 24,214,743 under net deferred tax assets at January 31, 2017 and April 30, 2016, respectively, and \$ 1,704,311,954 and \$ 907,810,751 under net deferred tax liabilities at January 31, 2017 and April 30, 2016, respectively.

The evolution of deferred assets and tax liabilities, without considering compensation of balances referred to the same fiscal entity, is as follows:



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

As of January 31, 2017 and 2016 and April 30, 2016

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NOTE 10 – NET DEFERRED TAX ASSETS / LIABILITIES (CONT'D)

- Deferred assets:

	Tax losses	Trade Payables	Provisions and Others	Total
Balance at April 30, 2016	178,704,890	10,874,403	10,238,328	199,817,621
Charge to income/loss	(159,847,942)	2,451,668	697,172	(156,699,102)
Balance at January 31, 2017	18,856,948	13,326,071	10,935,500	43,118,519

- Deferred liabilities:

	Financial instruments at amortized cost	Property, plant and equipment	Other receivables	Financial liabilities	Total
Balance at April 30, 2016	(4,046,887)	(1,074,628,426)	(2,961,891)	(1,776,425)	(1,083,413,629)
Charge to income/loss	(6,565,160)	(635,147,195)	740,435	110,620	(640,861,300)
Balance at January 31, 2017	(10,612,047)	(1,709,775,621)	(2,221,456)	(1,665,805)	(1,724,274,929)

Tax-losses carry forwards recorded at January 31, 2017 are as follows:

Generated in	Amount	Rate 35%	Tax-loss recovery ⁽¹⁾	Expire in
Tax-loss generated at April 30, 2012	23,843,898	8,345,364	1,452,430	2017
Tax-loss generated at April 30, 2013	6,741,288	2,359,451	2,359,451	2018
Tax-loss generated at April 30, 2014	19,670,479	6,884,668	6,884,668	2019
Tax-loss generated at April 30, 2015	1,401,557	490,545	490,545	2020
Tax-loss generated at April 30, 2016	21,913,869	7,669,854	7,669,854	2021
Total tax-losses carry forwards at January 31, 2017	73,571,091	25,749,882	18,856,948	

⁽¹⁾Such tax-losses carry forwards might be allocated to future taxable income arising within five years as from the date they are generated.

NOTE 11 - OTHER RECEIVABLES

	01.31.2017	04.30.2016
Non-current		
In local currency		
Value added tax		5,479,475
Tax on assets	54,012,413	81,810,021
In foreign currency (Exhibit G)		
Assignment of CAMMESA rights	22,381,095	26,280,798
Total	76,393,508	113,570,294
Current		
In local currency		
Sundry advances	1,599,000	18,209,231
Tax on assets	7,727,458	1,741,024
Turnover tax	4,383,200	3,772,105
Value added tax	8,849,842	11,384,420
Income tax – withholdings	20,681,657	15,290,830
Other tax credits	5,959,852	5,597,950
Prepaid insurance	4,921,004	15,698,508
Prepaid expenses	2,401,105	3,236,324
Assignment of CAMMESA rights	1,001,567	891,038
Intercompany receivables (Note 23.b))	587,440	487,168
Financial credits to be collected	4,288,737	
Sundry	1,405,247	1,246,971
In foreign currency (Exhibit G)		
Sundry advances	6,529,179	58,921
Assignment of CAMMESA rights	13,643,015	12,622,189
Agreement for gas propane supply for networks to collect	6,467,723	13,619,990
Total	90,446,026	103,856,669

Fair value of other receivables does not differ significantly from its book value.



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

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NOTE 12 - TRADE RECEIVABLES

	01.31.2017	04.30.2016
Non-Current		
In local currency		
From sale of energy and others (Receivables Art. 5 Res. 95/2013 – CAMMESA)	146,906,518	100,444,863
Past-due receivables	2,627,115	2,627,115
Less: Provision for impairment (Exhibit E)	(2,627,115)	(2,627,115)
Total	146,906,518	100,444,863
Current		
In local currency		
From sale of energy and others	411,821,039	642,488,528
Intercompany receivables (Note 23.b))	-	483,881
In foreign currency (Exhibit G)		
From sale of oil and others	51,918,443	55,371,084
Intercompany receivables (Note 23.b))	415,140	730,967
Total	464,154,622	699,074,460

NOTE 13 - FINANCIAL INSTRUMENTS

	01.31.2017	04.30.2016
Current		
In foreign currency (Exhibit G)		
Financial instruments at fair value (Exhibit C)	119,687,968	-
Financial instruments at amortized cost (Exhibit D)	-	568,799,995
Total	119,687,968	568,799,995

The carrying amount of financial instruments at amortized cost approximates its fair value.

There were no level transfers for the financial assets valued at fair value.

NOTE 14 - CASH AND CASH EQUIVALENTS

	01.31.2017	04.30.2016
Current		
In local currency		
Cash	59,091	49,895
Banks	17,286,146	8,338,715
Financial investments at fair value (Exhibit D)	674,376,391	235,707,720
In foreign currency (Exhibit G)		
Cash	146,033	155,178
Banks	173,268	174,101
Financial investments at amortized cost (Exhibit D)	633,192,267	-
Total	1,325,233,196	244,425,609

For purposes of the statement of cash flows, cash, cash equivalents and bank overdrafts include:

	01.31.2017	01.31.2016
Cash and cash equivalents	17,664,538	11,774,986
Financial investment at fair value (Exhibit D)	674,376,391	260,624,441
Financial investments at amortized cost (Exhibit D)	633,192,267	85,638,274
Bank overdrafts	-	(18,402,097)
Total	1,325,233,196	339,635,604



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

As of January 31, 2017 and 2016 and April 30, 2016

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NOTE 15 - RESERVE FOR THE REVALUATION OF ASSETS

Below is a detail of the changes and breakdown of the Reserve for assets revaluation:

	CT ADC	LPG Plant	DEEF	Building and land - Neuquén	Total	Attributable to the Company	Attributable to Minority Interest
Balance at April 30, 2015	579,553,751	62,088,201	19,902,301	14,114,382	675,658,635	671,801,964	3,856,671
Reversal due to depreciation for the period ⁽¹⁾	(23,156,716)	(5,822,740)	(1,435,262)	(13,419)	(30,428,137)	(30,082,735)	(345,402)
Reversal of deferred tax ⁽¹⁾	8,104,851	2,037,959	502,342	4,697	10,649,849	10,528,958	120,891
Subtotal for reversal of revaluation of assets⁽¹⁾	(15,051,865)	(3,784,781)	(932,920)	(8,722)	(19,778,288)	(19,553,777)	(224,511)
Balances as of January 31, 2016	564,501,886	58,303,420	18,969,381	14,105,660	655,880,347	652,248,187	3,632,160
Increase for revaluation	1,389,024,419	-	73,134,733	153,219,051	1,615,378,203	1,612,613,095	2,765,108
Deferred tax	(486,158,547)	-	(25,597,157)	(53,626,668)	(565,382,372)	(564,414,584)	(967,788)
Total for other comprehensive results	902,865,872	-	47,537,576	99,592,383	1,049,995,831	1,048,198,511	1,797,320
Reversal due to depreciation for the period ⁽¹⁾	(10,518,945)	(1,940,913)	(478,421)	(4,474)	(12,942,753)	(12,827,618)	(115,135)
Reversal of deferred tax ⁽¹⁾	3,681,630	679,320	167,447	1,566	4,529,963	4,489,666	40,297
Subtotal for reversal of revaluation of assets⁽¹⁾	(6,837,315)	(1,261,593)	(310,974)	(2,908)	(8,412,790)	(8,337,952)	(74,838)
Subtotal	896,028,557	(1,261,593)	47,226,602	99,589,475	1,041,583,041	1,039,860,559	1,722,482
Balances as of April 30, 2016	1,460,530,443	57,041,827	66,195,983	113,695,135	1,697,463,388	1,692,108,746	5,354,642
Increase / decrease for revaluation	1,856,789,937	25,967,357	(11,077,695)	54,492,095	1,926,171,694	1,926,537,013	(365,319)
Deferred tax	(649,876,478)	(9,088,575)	3,877,193	(19,072,233)	(674,160,093)	(674,287,954)	127,861
Total for other comprehensive results	1,206,913,459	16,878,782	(7,200,502)	35,419,862	1,252,011,601	1,252,249,059	(237,458)
Reversal due to change of participation	-	-	-	-	-	(11,444,272)	11,444,272
Reversal of deferred tax due to change of participation	-	-	-	-	-	4,005,495	(4,005,495)
Reversal due to depreciation for the period ⁽¹⁾	(79,792,468)	(5,484,812)	(5,091,999)	(13,419)	(90,382,698)	(89,343,724)	(1,038,974)
Reversal of deferred tax ⁽¹⁾	27,927,364	1,919,684	1,782,200	4,697	31,633,945	31,270,304	363,641
Subtotal for reversal of revaluation of assets⁽¹⁾	(51,865,104)	(3,565,128)	(3,309,799)	(8,722)	(58,748,753)	(65,512,197)	6,763,444
Balances as of January 31, 2017	2,615,578,798	70,355,481	55,685,682	149,106,275	2,890,726,236	2,878,845,608	11,880,628

⁽¹⁾ Charged to "Retained Earnings".

NOTE 16 - TRADE PAYABLES

01.31.2017

04.30.2016

Non-Current			
In local currency			
Sundry accruals		32,848,186	27,159,490
In foreign currency (Exhibit G)			
Sundry accruals		5,547,590	6,016,712
Total		38,395,776	33,176,202
Current			
In local currency			
Suppliers	91,931,463	109,626,901	
Intercompany suppliers (Note 23.b))	270,939	44,756	
Sundry accruals	1,349,717	26,237,447	
In foreign currency (Exhibit G)			
Suppliers	138,140,276	197,378,461	
Sundry accruals	8,922,416	6,476,268	
Total	240,614,811	339,763,833	

The carrying amount of trade payables approximates its fair value.



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

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NOTE 17 – FINANCIAL LIABILITIES

	01.31.2017	04.30.2016
Non-Current		
In local currency		
Commissions and expenses to be accrued	(724,155)	(2,420,340)
Bank loans	-	55,500,000
Advance funding for maintenance of the CT ADC	146,435,457	149,763,237
In foreign currency (Exhibit G)		
Bank loans	100,151,100	99,750,000
Corporate bonds	3,179,400,000	2,850,000,000
Total	<u>3,425,262,402</u>	<u>3,152,592,897</u>
Current		
In local currency		
Commissions and expenses to be accrued	(2,290,322)	(2,260,524)
Bank loans	-	179,376,486
In foreign currency (Exhibit G)		
Bank loans	25,916,744	20,465,376
Corporate bonds	124,782,903	40,604,838
Total	<u>148,409,325</u>	<u>238,186,176</u>

Changes in financial liabilities are as follows:

	01.31.2017	01.31.2016
Balances at the beginning	<u>3,390,779,073</u>	<u>2,218,622,141</u>
Decrease in bank overdrafts	-	(132,820,496)
Loans obtained	-	171,750,000
Funding for maintenance of the CT ADC	114,760,000	90,000,000
Credit for remuneration of non-recurring maintenance of the CT ADC	(137,289,329)	(70,365,638)
Accruals:		
Accrued interest	292,170,300	267,041,725
Accrued commissions and expenses	1,666,390	1,670,662
Exchange difference generated by foreign currency financial liabilities	342,753,760	1,057,097,605
Payments:		
Interest	(205,785,467)	(145,771,641)
Capital	(225,383,000)	(57,657,926)
Balances at period-end	<u>3,573,671,727</u>	<u>3,399,566,432</u>

The amount of current and non-current financial liabilities approximates its fair value.

The fair value of the Corporate bonds at January 31, 2017 and April 30, 2016 amounts to \$ 3,344 million and \$ 2,906 million, respectively, categorized as level 1 within the fair value hierarchy.

Prepaid loans

On November 7, 2016, Capex repaid the balance of \$87,500,000 of the loans it held with Banco Ciudad de Buenos Aires, Banco Hipotecario and Banco Macro; the original principal was \$125,000,000.

On November 11, 2016, Capex repaid the balances of the following loans:

- Banco de Crédito y Securitización S.A.: \$18,000,000 - original principal was \$30,000,000.
- Banco de Crédito y Securitización S.A.: \$9,000,000 - original principal was \$15,000,000.

NOTE 18 – SALARIES AND SOCIAL SECURITY CONTRIBUTIONS

	01.31.2017	04.30.2016
In local currency		
Salaries and social security contributions	11,842,574	11,840,756
Sundry accruals	32,764,596	39,020,541
Total	<u>44,607,170</u>	<u>50,861,297</u>



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

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NOTE 19 - CONTINGENCIES

There were no significant changes in the contingencies of the Group with respect to what was stated in the consolidated financial statements for the year ended April 30, 2016, except for:

Investigation Proceeding by the Argentine Central Bank (BCRA) - Access to the exchange market for payments under Swap agreement

In November 2015, the BCRA issued Resolution No. 881/2015 whereby it informed the initiation of investigation proceedings under the Criminal Exchange System against Capex and its directors, Alejandro Götz, Pablo Götz and Rafael Götz. The investigation began as a result of three exchange transactions in 2011 and 2012 totaling US\$ 5,334,192.77 for the purchase of foreign currency through the Unique Free Foreign Exchange Market to settle interest rate hedge contracts, which, in accordance to BCRA judgement, would have been carried out without obtaining the required authorization. Capex and its directors filed a brief on December 4, 2015 and in August 2016 requested their discontinuance with prejudice on the following grounds: (i) Judgement passed by the Trial Court with jurisdiction over Criminal-Economic Matters No. 9 in the case captioned "Banco CMF y otros s/ Infracción Ley 24.144 Denunciante BCRA" No. 1287/2015, which is final and the subject-matter of the case is similar to the one of the underlying investigation against CAPEX. The court decided that the transactions at issue were not subject to the limitations set out in the BCRA rules issued after the execution of the Swap agreement, and (ii) notwithstanding the above, BCRA Communication A6037 rendered Communication A4805 ineffective and consequently, in the new regime, hedge and derivative transactions do not need prior approval by the BCRA, in which case discontinuance would also apply due to "least harsh" criminal law principle. As a result of the above, the Management, based on the opinion of its legal advisors, considers that it has arguments to support that the purchases of foreign currency did not require the prior authorization by the BCRA due to the regulations in force at the time they were carried out and the regulations on the matter.

NOTE 20 – NET SALES

	Nine months		Three months	
	01.31.2017	01.31.2016	01.31.2017	01.31.2016
Oil	340,349,555	260,449,863	111,518,268	96,928,979
Gas	11,525,080	72,631,780	-	31,041,265
Gas – Government incentives ⁽¹⁾	-	178,627,005	-	79,705,109
Electricity ADC ⁽²⁾	1,642,284,275	599,508,199	552,705,716	217,451,971
LPG	114,686,525	58,871,754	42,769,976	20,924,897
DEEF Energy	30,747,098	23,984,201	14,406,476	9,225,959
Energy generated with hydrogen	3,287,590	2,055,991	1,072,824	703,119
Oxygen	1,532,177	728,121	503,321	239,145
Others ⁽³⁾	739,837	4,865,115	275,729	1,432,881
Total	2,145,152,137	1,201,722,029	723,252,310	457,653,325

⁽¹⁾ Income derived from the "Incentive Program for Natural Gas Injection for Companies with Reduced Injection".

⁽²⁾ Includes income generated by the gas produced by ADC field and consumed by the CT ADC and paid by CAMMESA as Recognition of Own Fuels of \$ 1,126.3 million and \$ 317.5 million at January 31, 2017 and 2016, respectively.

⁽³⁾ At January 31, 2017 and 2016 it includes revenues derived from the Propano Sur and Programa Hogar Programs for \$ 0.7 million and \$ 1.6 million, respectively. In addition, at January 31, 2016, it includes revenues from the "Stimulus Program of Crude Oil" for \$ 3.2 million.

NOTE 21 – OTHER OPERATING INCOME, NET

	Nine months		Three months	
	01.31.2017	01.31.2016	01.31.2017	01.31.2016
Provision for rotation and obsolescence of spare parts and materials (Exhibit E)	1,049,229	81,129	-	347,114
Provisions for lawsuit and fines (Exhibit E)	(480,995)	-	955,000	-
Result on sale of vehicles	298,900	21,357	130,000	-
Sundry	863,441	(530)	(131,970)	(13,571)
Total	1,730,575	101,956	953,030	333,543



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

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NOTE 22 – FINANCIAL RESULTS

	Nine months		Three months	
	01.31.2017	01.31.2016	01.31.2017	01.31.2016
Finance income				
Interest and other	142,432,158	88,674,300	54,335,193	29,613,182
Interest accrued on receivables	473,686	1,655,049	259,609	(582,916)
Exchange difference	74,255,010	267,951,362	34,006,614	232,820,962
	217,160,854	358,280,711	88,601,416	261,851,228
Finance costs				
Interest and other	(325,952,914)	(279,499,065)	(99,955,910)	(116,239,284)
Interest accrued from liabilities	(3,634,253)	(2,519,275)	(1,266,296)	(1,012,406)
Exchange difference	(361,249,365)	(1,097,666,894)	(157,179,506)	(959,781,429)
	(690,836,532)	(1,379,685,234)	(258,401,712)	(1,077,033,119)

NOTE 23 – RELATED PARTIES OF THE COMPANY

The Company is controlled by Compañías Asociadas Petroleras Sociedad Anónima (C.A.P.S.A.) which holds 75.2% of the Company's shares. In addition, Wild S.A. is the last parent company of the group and holds direct and indirectly equity interest of 98.01% in C.A.P.S.A. The remaining shares are held by shareholders who have acquired them in the Stock Market.

Transactions between related parties were conducted as if between independent parties and are as follows:

a) Transactions with related parties

a.i) With the parent company

The transactions with the parent company C.A.P.S.A. were:

	Nine months		Three months	
	01.31.2017	01.31.2016	01.31.2017	01.31.2016
Sale of energy	3,287,590	2,055,991	1,072,824	703,119
Expenses corresponding to Hychico	(57,590)	(751)	(14,294)	-
Expenses corresponding to SEB	-	(170)	-	-
Expenses corresponding to Capex S.A.	(388,296)	(120,715)	(284,709)	(33,223)
Expenses corresponding to C.A.P.S.A.	3,860,842	2,842,610	1,311,694	903,718

a.ii) With the companies directly or indirectly controlled by the parent company

The transactions with Interenergy Argentina S.A. were:

	Nine months		Three months	
	01.31.2017	01.31.2016	01.31.2017	01.31.2016
Office and garage rental	(2,246,000)	(1,693,000)	(807,000)	(606,000)
Guarantee fee	-	(5,000)	-	(5,000)
Expenses corresponding to Interenergy	15,442	5,394	11,117	-

The transactions with E G Wind S.A. were:

	Nine months		Three months	
	01.31.2017	01.31.2016	01.31.2017	01.31.2016
Contributions in E G Wind S.A.	(18,750)	-	-	-



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

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NOTE 23 – BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONT'D.)

a.iii) With the companies that control the parent company

The transactions with Plenium Energy S.A. were:

	Nine months		Three months	
	01.31.2017	01.31.2016	01.31.2017	01.31.2016
Expenses corresponding to Plenium	1,960	-	-	-

The transactions with Wild S.A. were:

	Nine months		Three months	
	01.31.2017	01.31.2016	01.31.2017	01.31.2016
Expenses corresponding to Wild	1,690	-	1,290	-

a.iv) With related parties

The transactions with Alparamis S.A. were:

	Nine months		Three months	
	01.31.2017	01.31.2016	01.31.2017	01.31.2016
Office and garage rental	(12,200,000)	(8,980,000)	(4,320,000)	(3,180,000)

b) Balances at period end with the related companies

	With the parent company	With the companies directly or indirectly controlled by the parent company		Total at 01.31.2017
		C.A.P.S.A.	Interenergy Argentina S.A.	
Assets				
Other current trade receivables				
In local currency	460,771	126,669	-	587,440
Current trade receivables				
In foreign currency	415,140	-	-	415,140
Liabilities				
Current trade accounts payable				
In local currency	270,939	-	-	270,939
Other liabilities				
In local currency	-	-	56,250	56,250



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

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NOTE 23 – BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONT'D.)

b) Balances at period end with the related companies (Cont'd.)

	With the parent company	With the companies directly or indirectly controlled by the parent company	Total at 04.30.2016
	C.A.P.S.A.	Interenergy Argentina S.A.	
Assets			
Current trade receivables			
In local currency	483,881	-	483,881
In foreign currency	730,967	-	730,967
Other current trade receivables			
In local currency	362,368	124,800	487,168
Liabilities			
Current trade accounts payable			
In local currency	44,756	-	44,756

c) Remuneration of key management personnel

The remuneration of the key management personnel related to services provided (salaries and other services) accrued in the period ended January 31, 2017 and 2016 amount to \$ 32,246,025 and \$ 33,742,276, respectively.

NOTE 24 – EXPLORATION AREAS IN RÍO NEGRO

There have been no significant changes in the exploration areas in Río Negro compared with the information provided in the consolidated financial statements for the fiscal year ended on April 30, 2016, except for the Company's decision of reversing the Loma de Kauffman area.

NOTE 25 – SUBSEQUENT EVENTS

On February 8, 2017, the Board of Directors of Capex summoned an Ordinary Shareholders' Meeting to be held on March 15, 2017 to deal with the creation of a global program for the issuance of short, medium and/or long-term subordinated or unsubordinated secured or unsecured adjustable or non-adjustable negotiable obligations in accordance with the provisions of Law No. 23576 and other applicable regulations, up to a nominal value outstanding at any time that shall not exceed US\$ 600,000,000 or its equivalent, which are destined for one or more of the allocations provided by section 36, sub-section 2, of the Law on Negotiable Obligations.



EXHIBIT A

At January 31, 2017 and April 30, 2016 Property, plant and equipment

(This exhibit is part of these Interim Condensed Consolidated Financial Statements)

Concepto	Original Value						Depreciation			
	At beginning of year	Additions	Completed work in progress	Retirements / Provisions	Technical revaluation	At end of period	Accumulated at beginning of year	For the period	Retirements	
Exploration activities of oil and gas:										
- Acquired exploration permits Loma de Kauffman ⁽¹⁾										
- Assets for the production of oil and gas in: Loma de Kauffman ⁽¹⁾										
- Other Studies Loma de Kauffman ⁽¹⁾										
Exploitation activities of oil and gas:										
- Areas acquired and other studies Agua del Cajón – Operation rights	120,660,816					120,660,816	75,266,786	3,364,756		
- Other Studies Agua del Cajón - Exploration Agua del Cajón – Seismic	8,106,139 12,172,940					8,106,139 12,172,940	6,160,563 8,195,492	144,213 294,822		
- Assets for the production of oil Oil and gas wells Work in progress Production assets Vehicles Gas Pipeline	2,106,963,121 117,650,270 443,668,796 177,541,131 5,740,574 33,864,764	3,424,428 449,254	470,795,309 (480,610,767) 9,815,458			2,581,182,858 80,708,299 187,356,589 6,090,265 33,864,764	982,952,722 117,799,226 2,883,910 619,448 28,638,867	176,474,174 8,558,092 619,448 392,027	(99,563)	
Central administration and plant administration										
Neuquén land and buildings Furniture and fixtures Administration assets	212,764,199 1,776,563 13,726,904				57,410,697	270,174,896 1,776,563 16,908,570	4,169,906 1,776,563 10,675,217	168,753		
Agua del Cajón Power Station										
CT ADC Work in progress	3,471,361,950 22,658,373		158,522,783 (158,522,783)		8,267,671,256	11,897,555,989 39,514,991	822,393,404	149,829,198		
Assets under Surplus due to Restrictions to the Transportation Capacity Account										
Fourth line Capacitor bank	15,523,142 6,558,338					15,523,142 6,558,338	15,523,142 6,558,338			
LPG Plant - Agua del Cajón										
Vehicles Facilities Computer equipment Furniture and fixtures LPG Plant	43,214 54,881 11,252 4,579 359,908,095			(43,214)		43,214 54,881 11,252 4,579 313,700,055			(43,214)	
Diadema Eolic Energy Farm (DEEF)										
DEEF	227,732,916	1,869,990			(41,290,029)	188,312,877	66,721,481	7,981,523		
Hydrogen and Oxygen Project										
Hydrogen and Oxygen Plant Hydrogen and Oxygen Plant provision	31,482,281 (22,759,964)	2,353,418				33,835,699 (24,022,433)	8,722,317	1,090,949		
Total at January 31, 2017	6,923,546,478	630,326,953		(1,405,246)	8,597,491,979	16,149,960,164	2,369,996,652	358,849,111	(142,777)	
Total at April 30, 2016	4,721,830,690	641,130,235		(76,513,285)	1,637,098,838	6,923,546,478	2,075,333,160	273,202,426	(259,569)	

(1) The balances of Loma de Kauffman Area were provisioned as of January 31, 2017 and April 30, 2016 for \$ 76,710,629. The third period of exploration expires in May 2017.



EXHIBIT C

At January 31, 2017 and April 30, 2016

INVESTMENTS

Securities issued in Series and Investments in other Companies

(This exhibit is part of these Interim Condensed Consolidated Financial Statements)

Issuer and characteristics of the securities	Class	Equity value	Quantity	Book value at 01.31.17	Book value at 04.30.16	INFORMATION ABOUT THE LATEST FINANCIAL STATEMENT				
						Principal activity	Closing date	Capital Stock	Legal Reserve	Unappropriated retained earnings
		\$		\$	\$			\$	\$	\$
Current assets In foreign currency (Exhibit G)										
Financial instruments at fair value BONAR 2020			6,576,261	119,687,968	-			-	-	-
				119,687,968						



EXHIBIT D
At January 31, 2017 and April 30, 2016

OTHER INVESTMENTS

(This exhibit is part of these Interim Condensed Consolidated Financial Statements)

Principal account and characteristics	Book value at 01.31.2017	Book value at 04.30.2016
	\$	\$
Other current investments		
Financial instruments at amortized cost		
In foreign currency (Exhibit G)		
Time deposits	-	568,799,995
Cash and cash equivalents		
In local currency		
Financial instruments at fair value		
Mutual funds	674,376,391	235,707,720
In foreign currency (Exhibit G)		
Financial instruments at amortized cost		
Time deposits	633,192,267	-
Total other current investments	1,307,568,658	804,507,715
Total other investments	1,307,568,658	804,507,715



EXHIBIT E
At January 31, 2017 and April 30, 2016

PROVISIONS

(This exhibit is part of these Interim Condensed Consolidated Financial Statements)

Captions	Balance at the beginning of year	Increase / (Recoveries)	Balance at period-end
	\$	\$	\$
DEDUCTED FROM ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment			
In local currency			
Impairment of property, plant and equipment	22,759,964	(1) 1,262,469	24,022,433
Trade accounts receivable			
In local currency			
Provision for impairment	2,627,115	-	2,627,115
Spare parts and materials			
In local currency			
Provision for rotation and obsolescence	839,383	(2) (839,383)	-
CURRENT ASSETS			
Spare parts and materials			
In local currency			
Provision for rotation and obsolescence	209,846	(2) (209,846)	-
Total deducted from assets	26,436,308	213,240	26,649,548
INCLUDED IN LIABILITIES			
NON-CURRENT LIABILITIES			
Provisions			
In local currency			
For legal claims and fines	3,244,352	(3) (514,005)	2,730,347
Total included in liabilities	3,244,352	(514,005)	2,730,347
Total provisions	29,680,660	(300,765)	29,379,895

(1) Charged to financial results.

(2) Charged to Other operating income, net (See Note 21).

(3) At January 31, 2017 court orders were paid for \$ 995,000. The remaining \$480,995 has been allocated to Other operating income, net (see Note 21).



EXHIBIT F
At January 31, 2017 and 2016

COST OF SALES

(This exhibit is part of these Interim Condensed Consolidated Financial Statements)

	Nine months		Three months	
	01.31.2017	01.31.2016	01.31.2017	01.31.2016
	\$			
Inventories and spare parts and materials at the beginning of year / period ⁽¹⁾	114,329,878	80,707,611	122,788,206	90,998,385
Plus:				
- Addition to warehouses	236,873,787	106,458,572	42,948,621	51,474,533
- Production cost (Exhibit H)	681,232,939	450,225,540	244,763,341	172,022,916
Less:				
- Consumption	(223,369,279)	(87,384,976)	(38,758,534)	(42,655,074)
Inventories and spare parts and materials at period end ⁽¹⁾	(126,814,136)	(101,440,825)	(126,814,136)	(101,440,825)
Cost of sales	682,253,189	448,565,922	244,927,498	170,399,935

⁽¹⁾ Includes inventories and spare parts and materials net of advances to suppliers.



EXHIBIT G
At January 31, 2017 and April 30, 2016

FOREIGN CURRENCY ASSETS AND LIABILITIES

(This exhibit is part of these Interim Condensed Consolidated Financial Statements)

Items	01.31.2017				04.30.2016			
	Class	Amount	Exchange rate	Amount in local currency	Class	Amount	Exchange rate	Amount in local currency
ASSETS								
NON-CURRENT ASSETS								
Spare parts and materials								
Sundry advances	US\$	1,008,854	15.797	15,936,868	US\$	5,449,128	14.15	77,105,157
Other accounts receivable								
Assignment of rights CAMMESA	US\$	1,416,794	15.797	22,381,095	US\$	1,857,300	14.15	26,280,798
Total Non-Current Assets				38,317,963				103,385,955
CURRENT ASSETS								
Spare parts and materials								
Sundry advances	US\$	252,214	15.797	3,984,217	US\$	1,362,282	14.15	19,276,289
Other accounts receivable								
Sundry advances	US\$	413,319	15.797	6,529,179	US\$	4,165	14.15	58,921
Assignment of rights CAMMESA	US\$	863,646	15.797	13,643,015	US\$	892,027	14.15	12,622,189
Agreement for gas propane supply for networks to collect	US\$	409,427	15.797	6,467,723	US\$	962,543	14.15	13,619,990
Trade accounts receivable								
Intercompany receivables	US\$	26,280	15.797	415,140	US\$	51,658	14.15	730,967
From sale of oil and others	US\$	3,286,601	15.797	51,918,443	US\$	3,913,151	14.15	55,371,084
Financial investments								
Financial investments at fair value	US\$	7,576,626	15.797	119,687,968	US\$	-	-	-
Financial investments at amortized cost	US\$	-	-	-	US\$	40,197,880	14.15	568,799,995
Cash and cash equivalents								
Cash	US\$	6,012	15.797	94,965	US\$	6,019	14.15	85,173
Cash	€	3,001	17.0181	51,068	€	4,329	16.1706	70,005
Bank	US\$	10,968	15.797	173,268	US\$	12,304	14.15	174,101
Financial investments at amortized cost	US\$	40,083,071	15.797	633,192,267	US\$	-	-	-
Total Current Assets				836,157,253				670,808,714
Total assets				874,475,216				774,194,669
LIABILITIES								
NON-CURRENT LIABILITIES								
Trade accounts payable								
Sundry accruals	US\$	348,971	15.897	5,547,590	US\$	422,225	14.25	6,016,712
Financial liabilities								
Bank	US\$	6,300,000	15.897	100,151,100	US\$	7,000,000	14.25	99,750,000
Corporate bonds	US\$	200,000,000	15.897	3,179,400,000	US\$	200,000,000	14.25	2,850,000,000
Total Non-Current Liabilities				3,285,098,690				2,955,766,712
CURRENT LIABILITIES								
Trade accounts payable								
Suppliers	US\$	8,689,707	15.897	138,140,276	US\$	13,845,459	14.25	197,297,795
Suppliers	€	-	-	-	€	4,943	16.3205	80,666
Sundry accruals	US\$	561,264	15.897	8,922,416	US\$	454,475	14.25	6,476,268
Financial liabilities								
Bank	US\$	1,630,292	15.897	25,916,744	US\$	1,436,167	14.25	20,465,376
Corporate bonds	US\$	7,849,462	15.897	124,782,903	US\$	2,849,462	14.25	40,604,838
Total Current Liabilities				297,762,339				264,924,943
Total Liabilities				3,582,861,029				3,220,691,655



EXHIBIT H

INFORMATION REQUIRED BY SECT. 64, SUB-SECT. B) OF LAW No. 19550

for the nine and three-month periods commenced on May 1, 2016 and 2015 and ended January 31, 2017 and 2016.
(This exhibit is part of these Interim Condensed Consolidated Financial Statements)

Items	Nine months at 01.31.2017				Three months at 01.31.2017	
	Production cost	Selling expenses	Administrative expenses	Total	Production cost	Selling expenses
	\$	\$	\$	\$	\$	\$
Fees and other compensation	6,000,980	-	7,794,402	13,795,382	714,698	
Salaries and social security contributions	185,371,620	-	65,479,193	250,850,813	71,486,817	
Materials, spare parts and others	24,065,996	-	25,241	24,091,237	8,900,335	
Operation, maintenance and repairs	63,984,448	-	12,103,095	76,087,543	24,950,783	
Fuel, lubricants and fluids	2,494,510	-	-	2,494,510	1,003,679	
Transportation, freight and studies	7,390,226	-	1,229,073	8,619,299	3,510,540	
Depreciation of Property, plant and equipment	358,014,328	-	834,783	358,849,111	122,668,334	
Office, travel and representation expenses	2,117,284	-	1,681,481	3,798,765	882,776	
Taxes, rates, contributions, insurance and rental	25,775,275	-	19,000,558	44,775,833	9,113,089	
Acquisition of electricity from CAMMESA	103,131	-	-	103,131	64,173	
Gas transportation costs	5,915,141	-	-	5,915,141	1,468,117	
Royalties	-	247,207,311	-	247,207,311	-	86,095,25
Cost of transport and energy deliveries	-	11,857,625	-	11,857,625	-	4,328,45
Turnover tax	-	70,829,623	-	70,829,623	-	24,118,43
Commissions and other	-	3,115,199	-	3,115,199	-	863,03
Bank charges	-	-	23,994,551	23,994,551	-	
Total	681,232,939	333,009,758	132,142,377	1,146,385,074	244,763,341	115,405,17



EXHIBIT H

INFORMATION REQUIRED BY SECT. 64, SUB-SECT. B) OF LAW No. 19550 (CONT'D.)

for the nine and three-month periods commenced on May 1, 2016 and 2015 and ended January 31, 2017 and 2016.
(This exhibit is part of these Interim Condensed Consolidated Financial Statements)

Items	Nine months at 01.31.2016				Three months at 01.31.2016	
	Production cost	Selling expenses	Administrative expenses	Total	Production cost	Selling expenses
	\$	\$	\$	\$	\$	\$
Fees and other compensation	5,236,684	-	11,155,688	16,392,372	3,119,380	
Salaries and social security contributions	132,053,003	-	46,561,909	178,614,912	48,323,973	
Materials, spare parts and others	17,974,607	-	3,854	17,978,461	6,908,670	
Operation, maintenance and repairs	54,488,031	-	8,203,241	62,691,272	19,789,459	
Fuel, lubricants and fluids	2,225,605	-	-	2,225,605	690,833	
Transportation, freight and studies	5,552,104	-	556,878	6,108,982	2,875,903	
Depreciation of Property, plant and equipment	209,667,421	-	752,741	210,420,162	80,107,107	
Office, travel and representation expenses	1,554,721	-	881,607	2,436,328	568,995	
Taxes, rates, contributions, insurance and rental	19,008,835	-	13,342,898	32,351,733	8,212,918	
Acquisition of electricity from CAMMESA	710,718	-	-	710,718	672,863	
Gas transportation costs	1,753,811	-	-	1,753,811	752,815	
Royalties	-	126,813,686	-	126,813,686	-	52,335,35
Cost of transport and energy deliveries	-	10,809,432	-	10,809,432	-	2,713,91
Withholding exports	-	29,400	-	29,400	-	29,40
Turnover tax	-	30,848,105	-	30,848,105	-	11,449,07
Commissions and other	-	2,694,753	-	2,694,753	-	1,132,65
Bank charges	-	-	13,858,000	13,858,000	-	
Total	450,225,540	171,195,376	95,316,816	716,737,732	172,022,916	67,660,38



INDEPENDENT AUDITORS REPORT

To the President and Directors of
Capex S.A.
Legal address: Córdoba Av. 948/950 5th C Floor
Autonomous City of Buenos Aires
Tax Code: 30-62982706-0

We have audited the accompanying consolidated financial statements of Capex S.A. and its subsidiaries (the "Company") which comprise the consolidated statements of financial position as at April 30, 2016, 2015 and 2014 and the consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information contained in the notes 1 to 34, 36 and 37, and exhibits A and D to H.

Board of Directors responsibility

The Board of Directors of the Company is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), which were adopted by the Argentine Federation of Professional Councils in Economic Sciences (FACPCE) as professional accounting standards and incorporated into the regulations of the National Securities Commission (CNV), as approved by the International Accounting Standards Board (IASB) and for such internal control as Board of Directors 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 these consolidated financial statements, based on our audits. We conducted our audits in accordance with International Standards on Auditing (ISAs). Those standards were adopted as review standards in Argentina through Technical Pronouncement No. 32 of the FACPCE (Argentine Federation of Professional Councils in Economic Sciences), as approved by the International Auditing and Assurance Standard Board (IAASB) and they 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 misstatement.

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



An audit involves performing procedures to obtain audit evidence about the amounts and disclosed in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the consolidated financial statements whether due to fraud or error. In making those risk assessments, the auditor consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluation the overall presentation of the consolidated 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 present fairly, in all material respects, the financial position of Capex and its subsidiaries as at April 30, 2016, 2015 and 2014 and their results of operations and cash flows for the years then ended in accordance with the International Financial Reporting Standards.

Autonomous City of Buenos Aires, July 5, 2016.

PRICE WATERHOUSE & CO. S.R.L.



A handwritten signature in black ink, appearing to read 'Dr. Carlos A. Pace'. Below the signature, the text '(Partner)' is written in parentheses. Further down, the text 'Public Accountant' is printed in a smaller font.



CAPEX S.A.

CONSOLIDATED FINANCIAL STATEMENTS
As of April 30, 2016, 2015 and 2014 stated in pesos

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INDEPENDENT AUDITOR'S REPORT

NOMENCLATURE

Currency

Terms	Description
\$	Argentine peso
€	Euro
GBP	Pound sterling
US\$	United States dollar

Glossary of Terms

Terms	Description
bbl	Barrel
BTU	British thermal unit
CC	Combined cycle
CGU	Cash generating unit
CNV	National Securities Commission
CSJN	Supreme Court of Justice
CT ADC	Agua del Cajón Power Plant
FACPCE	Argentine Federation of Professional Councils in Economic Sciences
GWh	Gigawatts per hour
IASB	International Accounting Standards Board
Km	Kilometer
km ²	Square kilometer
KW	Kilowatt
LVFVD	Sales settlement with maturity to be defined
m ³	Cubic meter
MMBTU	Million British thermal unit
WEM	Wholesale Electricity Market
Mm ³	Thousand cubic meters
MMm ³	Million cubic meters
MMNm ³	Billion cubic meters
MW	Megawatt
MWh	Megawatt per hour
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
Nm ³	Standard cubic meter
DEEF	Diadema Eolic Energy Farm
tn	Ton
V/N	Nominal value
WTI	West Texas Intermediate



CAPEX S.A.

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended April 30, 2016 compared with the years 2015 and 2014

Fiscal year No. 28 commenced on May 1, 2015

Company legal domicile: Córdoba Av. 948/950, 5th floor, apartment C, City of Buenos Aires

Company main activity: Generation of electricity

Registration number with the Superintendence of Commercial Companies: 1,507,527

Date of by-laws: December 26, 1988

Date of the latest registration with the Public Registry of Commerce:

- Latest amendment: September 30, 2005

Duration of Company: December 26, 2087

Name of parent company: Compañías Asociadas Petroleras Sociedad Anónima (C.A.P.S.A.)

Legal domicile: Córdoba Av. 948/950, 5th floor, apartment C, City of Buenos Aires

Main activity: Exploitation of hydrocarbons

Participation of parent company in capital stock and votes: 75.2%

CAPITAL STOCK (Note 17)

Type of shares	Subscribed, paid-in and registered with the Public Registry of Commerce
	\$
179,802,282 ordinary, book-entry Class "A" shares of \$ 1 par value and one vote each, authorized to be placed for public offering	179,802,282



Consolidated Statement of Financial Position

At April 30, 2016, 2015 and 2014

Stated in pesos

	Note/ Exhibit	04.30.2016	04.30.2015	04.30.2014
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	6 / A	4,553,549,826	2,646,497,530	1,670,638,617
Financial instruments at amortized cost	15 / D	-	354,415,925	319,741,920
Spare parts and materials	11	160,296,481	68,755,769	53,117,121
Net deferred tax assets	7	24,214,743	14,984,266	17,221,151
Other receivables	13	113,570,294	76,087,875	58,706,355
Trade receivables	14	100,444,863	54,988,586	16,587,364
Total Non-Current Assets		4,952,076,207	3,215,729,951	2,136,012,528
CURRENT ASSETS				
Spare parts and materials	11	47,140,393	20,252,806	16,396,444
Inventories	12	3,274,450	566,297	911,170
Other receivables	13	103,856,669	71,104,895	48,086,819
Trade receivables	14	699,074,460	332,069,658	219,937,775
Financial instruments at amortized cost	15 / D	568,799,995	-	-
Cash and cash equivalents	16	244,425,609	392,703,520	51,783,467
Total Current Assets		1,666,571,576	816,697,176	337,115,675
Total Assets		6,618,647,783	4,032,427,127	2,473,128,203

The accompanying Notes 1 to 37 and Exhibits A and D to H form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

At April 30, 2016, 2015 and 2014

Stated in pesos

	Note / Exhibit	04.30.2016	04.30.2015	04.30.2014
SHAREHOLDERS' EQUITY AND LIABILITIES				
SHAREHOLDERS' EQUITY				
Capital stock	17	179,802,282	179,802,282	179,802,282
Additional paid-in capital	17	79,686,176	79,686,176	79,686,176
Legal reserve	18	23,508,318	-	21,225,830
Optional reserve	18	43,367,267	-	10,164,434
Special reserve for implementation of IFRS	18	-	-	192,356,878
Reserve for assets revaluation	18	1,692,108,746	671,801,964	-
Retained earnings	19	(231,664,704)	66,875,585	(224,966,816)
Total shareholders' equity attributable to shareholders		1,786,808,085	998,166,007	258,268,784
Non-controlling interest		10,490,689	9,062,742	5,053,918
Total shareholders' equity		1,797,298,774	1,007,228,749	263,322,702
LIABILITIES				
NON-CURRENT LIABILITIES				
Trade payables	20	33,176,202	20,010,647	16,713,720
Financial liabilities	21	3,152,592,897	1,988,232,816	1,675,878,223
Net deferred tax liabilities	7	907,810,751	475,298,014	75,032,528
Provisions and other charges	25 / E	3,244,352	2,367,385	1,810,499
Total non-current liabilities		4,096,824,202	2,485,908,862	1,769,434,970
CURRENT LIABILITIES				
Trade payables	20	339,763,833	222,677,877	175,943,987
Derivative financial instruments		-	-	2,424,880
Financial liabilities	21	238,186,176	230,389,325	207,203,873
Salaries and social security contributions	22	50,861,297	40,094,493	30,017,002
Tax payables	23	39,852,551	25,926,106	16,979,630
Other liabilities	24	55,860,950	20,201,715	7,801,159
Total current liabilities		724,524,807	539,289,516	440,370,531
Total liabilities		4,821,349,009	3,025,198,378	2,209,805,501
Total shareholders' equity and liabilities		6,618,647,783	4,032,427,127	2,473,128,203

The accompanying Notes 1 to 37 and Exhibits A and D to H form an integral part of these consolidated financial statements.



Consolidated Statement of Comprehensive Income

For the fiscal years ended April 30, 2016, 2015 and 2014

Stated in pesos

	Note/ Exhibit	04.30.2016	04.30.2015	04.30.2014
Net sales	26	1,844,804,297	1,260,911,657	816,212,306
Cost of sales	F	(619,527,735)	(473,719,532)	(339,523,798)
Gross profit		1,225,276,562	787,192,125	476,688,508
Exploration expenses	34	(76,710,629)	(174,860,302)	-
Selling expenses	H	(254,210,741)	(170,351,345)	(120,730,278)
Administrative expenses	H	(129,906,146)	(91,527,822)	(65,428,564)
Other operating (expenses) / income, net	27	(952,088)	1,298,689	13,633,904
Operating income		763,496,958	351,751,345	304,163,570
Finance income	28	400,256,348	127,500,389	151,905,289
Finance costs	28	(1,561,354,345)	(474,939,782)	(827,207,316)
Other financial income	E	456,913	69,516	1,492,925
Result before income tax		(397,144,126)	4,381,468	(369,645,532)
Tax on assets		-	(431,582)	3,801,279
Income tax expenses	29	137,218,320	(3,561,977)	140,426,465
Net result for the year		(259,925,806)	387,909	(225,417,788)
Items that will not be reclassified to profit or loss				
Other comprehensive income	18	1,049,995,831	743,518,138	-
Comprehensive result for the year		790,070,025	743,906,047	(225,417,788)
Result for the year attributable to:				
Company shareholders		(259,556,433)	531,482	(224,966,816)
Non-controlling interest		(369,373)	(143,573)	(450,972)
Net result for the year		(259,925,806)	387,909	(225,417,788)
Net comprehensive result for the year attributable to:				
Company shareholders		788,642,078	739,897,223	(224,966,816)
Non-controlling interest		1,427,947	4,008,824	(450,972)
Comprehensive result for the year		790,070,025	743,906,047	(225,417,788)
Basic and diluted net result per share attributable to:				
- Company shareholders	30	(1.44357)	0.00296	(1.25119)
Basic and diluted comprehensive result per share attributable to:				
- Company shareholders	30	4.38616	4.11506	(1.25119)

The accompanying Notes 1 to 37 and Exhibits A and D to H form an integral part of these consolidated financial statements.



Consolidated Statement of Changes in Shareholders' Equity
 For the fiscal years ended April 30, 2016, 2015 and 2014
 Stated in pesos

	Attributable to the Company shareholders							S	
	Retained Earnings								
	Capital Stock		Retained earnings			Other accumulated comprehensive income	Retained earnings ⁽²⁾		
	Outstanding shares	Additional paid-in capital	Optional reserve	Free reserve ⁽¹⁾	Special reserve for implementation of IFRS	Reserve for assets revaluation ⁽¹⁾	Retained earnings ⁽²⁾		
Balances at April 30, 2013	179,802,282	79,686,176	21,225,830	10,164,434			192,356,878	48	
Ordinary Shareholders' Meeting of August 9, 2013	-	-	-	-	192,356,878	-	(192,356,878)		
Capitalization of contributions	-	-	-	-	-	-	-		
Comprehensive result for the year	-	-	-	-	-	-	(224,966,816)	(224,966,816)	
Balances at April 30, 2014	179,802,282	79,686,176	21,225,830	10,164,434	192,356,878		(224,966,816)	25	
Ordinary and Extraordinary Shareholders' Meeting of August 5, 2014	-	-	(21,225,830)	(10,164,434)	(192,356,878)	-	223,747,142		
Comprehensive result for the year	-	-	-	-	-	-	739,365,741	531,482	
Reversal of reserve for assets revaluation	-	-	-	-	-	(67,563,777)	67,563,777	73	
Balances at April 30, 2015	179,802,282	79,686,176					671,801,964	66,875,585	
Ordinary Shareholders' Meeting of August 7, 2015	-	-	23,508,318	43,367,267	-	-	(66,875,585)		
Comprehensive result for the year	-	-	-	-	-	1,048,198,511	(259,556,433)	78	
Reversal of reserve for assets revaluation	-	-	-	-	-	(27,891,729)	27,891,729		
Balances at April 30, 2016	179,802,282	79,686,176	23,508,318	43,367,267		-	1,692,108,746	(231,664,704)	
								1,78	

(1) See Note 18
 (2) See Note 19

The accompanying Notes 1 to 37 and Exhibit A and D to H form an integral part of these Consolidated Financial Statements.



Consolidated Statement of Cash Flows
 For the fiscal years ended April 30, 2016, 2015 and 2014
 Stated in pesos

	Note / Exhibit	04.30.2016	04.30.2015	04.30.2014
Cash flows from operating activities:				
Comprehensive result for the year		790,070,025	743,906,047	(225,417,788)
Adjustments to arrive at net cash flows provided by operating activities:				
Exchange differences generated by cash and cash equivalents		(561,465)	(36,213)	(174,487)
Income tax	29	(137,218,320)	3,561,977	(140,426,465)
Tax on assets		-	431,582	(3,801,279)
Interest accrued on financial liabilities and others	21	390,552,377	235,660,147	182,808,574
Exchange difference generated by financial liabilities and LIBO rate swap	21	1,117,800,107	189,604,553	604,379,358
Exchange difference from financial instruments at amortized cost not considered as cash or cash equivalents		(210,704,457)	(35,982,886)	(111,017,424)
Exchange difference from assignment of rights		(18,222,342)	(3,915,326)	(12,158,325)
Interest accrued on receivables and payables	28	7,458,462	(3,257,672)	(3,737,911)
LIBO rate swap	28	-	(1,079,814)	(7,373,217)
Depreciation of property, plant and equipment	6 / A	273,202,426	205,980,533	137,591,940
Write-off of property, plant and equipment	6 / A	-	148,220	45,928
Impairment of Río Negro areas	6 / A	76,710,629	174,860,302	-
Provision for Property, plant and equipment	6 / A	(456,913)	(69,516)	(1,492,925)
Other comprehensive results	18	(1,049,995,831)	(743,518,138)	-
Recovery of the provision for turnover and obsolescence of spare parts and materials	11 and 27	(150,039)	(336,824)	(27,872)
Provisions for lawsuits and fines	25 / E	1,509,967	556,886	(534,835)
Changes in net operating assets and liabilities:				
Increase in trade receivables		(416,162,015)	(149,773,844)	(125,081,195)
Increase in other receivables		(48,354,218)	(24,722,495)	(2,196,754)
(Increase) / Decrease in inventories		(2,708,153)	344,873	(540,752)
Increase in spare parts and materials		(118,278,260)	(19,158,186)	(13,302,444)
Increase in trade payables		118,835,479	45,123,974	98,592,860
Increase in salaries and social security contributions		10,766,804	10,077,491	6,296,565
Increase in taxes		9,044,654	7,530,603	6,866,911
Increase in other liabilities		35,659,235	12,400,556	2,352,137
Court judgements paid	25 / E	(633,000)	-	(1,387,474)
Tax on assets paid		(3,766,624)	(8,693,549)	(4,481,152)
Net cash flows provided by operating activities		824,398,528	639,643,281	385,781,974
Cash flows from investment activities				
Payments for the acquisition of property, plant and equipment	6 / A	(633,362,736)	(349,998,605)	(191,429,095)
Proceeds from property, plant and equipment	6	-	141,000,000	-
Changes in financial instruments at amortized cost not considered as cash or cash equivalents		(3,679,616)	1,308,881	7,118,118
Contributions in subsidiaries		-	-	1,400,000
Net cash flows used in investment activities		(637,042,352)	(207,689,724)	(182,910,977)
Cash flows from financing activities				
Interest paid and others	21	(325,472,701)	(199,527,628)	(180,262,566)
Repayments of financial liabilities	21	(93,938,926)	(92,387,846)	(28,347,453)
Proceeds of financial liabilities	21	234,438,668	144,328,262	-
Net cash flows used in financing activities		(184,972,959)	(147,587,212)	(208,610,019)
Net Increase / (decrease) in cash, cash equivalents and overdrafts		2,383,217	284,366,345	(5,739,022)
Exchange difference generated by cash and cash equivalents		561,465	36,213	174,487
Cash, cash equivalents and overdrafts at the beginning of the year	16	241,480,927	(42,921,631)	(37,357,096)
Cash, cash equivalents and overdrafts at the end of the year	16	244,425,609	241,480,927	(42,921,631)

**Operations not generating changes in cash**

Complementary information	04.30.2016	04.30.2015	04.30.2014
Provision for well capping	7,767,499	3,905,442	5,114,221

The accompanying Notes 1 to 37 and Exhibits A and D to H form an integral part of these consolidated financial statements.



Notes to the Consolidated Financial Statements

For the year ended April 30, 2016, 2015 and 2014
Stated in pesos

NOTE 1 – GENERAL INFORMATION

Capex S.A. ("the Company") and its subsidiaries Servicios Buproneu S.A. (SEB) and Hychico S.A. (Hychico) (jointly, "the Group") have as main activity the generation of electric power, the production of oil and gas, the provision of services related to the processing and separation of gases and the production of hydrogen and oxygen.

The Company was incorporated in 1988 to carry out oil and gas exploration in Argentina and it has subsequently added the electricity generation business.

In January 1991, the Company acquired 100% of the rights over the Agua del Cajón area located in the Neuquén Basin in the south east of the province of Neuquén, under a 25-year concession with an extension option for 10 years. On April 13, 2009, a Memorandum of Understanding was signed, whereby the province of Neuquén granted the Company an extension to the original term until January 11, 2026.

Consequently, the Company was engaged to:

- pay US\$ 17,000,000;
- Conduct an action plan that include investments and expenses for an aggregate amount of US\$ 144,000,000 until the expiration of the concession extension term;
- Pay an extraordinary 3% production fee;
- Pay an extraordinary charge which entails paying an additional percentage of the extraordinary fee ranging from 1% to 3% depending on the price of crude and natural gas with regard to a scale of reference prices.

The electricity generation business has a total nominal generation capacity of 672 MW (ISO), including an open cycle with a total nominal capacity of 371MW and a combined cycle with supplementary firing with a total nominal capacity of 301 MW.

To connect the power station with the National Interconnected System (SIN), a total of 111km of three high-voltage lines of 132kW were built, with Arroyito and Chocón Oeste being the interconnection points. Due to the operating needs of the combined cycle, an additional high-voltage line of 500 KW was built, the connection point of which is in Chocón Oeste. Thus, delivery is highly reliable and flexible.

The Company processes the gas produced, which is rich in liquefied components, in an LPG plant owned by SEB. Propane, butane and stabilized gasoline are obtained from this process. Propane and butane are sold separately and stabilized gasoline is sold together with crude oil, while the remaining gas is used as fuel to generate electricity. The efficiency levels of this plant are approximately 99.6%.

The Company started through Hychico two projects for the generation of wind power and the production of oxygen and hydrogen by electrolysis. Hydrogen is used as fuel for the generation of electric power, by mixing hydrogen with gas; oxygen is destined for the industrial gases market in the region and the produced wind power is sold in the WEM.

The Company trades its shares in the Buenos Aires Stock Exchange.



NOTE 1 – GENERAL INFORMATION (CONT'D.)

1.1 Economic context

The Group operated during the year ended April 30, 2014 in a context whose main indicators recorded a significant devaluation of the Argentine peso against the US dollar, increasing levels of inflation, decrease in the stock of international reserves of Argentina Central Bank and increases in interest rates.

This economic context caused an impact on the economic and financial situation of the Group, generating losses at April 30, 2014 due to the net exchange difference, given its dollar debt, an increase in the financial burden produced by the peso devaluation for its liabilities in dollars and by the increase in the interest rate for its liabilities in pesos, and a gap between the increase in local currency of certain production costs and investments for the part in foreign currency of their components, not offset with a price increment of electricity which is priced in local currency.

The Enforcement Authorities approved the following measures: i) The Incentive Program for Natural Gas Injection for Companies with Reduced Injection and The Gas Plus Program (Note 1.2.c), and ii) an increase in the remuneration schedule for energy generation (Note 1.2.b.2) and The Maintenance Program for Electricity Generation Units (Note 1.2.b.5), which allowed the Company to increase its generation capacity.

Even though these measures allowed readjusting the remuneration to the operation income, the Group estimated that the measures taken should further be deepened, based on import prices of energy and gas from neighboring countries and LNG (liquefied natural gas) in effect at that date, and their strong impact in the country's finance.

With reference to collection terms in the electricity sector, CAMMESA has had delays of more than 60 days in its payments. In this regard, the Group understood that these delays had to be regularized, since they affected a crucial sector for the development of the economy, so it was to be expected that the terms opportunely established in the Procedures were complied with.

Regarding the oil price, in February, March and April 2014, there was a decrease established by the market, at the request of the Government, in order to moderate the impact of the devaluation during January 2014 in the price in pesos of the fuels at the pump. In May 2014, prices went back to their January 2014 value.

In order to mitigate the devaluation scenario, the Group defined action plans oriented towards the optimization of its field operations, the analysis of the cost matrix of the main suppliers with the aim of recognizing only price adjustments when it had foreign currency components, the development of local suppliers to substitute for imported components and the sale of certain non-productive assets.

The action plans were adjusted as the necessary resources and services were available and the projects maintained their economic viability with an appropriate profitability.

In December 2015, with the change of government, the new authorities have introduced new regulations and amendments to certain laws that have an impact on the activities and economic variables in Argentina and the energy sector.

Those variables relating to the foreign exchange activity for the period prior to November 2011 were dated back, producing changes in some of the restrictions and maximum amounts then applicable for exchange transactions. As a result, the exchange rate from peso to US dollar experienced a depreciation of 60% (from April 2015 to April 2016), being its exchange rate \$ 14.25 as of April 30, 2016. Currency quotation has derived from the fluctuations in supply and demand, with occasional interventions of the Enforcement Authorities.

Furthermore, the national authorities stated that the oil prices would continue being commensurate with the domestic market, taking into account the balance between the need to maintain the activity and the development of Argentina's resources and more competitive prices of the production inputs. Within this framework, to maintain a price to sustain the production activity while reducing the impact on fuel prices of the devaluation of the peso as against the US dollar, producers and refineries have negotiated a decrease in the prices set forth in their agreements.

As regards gas, the National Government has expressed the need to accompany the development of resources with prices tending to sustain and/or increase national production and reduce demand for foreign currency for the importation of gas. To this end, the Ministry of Energy and Mining through Res 41/16 increased prices for natural gas at the point of entry into the transportation system for each basin of origin from April 1, 2016. For the Neuquén basin and gas volumes allocated to electricity generation, the increase in dollars amounted to 106.3%.



NOTE 1 – GENERAL INFORMATION (CONT'D.)

As regards the electric market, Decree 134/15 (Note 1.2.b.6)) declared the emergency of the Argentine electricity sector until December 31, 2017 and instructed the Ministry of Energy and Mining to implement an action plan for the electric power generation, transport and distribution segments of national jurisdiction, to improve the quality and safety of power supply and guarantee the provision of electricity public utility services in good technical and economic conditions. Certain measures were taken as a result of the decree mentioned, with the purpose of increasing the price of fuels in general. By means of Resolution 6/16 the tariff rates that can be charged by the distributing companies were increased, transferring a greater part of the price to users and, in particular, through Resolution 22/16 the tariffs collected by the generating companies were increased by 49% in the average, as from February 2016. Although in the opinion of the Company the measures so far implemented would not suffice, these measures, together with the statements by National Government officials, could show the way back to the principles set forth in Law 24065 and the restoration of rules and remunerations that can encourage the development of this sector with a view to supplying for the demand.

Regarding the new measures adopted by Government, the reinsertion of Argentina among international economies stands out. The agreement reached with the "holdouts" (holders of Argentine bonds that did not accept the debt swaps offered by the government) allowed for the country's return to international financial credit markets, with a substantial reduction of the country risk. The fact of leaving behind the default to holdouts will enable both public and private sectors to have a more fluent access to foreign credit. The Group estimates that, if the country continues along this path, in the medium term Argentina will have access to a more competitive and reasonable financing than other countries of the region.

The Group considers that it has a solid business structure which, with this new scenario and other measures that are still to be implemented, will make it possible to obtain good results in its operations in the future. This is evidenced by the improvement in operating results for the current year.

1.2- Regulatory framework for the oil, electricity, gas and LPG sectors

a) Oil sector

Federal Hydrocarbons Law 17319 and 27007

Ownership of fields

In its original wording, Law 17319 (Hydrocarbons Law) set forth that the liquid and gaseous hydrocarbons fields located in the Argentine territory and its continental shelf were the non-transferable, imprescriptible property of the National Government. However, this ownership was transferred to the Provinces in which the mentioned fields are located.

In Argentina, exploration and exploitation of oil and gas is performed through exploration permits, concessions for exploitation, and contracts for exploitation or partnership agreements.

On October 31, 2014, the National Congress enacted Law 27007, which amends Law 17319. Among the main amendments, we can mention that it gives legal status to the figure of concession for unconventional exploitation, created by Decree 929/13. It is established that the term of the Concession for the Unconventional Exploitation of Hydrocarbons will be effective for 35 years, with the possibility of time extensions for 10-year periods.

With the enforcement of this law, the term of the concessions for conventional exploitation is maintained at 25 years; however, successive renewals of 10 years are authorized for both conventional and non-conventional exploitation concessions. Even those concessions currently in place and already extended will be able to be renewed again. As to the renewal processes already started by the provinces, Law 27007 stated that they would have a 90-day period to complete the process.

Law 27007 eliminates, with future effect, the possibility that the Federal Government and the Provinces may reserve areas for exploitation by state-owned companies or entities, or companies or entities with state ownership. The law allows the grantor to decide the system that will be used to exploit and develop the areas reserved for this purpose but in relation to which no agreement has been entered into.



NOTE 1 – GENERAL INFORMATION (CONT'D.)

As for royalties, the law maintains a rate of 12%, as set forth by Law 17319. It also maintains the possibility of reducing the rate in certain cases up to 5% and allows for increasing it up to 3% (resulting 15%). A ceiling of 18% is set for successive extensions.

Furthermore, Law 27007 created an Investment Promotion System for the Exploitation of Hydrocarbons for investment projects exceeding US\$ 250 million and established that in, certain cases, part of the production may be freely traded in the foreign market, without paying export duties. In addition, it set forth that foreign currency obtained from the export of hydrocarbons may be freely available to the exporter.

Federal Law 26741

Public Interest Statement

On May 4, 2012 the Argentine Congress passed Law 26741 of National Hydrocarbons Sovereignty, which declared the self-sufficiency in the supply of hydrocarbons as well as in the exploration, exploitation, industrialization, transportation and sale of hydrocarbons a national public interest.

Among other issues, this law ordered that the National Executive Branch should be the authority in charge of setting the policies on hydrocarbons and of deciding the measures leading to the achievement of the goals established in the law, jointly with the provincial governments and with the public and private interests, domestic or international.

Decree 1277/12

On July 27, 2012 the National Executive Branch issued Decree 1277/12, regulatory of Law 26741 and, among other matters, provided for:

- (i) revocation of the regulations on free availability of hydrocarbons,
- (ii) the creation of a Committee for the Planning and Strategic Coordination of the National Plan for Investments in Hydrocarbon Resources (the “Committee”), which will implement the National Plan for Investments,
- (iii) the creation of a National Registry of Investments in Hydrocarbon Resources,
- (iv) all the companies in the sector are under the obligation to submit a yearly investment plan to the Technical Information Committee, on a quantitative and/or economic basis, to be presented on September 30 of each year,
- (v) authorizing the Committee to set and publish the reference prices of each cost component and reference prices for the sale of hydrocarbons and fuels, which must be enough to cover the production costs and to obtain a reasonable profit margin.

Non-compliance with the Decree will be subject to the penalties included in Law 17319 and to suspension or deletion from the National Registry of Investments in Hydrocarbon Resources. The Committee will have exclusive jurisdiction to apply Law 26741 in connection with the hydrocarbon activities regulated by Decree 1277/12.

On December 29, 2015, Decree 272/15 of the National Executive Branch dissolved the Committee and many of its powers were cancelled, while those functions that were not repealed were transferred to the Ministry of Energy and Mining.

Export Duties

Through Resolution 01/2013 of the Ministry of Economy and Public Finance dated January 7, 2013, the reference prices and cut-off values fixed by Resolution 394/2007 were modified. A new “reference value” is set at 80 US\$/bbl, and a floating rate, so that when the international price of oil is equal to or greater than the reference value, the producer receives 70 US\$/bbl, which is the new “cut-off value”.

The decrease in international prices prompted Resolution 803/2014 dated October 22, 2014, which sets a rate of 45%, provided that the international price is less than the reference value of 80 US\$/bbl.



NOTE 1 – GENERAL INFORMATION (CONT'D.)

On December 29, 2014, by means of Resolution 1077/2014, Resolution 394/2007 was repealed and, accordingly, so was the mechanism of reference values and cut-off values used up to then. The new system sets forth that when the international price of crude oil (taking the Brent quotation as reference value) does not exceed 71 US\$/bbl, the applicable rate will be 1%. In turn, the resolution defines a polynomial formula $[(PI - 70)/70 \times 100]$, where PI is the international price, that can be used to apply variable withholdings when the international price of crude oil is over 71 US\$/bbl. In this regard, it is stated that PI will equal the level of Brent less 8 US\$/bbl.

Even when most of the local production of heavy crude oil is processed in the domestic market, there is an excess that is destined for export, which is affected by the external context of decreasing prices of crude oil. Due to this, the Ministry of Energy and Mining, by means of Resolution 32/2016 issued on March 11, 2016, created the Incentive Program for the Export of Excess Crude Oil, Escalante type from the Golfo San Jorge Basin; through this program, the beneficiary companies will be allowed the equivalent to 7.5 US\$ per barrel exported. This compensation to oil companies is subject to the fact that the international price does not exceed the value of 47.5 US\$/bbl.

The Group did not make sales of oil to customers abroad (see Note 5).

Promotion of increased crude oil production and reserves: Oil Plus Program

The Oil Plus Program was created by the Executive Branch Decree 2014/08 and regulated by ES Resolution 1312/08. The program consisted in the granting of tax credit certificates applicable to the payment of export duties on behalf of producing companies compliant with the standard's requirements as regards the increase in oil production and addition of reserves. The incentive would be effective on a quarterly basis through the delivery of "Tax Credit Certificates" transferable at nominal value. The amount collected at April 30, 2015 and 2014 is \$ 4.1 million and \$4.0 million, respectively (see Note 27). By April 30, 2016 this program is no longer in force.

Program to encourage crude oil production

On February 3, 2015, through Resolution 14/2015 of the Ministry of Economy and Public Finance, the "Program to encourage crude oil production" was created to boost oil production in view of the fall in international prices. This program was effective as from January 1, 2015 through December 31, 2015, without the National Executive making use of the extension for 2016.

The benefit is a compensation of up to 3 US\$/bbl for total production, provided that quarterly production is higher than or equal to basic production (October – December 2014). However, in no case may the sale price of the Company plus the compensation exceed 84 US\$/bbl for Medanito crude quality oil.

The Company has registered in this program and during the period January – December 2015 it accrued \$ 3.8 million (see Note 26), which are uncollected.

b) Electricity sector

b.1) Remuneration schedule – ES Resolution 95/13

On March 22, 2013, the Energy Secretariat adopted ES Resolution 95/13 introducing a new remuneration schedule for the power generation activity and numerous amendments to the WEM organization, also suspending the addition and renewal of new contracts in the MAT.

The resolution established a new general scope system in substitution of the previous remuneration schedule in effect for the entire generation sector (generators, self-generators and co-generators), except for: (i) binational hydroelectric power stations and nuclear power plants; and (ii) electricity generation under contracts regulated by the Energy Secretariat which contain a differential remuneration under ES Resolutions Nos. 1193/05, 1281/06, 220/07, 1836/07, 200/09, 712/09, 762/09, 108/11, 137/11 and any other electric power supply contract with a differential remuneration schedule established by the Energy Secretariat ("the generation agents encompassed by the Resolution").

The remuneration schedule applies to economic transactions as from February 2013.



NOTE 1 – GENERAL INFORMATION (CONT'D.)

The remuneration schedule includes three items:

- i) **Fixed cost remuneration:** The fixed cost remuneration will be based on parameters that vary by type of generation, technology, scale and available power in each machine (based on the target availability defined by the Energy Secretariat) in the power remuneration hours (HRP). In no case will the price of the remuneration be lower than \$/MW-hrp 12.00.
- ii) **Variable cost remuneration:** Remuneration of variable costs (non-fuels), which replaced the remuneration of variable maintenance costs and other variable non-fuel costs, is calculated monthly on the basis of the energy generated by type of fuel. In the case of generation with natural gas the remuneration of variable costs amounted to \$/Mwh 19.00. By Note 2053 of April 19, 2013, the Energy Secretariat recognized the remuneration of power made available to the generating unit, regardless of available fuel.
- iii) **Additional Remuneration** The additional remuneration is determined monthly on the basis of the total generated power. A portion of the remuneration will be applied to a trust and reinvested in the financing of new infrastructure projects in the electricity sector, the specifications of which will be established by the Energy Secretariat.

The three items in the aggregate constitute the total remuneration receivable by the generators encompassed.

Recognition of fuel costs

As established by the resolution, the own fuel costs valued at the reference price will be recognized, as well as the recognized freight, the cost associated with transport and distribution of natural gas, and the related taxes and rates, provided that the following conditions are met: (i) that costs have been recognized by CAMMESA at the effective date of the Resolution; and (ii) that costs have originated in contractual relations assumed prior to the effective date of the Resolution.

The commercial management and dispatch of fuels for power generation was centralized on CAMMESA; as contractual relations between the WEM agents and their suppliers of fuels and associated inputs have become extinct, those associated costs ceased to be recognized.

The remuneration schedule and the recognition of fuel costs are recognized as "Electricity ADC" in "Net Sales" (note 26). For segment reporting purposes, fuel costs are reclassified to the Oil and Gas segment (Note 5).

Payment priority

ES Resolution 95/13 established two different payment priorities. The first one includes the payment of the fixed cost remuneration, the variable cost remuneration and the recognition of the fuel prices. The second priority includes the additional remuneration.

Through Note 2053 of April 19, 2013, the Energy Secretariat established, as regards the priority to settle the remuneration described above, that the fixed cost remuneration, the variable cost remuneration and the additional remuneration directly settled in favor of the generator and the recognition of fuel costs will be equated with the priority set out in Section 4, sub-sect. e), of ES Resolution 406/03.

The ES also established that the amounts for the additional remuneration allocable to the trust are to be compatible with the amounts related to the application of Section 4, sub-section c), of ES Resolution 406/03.

Suspension of contracts with the MAT

The resolution established the suspension of new contracts in the MAT (excluding those derived from resolutions that set out a differential remuneration system), as well as their extension or renewal.

b.2) ES Resolution 529/14

On May 20, 2014 the Energy Secretariat issued Resolution 529/14, which updated the values of the remuneration schedule set in ES Resolution 95/13, introduced the notion of "Remuneration of Non-Recurring Maintenance" and changed the method for fixed costs remuneration, which will be adjusted based on availability according to the time of year. This schedule applied retroactively as of February 2014 for those generation agents that adhered to ES Resolution 95/13, as the Company did.



NOTE 1 – GENERAL INFORMATION (CONT'D.)

Remuneration of non-recurring maintenance: In the case of generation with natural gas, the remuneration amounted to \$/Mwh 21.00. This remuneration is determined monthly, calculated on the basis of the total generated power, and CAMMESA issues LVFVD which are exclusively intended for the financing of major maintenance works subject to approval by the Energy Secretariat (see item b.5)).

b.3) ES Resolution 482/15

On July 10, 2015 ES Resolution 482/15 was issued, which updated the values of the remuneration schedule set in ES Resolution 529/14, as from the economic transactions corresponding to February 2015.

At April 30, 2016, the effect of the amendments to ES Resolution 482/15 has been recognized for the period February to April 2015, for \$ 18 million.

In addition, the Resolution added various amendments to the method for calculating the remuneration, for example (i) in the fixed costs, the reference power availability value will be determined based on the typical conditions of temperature in the facility, (ii) in the variable costs, incentives referring to the increase in payments due to the larger number of hours the plant is operative and a more efficient use of fuels (see Incentive to "Production" and "Operating Efficiency"), and (iii) in the remuneration of non-recurrent maintenance, a formula will be applied considering adjustments based on the power Use Factor in the latest year and on a Start-up Factor considering the number of starts based on the dispatch administered by CAMMESA in the latest year, which is computed up to the month prior to that of the transaction.

Incentive to "Production" and "Operating Efficiency"

It added an additional remuneration based on the volume of electricity produced over the year, varying according to the type of fuel and rate of compliance with fuel consumption objectives.

The incentive for "Production" consists in a 10% increase in the Variable Costs for the electricity produced with natural gas from the week following that in which the machine has acquired an accumulated electricity generation over the calendar year of 50% of its production capacity with the pertinent fuel and for its medium effective power, to the end of that calendar year.

The incentive for "Efficiency" consists in the recognition of an additional remuneration equivalent to remuneration of variable costs by the percentage difference between actual consumption and reference consumption fixed for each type of unit and fuel; the comparison will be made on a quarterly basis. In the event of higher consumption, the basic remuneration based on Variable Costs is not modified.

At April 30, 2016, the Company accrued \$2.9 million.

Resources for 2015-2018 FONINVEMEM investments

Pursuant to the "Agreement for projects management and operation, increase in the power plant generation availability and adjustment to the generation remuneration 2015-2018" dated June 5, 2015 ("2015-2018 Agreement"), ES Resolution 482/15 included a specific contribution, the Resources for 2015-2018 FONINVEMEM investments ("2015-2018 FONINVEMEM Resources"), for the execution of the works considered under such system.

2015-2018 FONINVEMEM resources will be allocated to those generators involved in the projects approved or to be approved by the ES, they will be monthly determined and calculated based on the total electricity generated. The specific contributions will be automatically allocated by CAMMESA retroactively, from the transactions for February 2015 to December 2018, in favor of each generating agent, as from the signing of the construction and supply contracts for each project approved by the ES.

Pursuant to ES Resolution 482/15, the 2015-2018 FONINVEMEM resources to be allocated do not give rise to any vested interest in favor of the generator and in the event of non-compliance with the commitments undertaken in the construction and supply contracts, the ES may decide to modify the allocation of such contributions, with the agent having no right whatsoever to claim any amount or item.



NOTE 1 – GENERAL INFORMATION (CONT'D)

Although the Company has adhered to the 2015-2018 Agreement, expressing its intention of taking part under certain conditions, at the date of issuance of these financial statements the Company has not reached the final agreement necessary for implementing a project; as a result, no revenue from 2015-2018 FONINVEMEM resources has been recognized.

Further, ES Resolution 482/15 added a remuneration item, the "FONINVEMEM 2015-2018 direct remuneration" applicable to the units built within the framework of the 2015-2018 Agreement. The new item consists in the recognition of an additional amount equivalent to 50% of the Additional Remuneration for the portion of electricity to be remunerated under the 2015-2018 Agreement. It is applicable once the project is completed.

b.4) ES Resolution 22/16

On March 30, 2016 ES Resolution 22/16 updated the values of the remuneration schedule set in ES Resolution 482/15, as from the economic transactions corresponding to February 2016.

The following table shows the changes in the remuneration system for generators, for technologies of similar characteristics to the CT ADC (>150MW):

	ES Resolution 95/13 ⁽¹⁾	ES Resolution 529/14 ⁽²⁾	ES Resolution 482/15 ⁽³⁾	ES Resolution 22/16 ⁽⁴⁾
	\$/MWh			
Fixed cost remuneration	31.0	38.8	49.6	84.3
Variable cost remuneration	19.0	26.8	33.1	46.3
Additional remuneration – Direct	7.5	9.4	11.7	11.7
Additional remuneration - Trust fund	5.0	6.2	7.8	7.8
Remuneration of non-recurring maintenance	-	21.0	24.7	39.5

(1) Applicable from February 2013 to January 2014

(2) Applicable from February 2014 to January 2015

(3) Applicable from February 2015 to January 2016

(4) Applicable as from February 2016

b.5) Maintenance program for the energy generating units

As from June 2011, the Company has been negotiating with ES and CAMMESA the financing of a plan for major and extraordinary maintenance, to be carried out in all the units of the Agua del Cajón power plant ("CT ADC"), aimed at the continuity of operations of its generating units in a reliable manner.

Through ES Note 1873 dated April 12, 2013, the Energy Secretariat approved the works proposed for a total of \$ 158,470,000 (equivalent to US\$ 30,891,000), subject to CAMMESA's issuing together with the Company the administrative instruments necessary for those documents to be authorized by the ES.

On March 27, 2014 the Company submitted to CAMMESA a proposal for financing and assignment of credit rights in guarantee of performing maintenance at the CT ADC, in the context of ES Resolution 146/02.

The main characteristics of this proposal are:

- The amount of the financing will be the equivalent in pesos of up to US\$ 30,891,000, from which the items mentioned in the next paragraph must be subtracted.
- The Company commits to using in the maintenance of the CT ADC units those receivables not yet collected to which it is entitled pursuant to sections 4 and 5 of the "2008-2011 ES-Generators Agreement".



NOTE 1 – GENERAL INFORMATION (CONT'D)

- This financing will be granted based on the estimate of the cash flow presented, the control on progress of works, and subject to CAMMESA availability of funds, through the delivery of partial advances. Once each advance is received, the Company will make a report on the funds received in the previous month.
- For each machine for the maintenance of which funds have been advanced, and only after the start-up of the power generation units to be repaired is made, the Company must refund the financed amount in 36 equal and consecutive monthly installments.
- The repayment of this financing will be made, firstly, applying the Remuneration for Extraordinary Maintenance (created through ES Resolution 529/14 – Remuneration of non-recurring maintenance, see item b.2)); if this is not enough, then the Additional Remuneration for Generators corresponding to each machine will be applied (established by ES Resolution 95/13 and amended by ES Resolution 529/14).
- If the remunerations mentioned above were not enough to cover for the repayment of the corresponding monthly installment, the difference will be accumulated to the remainder of the unpaid debt, so that at the moment that these remunerations exceed the amount of the installment to be paid, the excess can be applied to settle the unpaid amounts.
- If at the end of the 36-month repayment period there remains an unpaid balance, the term for repayment will be extended for up to a maximum of 12 additional installments ("Additional Period"), and the Company must apply to the repayment the Remuneration of Non-Recurring Maintenance, or otherwise, the Additional Remuneration for Generators (prevailing at the date of this proposal) of the related machine.
- If at the end of the Additional Period the total refund of the loan is not completed, the Company must apply to the repayment a 30% of the Remuneration of Non-Recurring Maintenance, or otherwise, 30% of the Additional Remuneration for Generators (prevailing at the date of this proposal) of the related machine. At the option of the Company, it may use in its entirety the Remuneration of Non-Recurring Maintenance and/or the Additional Remuneration for Generators.
- The Company guarantees, for each month subsequent to the start-up after having performed the maintenance works being financed and until the end of the repayment period, the minimum availability of each power generation unit to be repaired.
- In guarantee of faithful compliance with every commitment undertaken, the Company assigns and transfers in favor of CAMMESA 100% of its present and future credit rights, accrued or to be accrued in favor of Capex derived exclusively from Fixed Cost Remuneration, Variable Costs (non-fuel) and Additional Remuneration for generators, for a maximum amount of up to US\$ 20 million at each moment and up to the value of the unpaid installments.
- The Company may, prior notification to CAMMESA, settle in advance part or the total of the financing. CAMMESA is obliged to accept the advanced settlement.

Afterwards, the Company requested that the original amount be increased by US\$ 20,000,000 (including VAT) to finance the works with the new scope arising from:

- 1) Changes in the original maintenance plan, and
- 2) Higher costs than originally estimated.

On November 18, 2015, the increase in the financing amount was approved by the Electric Power Undersecretary and accepted by CAMMESA by means of an Addendum to the original Agreement, with which the total amount under the Program is US\$ 50,891,000.

From the beginning of the program until April 30, 2016, the Company received from CAMMESA disbursements for \$328 million. The funds disbursed by CAMMESA have been offset with the remuneration of non-recurring maintenance when the Company had a legally enforceable right of set-off. The current debt is of \$219 million; which is shown under "Financial debts", net of the receivables accrued with CAMMESA in relation to the Non-recurring maintenance remuneration and net interest accrued for \$149.7 million (see Note 21).



NOTE 1 – GENERAL INFORMATION (CONT'D)

After the closing date of the financial statements and until the date of issue thereof, the Company received additional funds from CAMMESA for a total amount of \$43.2 million.

b.6) National Decree 134/15

By means of Decree 134/15, the National Executive Branch declared the state of emergency in the national electricity sector, effective until December 31, 2017. As from this declaration, the Ministry of Energy and Mining was instructed to prepare, enforce and implement an action plan as needed in relation to the segments of electricity generation, transportation and distribution with national jurisdiction, with the purpose of having an adequate quality and reliability of energy supply and ensuring the service of electric public utilities in proper technical and economic conditions. Further, the provinces were summoned to adhere to this declaration.

b.7) Resolution 6/16 of the Ministry of Energy and Mining

On January 25, 2016, Resolution 6/16 of the Ministry of Energy and Mining approved the Quarterly Summer Rescheduling for the WEM as submitted by CAMMESA, corresponding to the period from February 1, 2016 to April 30, 2016. New seasonal reference prices were set for power and energy in the WEM for the period from February 1, 2016 to April 30, 2016 with significant increases in demand, with the purpose of restoring, even if partially, the negative result of the Stabilization Fund managed by CAMMESA. It included the possibility of applying a social tariff for consumption under ten kilowatts (10 kW).

b.8) Energy Secretariat Resolution 108/2011

Energy Secretariat Resolution 108/11 dated March 29, 2011 authorizes the execution of supply contracts between the WEM and the offers of power generation and associated energy as from renewable energy sources presented by generating, co-generating or self-generating agents that at the date of publication of this resolution are agents of the WEM or are not commercially authorized or interconnected.

Authorization to participate in those generation offers should be granted to all projects involving the National State, ENARSA or the projects that the Minister of Federal Planning, Public Investment and Services so determined.

The WEM supply contracts envisaged by this resolution will be characterized as follows:

- Duration: up to fifteen (15) years, renewable for periods of up to 18 months
- Selling party: WEM agent whose offer has been approved by the Energy Secretariat
- Buying party: the WEM as a whole, represented by CAMMESA.
- The remuneration receivable by the selling party and payable by the buying party shall be determined based on the costs accepted by the Energy Secretariat.
- All offerors wishing to enter into contracts with the WEM are to submit to the Energy Secretariat the respective investment projects, including the following information:
 - Units to be commissioned which will take on the commitment.
 - Guaranteed availability of the commissioned units that will take on the commitment.
 - Offered duration of the WEM supply contract.
 - Period of validity of the offer.
 - Power availability undertaken for the whole period.
 - The offer shall contain a breakdown of all fixed and variable costs, as well as the costs of the financing used for the installation of the new offered capacity.
 - The documentation supporting the breakdown of costs presented.

It was established that the power to be assigned and the energy supplied in compliance with each of the WEM supply contracts will be remunerated on a monthly basis, calculated based on the annual installation costs to be considered and the fixed and variable costs of operation of the committed equipment. These costs may be reviewed by the Energy Secretariat when any of its components show significant variations, to ensure that the costs are covered by the remuneration assigned to the respective WEM supply contract.



NOTE 1 – GENERAL INFORMATION (CONT'D)

It is also established that while Energy Secretariat Resolution 406/03 applies, the obligations arising under the contract shall rank pari passu with the ones established in Section 4, paragraph e) of that resolution. If this order of priority is modified, payment of the obligations derived from the contract may not be lower in priority with respect to the recognition of operating costs of the thermal power plants.

Hychico has made a supply contract with the WEM taking this resolution into account.

b.9) Law 27191 – Changes to the regime for the promotion of renewable energies

On September 25, 2015, the National Congress enacted Law 27191 which was published in the Official Gazette on October 21, 2015. The Law introduced amendments to the National Program for the Promotion of the Use of Renewable Energy Sources created by Law 26190. To that end, to reach an 8% renewable energy contribution to the national consumption matrix at December 31, 2017 and 20% at December 31, 2025, the law added the following: (i) it extended the definition of renewable energies; (ii) it eliminated the 10 year limitation for the tax benefit system; (iii) it set out non-excluding tax incentives such as: early refund of VAT, accelerated amortization of income tax, exclusion from the tax on assets base of assets used in promoted activities, exemption from import duties, offsetting of tax losses against income (going from 5 to 10 years), tax exemption for dividend distribution when the beneficiary is an individual (only in the case of reinvestment), and tax certificates for 20% of the value of the national components; (iv) it created the Trust Fund for the Development of Renewable Energies that, among other things, will grant loans and guarantees for investment projects, and (v) it ordered that all power users would have to contribute by complying with the renewable energy consumption objectives set forth by the law, for which a gradual schedule was established and special obligations for Large Users of over 300kW. Finally, the law ratified that wind power generation should receive the same treatment as run-of-the-river power generation; therefore, this will be dispatched according to the actual wind availability.

In addition, in May 2016 the Ministry of Energy and Mining issued Resolutions 71/2016 and 72/2016 through which it set in motion the first round of the Open Bid Process for contracting in the WEM electricity from renewable generation sources ("Programa RenovAr") to comply with Laws 26190 and 27191. Also, a schedule was drawn up for raising questions about the preliminary bidding terms and conditions, submitting offers, opening and evaluating offers, awarding them and signing the supply contracts. According to this schedule, offers should be submitted by mid-August, 2016. The process will conclude next October.

b.10) Law XVII No. 95 – Tax benefits for renewable energies

On October 19, 2015, the Head of the Agency for the Promotion of Renewable Energies in the Province of Chubut decided to grant to Hychico for its DEEF, within the framework of Law XVII No. 95, the benefits set forth in Article 7, Section B, Sub-section 3, fully excepting it from payment of turnover tax during the first five (5) years as from the granting date, and with a 50% turnover tax exemption as from the sixth year up to and including the tenth year. Within the framework of that Law, and in accordance with the provisions of Article 8, the "tax stability" benefit was granted in the provincial territory for a term of 15 years, with tax stability being understood as the impossibility of imposing on the activity a heavier tax burden as a consequence of tax increases.

c) Gas natural sector

- **Federal Hydrocarbons Law 17319 - Law 26741 of "National Hydrocarbons Sovereignty" and Decree 1277/12**

See section a) Oil sector

- **Gas Plus Program**

Under ES Resolution 24/08 the ES created the "Gas Plus Program". The plan creates a set of incentives for those who incorporate new production of natural gas. The Company has submitted several projects, all of which have been approved. The sales of gas made by the Company correspond to the Gas Plus Program.



NOTE 1 – GENERAL INFORMATION (CONT'D)

• Incentive Program for Natural Gas Injection for Companies with Reduced Injection

In late November 2013 the Planning and Strategic Coordination of the National Plan for Investments in Hydrocarbon Resources issued Resolution 60/13 which created a new "Incentive Program for Natural Gas Injection for Companies with Reduced Injection" (the "Program"). Companies which had an average injection lower than 3.5 million of m3/day, such as this Company, could request adherence to that Program. The request for adherence to the Program should be approved by the Committee. In general terms, the Program establishes a system for payments on the prices of Natural Gas that is made gradually depending on the excess production of each company over its adjusted basic injection (basic injection = injection of the period July to December 2013). These payments range from US\$4/MMBTU to US\$7.5/MMBTU, depending on the injection above the basic injection. The Argentine Government makes these payments on a quarterly basis in pesos. The companies adhering to the Program undertake the commitment to inject at least the adjusted basic injection, or pay the Argentine Government the import price of the remaining volume, which is calculated based on the import price of the liquefied natural gas during the last six months. The Program will be in force for 4 years with the possibility of one-year extension subject to the authorization of the Committee. Companies could request adherence to the Program until March 31, 2014.

In December 2013, the Company submitted the request for the mentioned program, and on March 25, 2014 the Committee, through Resolution 26/14, registered the Company.

As of April 30, 2016, 2015 and 2014, Capex has accrued \$ 256.5 million, \$ 116.1 and \$2.9 million respectively, corresponding to the program mentioned (see Notes 26 and 37).

• Resolution 41/16 of the Ministry of Energy and Mining

On April 7, 2016, the Ministry of Energy and Mining issued Resolution 41/16, setting the new prices of natural gas at the entering point to the transportation system for each basin of origin, to be used in the generation of electric power that will be sold in the WEM, applicable as from April 1, 2016. The price in effect for the Neuquén Basin is US\$/MMBTU 5.53, which represents an increase in dollars of 106% compared with the former price.

d) LPG sector

• Law 26020 and ES Resolution 168/05

The regulatory framework for the industry and commercialization of LPG has been approved by the Argentine Congress through Law 26020. This regulatory framework is aimed at ensuring the regular, reliable and economical supply of LPG to low-income social sectors which do not have natural gas service through networks. Furthermore, a general policy has been defined, establishing specific goals for the regulation of the industry and commercialization of LPG, all of them aimed at improving market competitiveness and increasing the development of the LPG industry, promoting its efficiency and ensuring safety in all the stages of the activity, with an adequate protection of user rights, especially at the time of fixing prices.

Law 26020 rules the supply chain of LPG in full, that is to say the production, fractionation, transport, storage, distribution, port services and commercialization of LPG within the Argentine territory.

As regards the production own regulation, we have to mention that section 11 of Law 26020 has established freedom in the production activity, i.e. the LPG production under any form or technical alternative is free: the opening of new plants or the enlargement of existing ones can be made with no further requirement other than compliance with Law 26020, its regulations and pertinent technical standards.

Furthermore, Law 26020 authorizes the free import of LPG, the only requirement being that of compliance with the law, regulations and supplementary resolutions and no prior authorization is required. On the contrary, export of LPG can only be free once the internal demand volumes are satisfied and prior authorization by the Executive Branch in each case is obtained.



NOTE 1 – GENERAL INFORMATION (CONT'D)

Resolution 168/05 of the ES establishes that the export operations have to be recorded with the LPG Direction, reporting to the Undersecretariat of Fuels, for approval and those interested in the export of LPG must prove that the demand of the commercial chain has been duly satisfied through the mechanism set forth in the mentioned Resolution.

The Enforcement authority of Law 26020 is the Energy Secretariat, which shall enforce and promote compliance with the objectives of the industry and commercialization of the LPG established by such Law, issuing the necessary regulations to that end.

- **ES Resolution 1070/08 and 1071/08**

By Resolutions 1070/08 and 1071/08, the Energy Secretariat ratified (i) an agreement supplementary to the Agreement with Gas Producers entered into with certain gas producers; and (ii) an Agreement for LPG Price Stability entered into with certain LPG producers, bottlers and other market players, none of which was entered into by the Company (see Note 25.2 a.1)). Subsequently, addenda to those agreements were signed, and ratified by resolutions of the Energy Secretariat.

- **ENARGAS Resolutions 1982, 1988 and 1991/11**

By the end of November 2011, the ENARGAS adopted Resolutions 1982, 1988 and 1991/11 whereby, among other issues: (i) the unit prices were adjusted for the charge created by National Executive Branch Decree 2067/08, they being increased by approximately 1,000%, and (ii) said charge was fully applied to certain non-residential users of natural gas, according to their main or secondary line of business; this includes the natural gas treatment plants located outside the regulated measurement area, such as the Agua del Cajon plant of Servicios Buproneu S.A. in which the Company processes its natural gas.

The Company considers that this charge is unconstitutional since it involves a tax and has not been created under a Law passed by the National Congress. In view of this, the Company has filed legal action and has been awarded a precautionary measure, as explained in Note 25.2 a.2).

- **ES Resolution 77/12**

Energy Secretariat Resolution 77/12 (the "Resolution") was published in March 2012. This resolution extends the LPG (butane) price stability agreement; establishes that the producing companies that are not a party to the agreement must meet the supply parameters determined by the Energy Secretariat and sell LPG (butane) to the Bottling Companies at prices and with remunerations equal to the ones set for the producing Companies that are a party to the Agreement, and that the companies not complying with those parameters and provisions shall (i) not be authorized to export; (ii) not be allowed to purchase and sell LPG in the domestic market to any of the persons operating in the industry; and (iii) shall be rendered liable to fines for failure to deliver the product under the terms established by the Competent Authority or for sales in excess of the prices set in the Agreement or in the Resolution. The Company has filed administrative and legal actions against the Resolution (see Note 25.2 a.3)) and, as a result, it has been awarded a precautionary measure with staying effects on this standard and on the restrictions imposed on the Company by the Energy Secretariat under the Resolution. Subsequently, the ES issued Resolutions 429/13 and 532/14, approving the successive extensions to the agreement for the stability of prices of LPG, and, in general, repeating the provisions of ES Resolution 77/12. The Company, not being a party to the LPG price agreement, will eventually file administrative and legal actions against those regulations, if necessary.

- **Decree 470/2015 and ES Resolution 49/2015**

In March 2015, Decree 470/2015 and ES Resolution 49/2015 were published, which replaced the "Garrafas para Todos" (Gas Bottles for Everyone) Program in force since 2009 with the "Hogares con Garrafas" (Homes with Gas Bottles) (HOGAR) Program. This new Program modifies the scheme of volume contributions, the system of subsidies and maximum prices in force. The Company, through an individual agreement, took part in the supply for the program, effective until December 31, 2015. From January 2016 until the date of issuance of these financial statements, the Company did not take part in the HOGAR program.



NOTE 1 – GENERAL INFORMATION (CONT'D)

• Undiluted Propane Gas Supply Agreement

Since 2002, "Undiluted Propane Gas Supply Agreements" for Networks have been entered into with propane gas producers; the purpose of these agreements is to ensure stability in the supply conditions of propane gas for the distribution networks currently operating in Argentina. The agreements, until December 2015, included the direct collection of \$ 300/tn from the party receiving the volume of gas comprised in the agreement. The difference between this amount and the price known as "Export Parity Local" published by the ES is collected by means of a tax credit certificate and/or in cash from the enforcement authority.

NOTE 2 – BASIS FOR PREPARATION AND PRESENTATION

2.1 - International Financial Reporting Standards.

The National Securities Commission (C.N.V.), by means of G.R. Nos. 562/09 and 576/10, has established the application of T.P. Nos. 26 and 29 issued by the Argentine Federation of Professional Councils in Economic Sciences (F.A.C.P.C.E.) which adopts the International Financial Reporting Standards (IFRS) issued by the IASB (International Accounting Standards Board), for those entities included in the public offering system of Law 17811, either for their capital or corporate bonds, or which has requested authorization for being included therein.

2.2 Basis for presentation

These financial statements for the fiscal years ended April 30, 2016, 2015 and 2014 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB.

The consolidated financial statements contain all the significant disclosures required by IFRS.

The presentation in the statement of financial position segregates current and non-current assets and liabilities. Current assets and liabilities are those which are expected to be recovered or settled within the twelve months after the closing of the reporting year. In addition, the Group reports on the cash flows from operating activities using the indirect method. The fiscal year commences on May 1 and ends April 30 of each year. Economic and financial results are presented on the basis of the fiscal year.

These financial statements are stated in Argentine pesos without cents, except otherwise expressly stated. They have been prepared under the historical cost convention, modified by the measurement of certain financial and no financial assets and liabilities at fair value.

The preparation of these financial statements in accordance with IFRS requires the Company to make estimates and assessments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of issue of these financial statements as well as income and expenses recorded during the year. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

These financial statements were approved for issuance by the Company's Board of Directors:

- At April 30, 2016, on July 5, 2016
- At April 30, 2015, on July 7, 2015
- At April 30, 2014, on June 23, 2014

Comparative information

Balances at April 30, 2015 and 2014 shown in these consolidated financial statements for comparative purposes arise from the financial statements at those dates. Certain immaterial amounts corresponding to the financial statements presented for comparative purposes have been reclassified to keep consistency in disclosure with the amounts for the current year.



NOTE 2 - BASIS FOR PREPARATION AND PRESENTATION (CONT'D)

2.3 - Accounting standards

2.3.1 - New and amended standards adopted by the Group

Below follows a brief description of the new and/or amended standards and interpretations adopted by the Company and their impact on these financial statements.

- Amendments to IAS 19 (Employee Contributions to Defined Benefit Plans).

In November 2013, the IASB issued amendments to IAS 19. This amendment clarifies how contributions to defined benefit plans from third parties or from employees themselves must be accounted for. These amendments are mandatory for fiscal years commencing as from July 1, 2014, retrospectively. Early adoption is permitted. The adoption of this standard did not have significant impact on the financial position or the results of operations of the Group.

No other IFRS or IFRIC interpretations that are effective for the first time for the financial year begun on May 1, 2015 are expected to have a significant effect on the Group.

2.3.2 - New published standards, amendments and interpretations which have not yet come into force for fiscal years begun on May 1, 2015 and have not been early adopted.

At the date of issue of these Financial Statements, the following standards have been issued which have not been adopted since their application is not required at the end of the year commenced May 1, 2015:

- IAS 1 "Presentation of Financial Statements"

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

The Group estimates that the application of this narrow-scope amendments to IAS 1 will not have a significant impact on the presentation of the information in their financial reports.

- IAS 27 "Separate Financial Statements"

In August 2014, the IASB modified IAS 27 "Separate Financial Statements", allowing the use of the equity method to account for investments in subsidiaries, entities under joint control and associates; and applies to annual reporting periods beginning on or after January 1, 2017. Early adoption is permitted.

The Company uses the equity method to account for investments in subsidiaries, entities under joint control and associates in the preparation of their separate financial statements in conformity with Technical Pronouncement 26 of the FACPCE, incorporated by the National Securities Commission ("CNV"). In consequence, the application of this amendment will not have a significant impact on the results of operations or the financial position of the Group.

- IFRS 15 "Revenue from Contracts with Customers"

It was issued in May 2014 and amended in July 2015 and applies to annual reporting periods beginning on or after January 1, 2018. IFRS 15 specifies how and when an IFRS reporter will recognize revenue and requires entities to provide users of financial statements with more informative disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers.

The Group is analyzing the impact; however, it expects that the application of this interpretation will not have a significant impact on the results of operations or the financial position of the Group.



NOTE 2 - BASIS FOR PREPARATION AND PRESENTATION (CONT'D)

- IFRS 9 "Financial Instruments"

The amendment was issued in July 2014 and includes in a single document all phases of the IASB project to replace IAS 39 "Financial Instruments: Recognition and Measurement". The phases comprise classification and measurement of the instruments, impairment and hedge accounting. This version adds a new expected loss impairment model based on expected losses and some minor changes to the classification and measurement of financial assets. The new standard supersedes all previous versions of IFRS 9 and is effective for periods beginning on or after January 1, 2018.

The Group has already adopted the first phase of IFRS 9 at the date of transition to IFRS, and is analyzing the possible impacts to the modified first phase, second and third phases on classification, measurement and disclosure of financial instruments.

2.4 - Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries. Subsidiaries are all entities over which the Company has control as well as rights to decide on the operating and financial policies to obtain variable returns from its activities, and has the power to use those returns. Subsidiaries are fully consolidated from the date on which control is transferred to the Company and are de-consolidated from the date on which that control ceases.

The main consolidation adjustments are as follows:

1. elimination of intercompany assets and liabilities accounts between the parent company and subsidiaries, so that the financial statements disclose only the balances held with third parties;
2. elimination of transactions between the parent company and subsidiaries, so that the financial statements disclose only those operations carried out with third parties;
3. elimination of interests in equity and in the comprehensive results for each year of the subsidiaries.

Accounting policies of the subsidiaries have been changed, where necessary, to ensure consistency with the policies adopted by the Company.

The Company's subsidiaries at April 30, 2016 are those detailed below. Their capital stock consist of ordinary shares.

Name of the entity	Country	% of shareholding and voting rights (direct and indirect)	% of non-controlling interest	Main activity
Servicios Buproneu S.A. (SEB)	Argentina	95%	5%	Provision of services related to the processing and separation of gases.
Hychico S.A. (Hychico)	Argentina	96.21918%	3.78082%	Production of electricity, hydrogen and oxygen

a) SEB

Servicios Buproneu S.A. (SEB) is a direct subsidiary in which the Company holds a 95% participation in capital stock and votes at April 30, 2016, 2015 and 2014. SEB's main asset is a gas separation plant, located at Plottier, province of Neuquén. From that plant SEB provides gas processing services to the Company, under a contract signed by those companies in November 1999, which was amended on several times.

b) Hychico S.A.

Hychico S.A. (Hychico) is a direct subsidiary in which the Company holds an interest percentage of 54.96958% in the capital at April 30, 2016 and 2015, respectively and 50.092% at April 30, 2014. Additionally it holds an indirect participation of 41.2496% through SEB at April 30, 2016 and 2015, respectively and 45.718% at April 2014. Hychico is engaged in the development of energy projects on the basis of renewable energy and it is currently operating in Comodoro Rivadavia, province of Chubut, (i) an Eolic Energy Farm with a Total Installed Power of approximately 6,300 KW (the "Diadema Eolic Energy Farm"), and (ii) a hydrogen and oxygen production plant (the "Plant") through the electrolysis process, using hydrogen as a fuel for power generation.



NOTE 2 - BASIS FOR PREPARATION AND PRESENTATION (CONT'D)

2.5 Foreign currency translation

2.5.1 - Functional and presentation currency

The financial statement figures of each of the Group's entities were measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The functional currency is the Argentine peso, which coincides with the presentation currency of the financial statements.

These consolidated financial statements have been prepared based on the historical cost model, except for the valuation of certain items that were measured at fair value as explained in Notes 2.6 and 3.5.

IAS 29, Financial reporting in hyperinflationary economies, requires that the financial statements of an entity whose functional currency is that of a hyperinflationary economy, regardless of whether they are based on the historical cost method or the current cost method, are restated in constant currency at the end date of the reporting period. For this purpose, although the standard does not specify a single inflation rate which, when surpassed, would account for the existence of a hyperinflationary economy, the extended practice is to consider a cumulative inflation rate over three years that is approaching, or exceeds, 100%, together with a series of qualitative factors related to the macroeconomic environment.

At April 30, 2016, it is not possible to calculate the cumulative inflation rate corresponding to the three-year period then ended based on official data from the National Institute of Statistics and Census (INDEC), given that in October 2015 this agency discontinued the calculation of the Domestic Wholesale Price Index, only resuming its calculation from January 2016 onwards. However, considering the cumulative inflation rate for the thirty-month period ended on October 31, 2015, plus the consumer price indexes published by the City of Buenos Aires for the months of November and December, 2015 and using the INDEC data for the fourth-month period from January to April, 2016, the cumulative inflation rate at April 30, 2016 is less than the requirements of professional accounting standards to apply the adjustments mentioned above. Therefore, these financial statements at April 30, 2016 have not been restated.

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

2.5.2 - Balances and transactions

Foreign currency transactions are translated into the functional currency using the exchange rate applicable at the date of transaction (or valuation, if it relates to transactions that have to be re-measured).

Foreign exchange gains and losses denominated resulting from the settlement of those transactions and from the translation of monetary assets and liabilities denominated in foreign currency at year end are recognized in profit or loss.

Foreign exchange gains and losses are presented under the line "Finance income" (if generated by asset accounts) and "Finance costs" (if generated by liability accounts) of the statement of comprehensive income.

Exchange rates used are: buying rate for monetary assets, selling rate for monetary liabilities, each of them in effect at the end of the year according to Banco Nación, and the specific exchange rate at the date of the transaction in foreign currency.

2.6 Property, plant and equipment

I. Oil and gas exploration activities:

The Group applies IFRS 6 "Exploration for and Evaluation of mineral resources" to account for its oil and gas exploration and evaluation activities ("E and E").



NOTE 2 - BASIS FOR PREPARATION AND PRESENTATION (CONT'D)

Based on this and in accordance with IFRS 6, the Group capitalizes the expenses of E and E such as topographic, geological, geophysical and seismic studies, costs of drilling exploratory wells and evaluation of oil and gas reserves, as exploration and evaluation assets within a special category under the caption Property, Plant and Equipment, until their technical and commercial feasibility is shown for the extraction of mineral resources.

This implies that the exploration costs are temporarily capitalized until the evaluation is made and the existence of sufficient proven reserves is determined which justify their commercial development, and therefore, their addition as productive wells, assuming that the disbursements required are made and the Group is making progress in the evaluation of reserves and the economic and operating feasibility of the project.

Occasionally, at the time of concluding the drilling of an exploratory well, it is possible to determine the existence of reserves that cannot yet be classified as proved reserves. In these situations, the cost of the exploratory well is capitalized if the well enabled the discovery of a volume of reserves justifying its development as a productive well and the Group is making a substantial progress in the evaluation of reserves and of the economic and operating viability of the project. If any of these conditions is not fulfilled, the cost of the well is charged to income.

In addition to this, the exploration activity, in many cases, implies drilling multiple wells along several years, with the purpose of performing a thorough evaluation of those projects. This has as a consequence, among others, the possibility that exploratory wells are kept under evaluation for long periods, awaiting the completion of the wells and additional exploration activities that are necessary to assess and quantify the reserves corresponding to each project.

If the exploration and evaluation activities do not determine proved reserves that justify their commercial development, the related capitalized amounts are charged to income/loss. Accordingly, the costs of exploratory wells and related costs of the studies mentioned above in this Note are charged to income/loss.

Exploration and evaluation assets for which proved reserves were identified are tested for impairment and reclassified to "Oil and gas exploitation activities" within property, plant and equipment. No depreciation is charged during the exploration and evaluation phase.

When there are events or circumstances that indicate a potential impairment, an impairment test is made at the level of identifiable cash generating units. The events and circumstances include: evaluation of seismic data, requirements to abandon the areas without renewal of exploration rights, non-successful results from drillings, failure to make planned investments and unfavorable political and economic market conditions. Impairment is recognized for the amount exceeding the carrying value compared with its recoverable value, which is the higher between the value in use and fair value less costs to sell (see Note 34).

II. Oil and gas exploitation activities:

Exploitation costs are those incurred to access the proved reserves and to provide facilities to extract, collect and store oil and gas. Under this item, the payment of concession rights on the Agua del Cajón area is included.

Exploitation costs incurred to drill development wells (successful and dry) and to build or install equipment and facilities for production, are capitalized and classified as "Work in progress" until they are completed. Once they are productive, they are reclassified to "Oil and gas wells" and "Assets associated to the production of oil and gas" and start to be depreciated. The costs related to the production of oil and gas are charged to income/loss.

Cost of repairs that increase the total of recoverable reserves are capitalized in the residual value of the related wells and are depreciated using the unit of production method.

Maintenance costs that only restore production to its original level are charged to income/loss in the period in which they are incurred.

Assets classified as "Exploitation assets" are tested for impairment purposes when there are events or circumstances that indicate that their carrying value may not be recoverable. Impairment is recorded for the amount in excess of the carrying value compared to its recoverable value (value in use). For the purposes of the impairment test, assets are grouped at the minimum levels for which there are identifiable cash generating units (CGUs).



NOTE 2 - BASIS FOR PREPARATION AND PRESENTATION (CONT'D)

Costs for future abandonments and dismantlement of fields (environmental, safety, etc.) are capitalized at their present value when the asset is initially measured in the financial statements and are recorded under the line "Oil and Gas wells". This capitalization is made with a counterpart in provisions.

At April 30, 2012, the Group applied the exception of IFRS 1 "First-time adoption of IFRS" related to the use of the deemed cost for certain assets of Property, plant and equipment, by considering the fair value at the transition date by applying the cost depreciated replacement method for certain oil and gas wells and for certain assets associated to the production of oil and gas.

Below is a detail of the depreciation methods during the estimated useful life of assets:

- i) Acquired areas and other exploitation studies are depreciated based on accumulated production and total reserves, measured in units equivalent to cubic meters of oil until expiration of the concession (See Note 1). The changes in the estimate of reserves are considered prospectively.
- ii) Assets assigned to oil and gas extraction activities are depreciated based on accumulated production and the proved developed reserves related to those assets, measured in units equivalent to cubic meters of oil until expiration of the concession (See Note 1). The changes in the estimate of reserves are considered prospectively.
- iii) The supply gas pipeline is depreciated using the straight-line method over its estimated useful life of 20 years.
- iv) Certain assets that are not directly related to oil and gas production are depreciated using the straight-line method based on the characteristics of each asset.

III. *Other tangible assets:*

The vehicles, furniture and fittings and administrative assets are valued at historical cost, net of accumulated depreciation and impairment losses, if any. The historical cost includes the amounts directly attributable to the acquisition of these assets.

Revaluation of the CT ADC, Buildings and Land, LPG Plant and Diadema Eolic Energy Farm

In the fiscal year ended on April 30, 2015, the Company has changed its accounting policy to measure the Property, plant and equipment for the assets CT ADC, Buildings and land, LPG Plant (owned by SEB) and Diadema Eolic Energy Farm (owned by Hychico) which has been applied to all elements that belong to the same class of assets. Previously, the Company measured the entire caption of Property, plant and equipment according to the cost model using, at April 30, 2012, the exemption established by IFRS 1 "First time adoption of international reporting financial standards", related to the use of the deemed cost for certain assets and by the market value method for land plots in Vicente López and Neuquén, which are not depreciated.

As from July 31, 2014, the Company measures the CT ADC, Buildings and Land, LPG plant and DEEF using the revaluation method, as it considers that this model most feasibly reflects the value of these assets. Furthermore, it has determined that each of these groups of assets represent a class of asset under IFRS 13, considering the nature, features and inherent risks.

The revaluation model measures the asset at its fair value less accumulated depreciation and accumulated impairment, if any.

In accordance with IAS 8, this change in the accounting policy is exempt from retroactive application.

For the application of such model, the Company has used the services of independent experts. Their participation has been approved by the Board of Directors based on skills such as the knowledge of the market, reputation and independence. Furthermore, the Board of Directors decides, after discussing with experts, the valuation methods and, where applicable, the entry data to be used in each case.



NOTE 2 - BASIS FOR PREPARATION AND PRESENTATION (CONT'D)

To determine the fair value of Buildings and land, as they are assets for which there is an active market in similar conditions, the selling value in that market has been used, through appraisals of real estate agents renown in the area. This valuation method is classified under IFRS 13, as hierarchy of fair value level 2.

To determine the fair value of the LPG plant and DEEF, the expert independent appraiser has used the current replacement cost method. Such cost was determined separating both plants into components and obtaining market values from suppliers recognized in the industry. These values were modified by adding freight, insurance, assembly costs and other overheads and computing depreciation that may correspond as per the consumed useful life of the assets; for the case of the LPG plant, the depreciation coefficient was 57.8% and 54.2% as of April 30, 2016 and 2015, respectively and for the DEEF was 23.0% and 29.1% as of April 30, 2016 and 2015, respectively. In addition, to determine the fair value of the LPG Plant as of April 30, 2016, the independent expert appraiser has applied a depreciation coefficient for economic obsolescence of 41.26%, based on the fact that there have been external factors such as a decrease of sales prices, which caused a reduction in the value of assets.

This valuation method is classified under IFRS 13, as hierarchy of fair value level 3.

To determine the fair value of CT ADC, the Company with the expert independent appraiser has used the income approach, estimating the cash flow of discounted future income that will generate the CT ADC during the remaining useful life. To estimate future income, the Company was based on a cash flow of income considering two alternative scenarios weighted based on probabilities of occurrence and different terms for the increases in the rate schedule.

For the first scenario, the tariff schedule in force for the activity of electricity generation was taken as basis for the projection, considering that it will be adjusted by an index accompanying the estimated increase in cost.

For the second scenario, a report issued by an independent consultant was taken as a basis; in this, the value of the remuneration of power, variable costs and investment is estimated in equality with the principles defined in Law 24065, which, according to statements made by the National Government, is the path along which the segment of electricity generation, transportation and distribution will develop in the future. We can infer that this scenario is already under way, if we consider: i) the declaration of the state of emergency in the national electricity sector until December 31, 2017, with the Ministry of Energy and Mining being instructed to implement an action plan for the segments of electricity generation, transportation and distribution with the purpose of having an adequate quality and reliability of energy supply and ensuring the service of electric public utilities in proper technical and economic conditions; ii) the increases granted to distributors through Resolution 06/2016, transferring a greater part of the price to end users; iii) the increases granted to generating companies through ES Resolution 22/2016; and iv) the concept expressed by the National Government of restoring profitability so that the investments needed in the sector can be made.

The Company, based on the experience and on the recent measures announced by the government, ratifies the prior year definitions, granting an 85% of probability of occurrence to the first scenario and a 15% to the second, thus determining the flow of discounted future income using a discount rate in dollars equivalent to a 10.5% nominal annual rate, which reflects the expectations of the market on these future amounts. For both scenarios, the flows of income were prepared considering variables such as: i) estimates on energy generation of the CT ADC, ii) changes in the costs to be incurred, and iii) relevant macroeconomic variables. As a result of the National Government's unpaid debt normalization (Note 1.1), there was a significant decrease in country risk, which positively affected future expectations and was reflected in a reduction of the discount rate of assets and an increase in their fair value.

This valuation method is classified under IFRS 13, as hierarchy of fair value level 3.

The cash flow of the CT ADC covers a period equal to the remaining useful life estimated in 19 years, which was built on detailed budgets and projections approved by the Board of Directors.



NOTE 2 - BASIS FOR PREPARATION AND PRESENTATION (CONT'D)

The following are the main non-observable inputs used for the construction of the CT ADC cash flows:

	Scenario A	Scenario B	Scenario A	Scenario B	
	Probability of occurrence 85%	Probability of occurrence 15%	Probability of occurrence 85%	Probability of occurrence 15%	
	as of April 30, 2016			as of April 30, 2015	
Average tariff \$/Mwh	166.7	570.0	95.52	425.51	
Average annual energy generation		4,039 Gwh		4,446 Gwh	
Discount rate	10.5%			14.0%	

The main factors that might affect, in future periods, the value of the restated assets are: i) a distortion in the nature, time and modality of increases in the tariff schedule, ii) a variation in the country and industry risks, iii) changes in the costs to be incurred, iv) the estimated useful life and v) a fluctuation in the component costs. The Company estimates that any sensitivity analysis that takes into account relevant changes to any of the main factors might result in significant changes.

The Board of Directors determines the policies and procedures to be followed for the recurring measurements of the fair value of revalued assets. Further, at each reporting period closing date, the significant variations in the fair values of assets measured are analyzed based on the revaluation model, or if there are any changes to the fair value, and therefore, the need to record a new revaluation. The application of the revaluation model to the assets mentioned implies that revaluation be made with the adequate frequency to ensure that the fair value of the revalued asset does not significantly differ from its book value.

Last year, the Board of Directors has approved the change in the accounting policy and revaluations made to the different types of assets. The last revaluation, approved by the Directors, was effected on April 30, 2016.

At year-end, the Company has made a comparison between the fair values of revalued assets with their carrying values, measured based on the revaluation model, and concluded that the latter do not exceed their fair value.

The increases due to revaluations are recognized in the Statement of Comprehensive Income under the caption Other comprehensive results and they are accumulated in the Reserve for revaluation of assets of the Statement of Changes in Shareholders' Equity, unless such increase implies a reduction of the revaluation of that asset previously recognized in the statement of income, in which case the increase is recognized in the statement of income. A reduction due to revaluation is recognized in the statement of income, unless such reduction is offset by an increase in the revaluation of the same asset previously recognized in the Reserve for revaluation of assets. At the time of sale of a revalued asset, any Reserve for the revaluation of assets related to that asset is transferred to accumulated retained earnings (see Note 18). See in Note 19.c) the concepts established by CNV for the reserve for revaluation of assets.

Depreciation of revalued assets is recognized in the statement of income for the year. At the closing of the year, a reversal of the reserve for revaluation of assets with counterpart in retained earnings is recorded for the difference between depreciation based on the revalued book value of the asset and depreciation based on the original cost of the asset (see Notes 6 and 18).

There were no transfers between Levels 1, 2 and 3 during these years.

As of July 31, 2014, technicians from the Company and independent experts performed a review of the useful life assigned to the CT ADC, assigning from that date a useful life based on the remaining GWh per turbine to be produced. To arrive at this conclusion, adequate maintenance and the GWh produced per turbine were taken into account. This analysis was performed by Company technicians as of April 30, 2016, without significant changes.

Assets related to Hychico's Hydrogen and Oxygen and DEEF plant, and SEB's property, plant and equipment, are depreciated applying straight-line method based on the estimated useful life assigned to the assets, applying annual rates sufficient enough to extinguish their values at the end of their estimated useful lives. As of April 30, 2016, technicians from the Company, alongside with independent experts, made a revision of the useful lives assigned to the assets, finding no significant differences.



NOTE 2 - BASIS FOR PREPARATION AND PRESENTATION (CONT'D)

Based on future cash flow estimates made by Hychico, in accordance with judgmental elements available, the assets related to the Hydrogen and Oxygen plant have been fully impaired for \$ 22,759,964, \$ 23,216,877 and \$ 23,286,393 at April 30, 2016, 2015 and 2014, respectively.

Materials are depreciated in accordance with their useful life.

Other tangible assets are tested for impairment when there are events or circumstances that indicate that their carrying value may not be recovered. Impairment losses are recognized for the amount exceeding the carrying value compared with its recoverable value, which is the higher between the value in use and fair value less cost to sell. For the purposes of the impairment test, assets are grouped at the minimum level for which there are identifiable CGUs. Other tangible assets impaired in prior years are reviewed to determine their possible reversal at the end of each year.

Advances on property, plant and equipment have been valued based on the sum of money delivered.

IV. *Other accounting policies applicable to Property, plant and equipment:*

Gains and losses from the sale of assets are calculated comparing the consideration received with the residual value and are recognized in the statement of comprehensive income under "Other operating (expenses) / income, net".

Borrowing costs attributable to the acquisition, construction or production of assets that necessarily require substantial time to be available for use or sale are added to the cost of those assets until they are ready to be used or sold.

Gains from temporary investments of funds generated from specific loans pending use are deducted from the total borrowing cost potentially subject to capitalization.

Materials start to be depreciated when they are added to tangible assets in accordance with their useful lives.

Depreciation methods described for each type of asset are used to allocate the difference between the cost and the residual value during their estimated useful lives. Below are the estimated useful lives for the main assets of Property, plant and equipment:

- Central Administration and Plant administration

Buildings: 50 years

Furniture and fixtures: 5 years

Administration assets: 5 years

- Assets for the production of oil and gas in Aqua del Cajón

Areas acquired and other studies: total reserves

Oil and gas wells: proven developed reserves

Assets associated to production: proven developed reserves

Vehicles: 5 years

Supply gas pipeline: 20 years

- Power Station

CT ADC Open cycle: GWh remaining production in 19 years from May 1, 2016.

CT ADC Combined cycle: GWh remaining production in 19 years from May 1, 2016.

Gas pipeline: 20 years

General: GWh remaining production in 19 years from May 1, 2016.

- LPG Plant: 12.3 years as from May 1, 2016

- Hydrogen and Oxygen Plant: 20 years

- Diadema Eolic Energy Farm: 15.3 years as from May 1, 2016.

On an annual basis, depreciation rates are reviewed and a comparison is made whether the current remaining useful life differs from that previously estimated. The effect of these changes is recorded as results for the year in which they are determined.



NOTE 2 - BASIS FOR PREPARATION AND PRESENTATION (CONT'D)

At April 30, 2016, 2015 and 2014, the net book value of Property, Plant and equipment does not exceed the present value of the projected future cash flows.

2.7 - Financial Instruments

2.7.1 - Recognition and measurement of financial assets

Regular way purchases and sales of financial assets are recognized on trade date, i.e., the date on with the Group commits to purchase or sell the financial asset. Financial assets are derecognized from the financial statements when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. Financial assets which are not measured at fair value through profit or loss are recognized initially at fair value plus transaction costs. Financial assets which are measured at fair value through profit or loss are recognized initially at fair value and the costs of the transaction are expensed in to income/loss.

Gains and losses from changes in the fair value of the financial assets measured at fair value and which are not part of a hedging relationship, are recognized in profit or loss within Other operating (expenses) / income, net in the year in which they are arise.

Gains and losses from financial assets measured at amortized cost and which are not part of a hedging relationship are recognized through profit or loss when the financial asset is derecognized or impaired and by the depreciation process, using the effective interest rate method.

2.7.2 – Classification

The Group classifies financial instruments in the following categories: financial assets at amortized cost, financial assets at fair value through profit or loss, financial liabilities at fair value through profit or loss and financial liabilities at amortized cost. This classification depends on the business model of the Group to manage its financial assets and liabilities and the characteristics of the instruments' contractual cash flows.

Financial assets and financial liabilities are offset when the Group has a legally enforceable right to set-off.

2.7.2.1 - Financial Assets

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

- i) the assets are held within a business model with the objective of collecting the contractual cash flows, and
- ii) the contractual conditions give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

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

Checks to be deposited, time deposits, mutual funds, stock-exchange securities, trade receivables and other accounts receivable have been included within amortized cost category.

2.7.2.2 - Financial Liabilities

The Group has determined that all financial liabilities be measured at amortized cost using the effective interest method, except for those "derivate financial instrument - LIBO rate swap", which are measured at fair value through profit or loss (level 2).

2.7.3 - Impairment of financial assets

The Group analyzes, at the end of each year, whether there is objective evidence that a financial asset or group of financial assets is impaired. An impairment loss of financial assets is recognized if there is objective evidence of the impairment as a result of one or more events that have occurred after the initial recognition of the financial asset, and such an event has an impact on the cash flows for the financial asset or group of financial assets that can be reliably estimated.



NOTE 2 - BASIS FOR PREPARATION AND PRESENTATION (CONT'D)

Some examples of objective evidence include cases in which certain debtors of the Group have financial difficulties, have failed to pay or have not complied with the payment of accounts receivable, probability that those debtors may file for reorganization or bankruptcy, as well as the experience on the historical characteristics behavior and the portfolio evaluated on collective basis.

The resulting loss, determined as the difference between the carrying value of the assets and the present value of estimated cash flows, is recognized in the profit or loss. If in a subsequent period, the provision decreases and this may be related to an event occurred after the measurement, the impairment is reversed.

The amount of the provision is the difference between the book value of the assets and the present value of future estimated cash flows, discounted at the effective interest rate. The assets' carrying value is written down through an allowance account and the amount of the loss is recognized in the statement of comprehensive income.

2.8 - Derivative financial instruments

The derivative financial instruments are initially recognized at fair value on the date on which the derivative contract of derivatives is entered into and subsequently re measured at fair value.

2.9 - Spare parts and materials and inventories

- Spare parts and materials

Spare parts and materials held for use in the field and in the electricity generating plant are measured at acquisition cost less the provision for obsolescence. Cost is determined applying the weighted average cost method.

The breakdown of spare parts and materials is divided in three: current, non-current (which are not depreciated) and have a turnover greater than a year and those are critical, which are depreciated and are recorded together with the electricity generation plant and LPG Plant under the caption Property, plant and equipment (Note 2.6.III)).

It includes advances to suppliers measured at the spot price paid at the time of the transaction.

- Inventories (Stock)

Stock of oil, propane, butane and fuel are stated at the lower of cost or net realizable value. Cost is determined applying the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less variable sales costs applicable.

The Group assesses the net realizable value of the spare parts and materials and inventories at the end of the year, charging to income/loss the timely correction of value when they are valued in excess. Whenever the circumstances that previously caused the correction of the value are no longer in existence, or there is clear evidence of an increase in the net realizable value due to a change in the economic circumstances, such amount is reversed.

2.10 - Trade and other receivables

Trade account receivables and other accounts receivables are initially recognized at fair value and subsequently at amortized cost applying the effective interest rate method, less the impairment allowance.

The implicit interest is disaggregated and recognized as financial income together with accrual of interest.

The amount of the provision is the difference between the book value of the assets and the present value of future estimated cash flows, discounted at the effective interest rate. The assets' carrying value is written down through an allowance account and the amount of the loss is recognized in the statement of comprehensive income.

They are classified within current assets if the collection is due in a period shorter than or equal to one year.



NOTE 2 - BASIS FOR PREPARATION AND PRESENTATION (CONT'D)

2.11 - Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits payable on demand in financial institutions, other highly liquid short-term investments with an original maturity of three months or less, and bank overdrafts. In the balance sheet, overdrafts are classified as financial liabilities, under current liabilities.

2.12 - Equity accounts

The recognition of the activity of this caption is made in accordance with the decisions of the Shareholders' meeting, legal standards or regulations.

Capital stock

- Outstanding shares

Outstanding shares represents the capital issued, which consists of contributions made by the shareholders. It is represented by ordinary, registered, non-endorsable shares of \$1 face value each.

- Additional paid-in capital

It comprises the overprice paid for the shares issued with respect to their par value.

Retained earnings

- Legal Reserve

In accordance with Law 19550 of commercial companies, 5% of the net income for the year arising from the statement of comprehensive income plus (less) prior years' adjustments, transfers of other comprehensive income to unappropriated retained earnings and accumulated losses of prior years, must be appropriated to the Legal Reserve until such Reserve reaches 20% of capital stock.

- Optional reserve

The optional reserve comprises retained earnings appropriated to the distribution of future dividends and/or investments and/or debt settlement and/or absorption of losses.

- Special reserve for implementation of IFRS

The special reserve for implementation of IFRS results from the positive difference between the initial balance of unappropriated retained earnings disclosed in the financial statements for the first year of adoption of IFRS and the closing balance of unappropriated retained earnings at the end of the last fiscal year under the former accounting standards (see Note 18).

- Reserve for assets revaluation

The reserve for assets revaluation results from the difference between the cost value of certain assets depreciated of Property, plant and equipment and the fair value of these assets (see Note 18).

- Retained earnings/losses

Retained earnings/losses comprise accumulated gains or losses with no specific allocation, which in the case of earnings may be distributed through a decision of the shareholders' meeting, provided that they are not subject to legal restrictions. They comprise prior year results which were not distributed, the amounts transferred from other comprehensive results and the prior year adjustments due to the application of accounting standards.



NOTE 2 - BASIS FOR PREPARATION AND PRESENTATION (CONT'D)

In case there are retained losses to be absorbed at the end of the year and to be considered by the Shareholders' Meeting, the following order of allocation of balances should be followed:

1. Retained earnings
 - a. Special reserve for implementation of IFRS
 - b. Optional reserve
 - c. Legal reserve
2. Additional paid-in capital
3. Capital stock

- Distribution of dividends

The distribution of dividends to Company's shareholders is recognized as a liability in the financial statements in the period in which these dividends have been approved by the Shareholders' Meeting (see Note 19).

- Non-controlling interest

Non-controlling interest represents the interest of third parties on equity other than that of the owners of the Company.

2.13 Trade payables, salaries and social security contributions and other payables

Accounts payable comprise payment obligations for assets and services acquired from suppliers in the ordinary course of business. The other payables represent obligations for royalties.

They are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest rate method.

They are classified within current liabilities if the payment is due in a period shorter than or equal to one year.

2.14 - Financial liabilities

Financial liabilities are initially recognized at fair value, net of directly attributable cost subsequently. They are measured at amortized cost using the effective interest rate method.

They are classified within current liabilities if the payment is due in a period shorter than or equal to one year.

2.15 - Income tax and tax on assets

2.15.1 Current and deferred income tax

The income tax charge for the year comprises current and deferred taxes. Taxes are recognized in the statement of income, except that they refer to items recognized in other comprehensive income or directly in equity. In this case, income tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax is calculated based on the laws approved or to be approved at the date of the financial statements. Management regularly assesses the positions of the tax returns regarding situations in which the tax regulation applicable is subject to interpretation, and, where necessary, it sets up provisions based on the amounts expected to be paid to tax authorities.

Deferred tax is recognized, in accordance with the liability method, for the temporary differences arising between the tax basis of assets and liabilities and their book values in the financial statements. However, deferred tax is not recognized if it arises from the initial recognition of an asset or liability in a transaction, different to a business combination, which, at the time of the transaction, does not affect either the accounting or the tax gain or loss.



NOTE 2 - BASIS FOR PREPARATION AND PRESENTATION (CONT'D)

Deferred tax assets are recognized only to the extent that it is probable that the company holds tax benefits which are likely to be obtained in the future to be able to offset the temporary differences. Based on economic and financial projections, which show earnings/profits that will allow for using accumulated tax-loss carry-forwards in the future and prior to their expiration, the Company has capitalized them for \$ 178,704,890 (see Note 7).

Deferred tax assets and liabilities are offset only if there is a legal right to offset the amounts recognized and when the deferred tax assets and liabilities derive from the income tax corresponding to the same tax authority, are applied to the same tax entity or different tax entities, which expect to settle current tax assets and liabilities by their net amount.

2.15.2 Tax on assets

The Group determines the tax on assets by applying the current 1% rate on computable assets at the end of each year. This tax complements income tax. The tax obligation of each company for each year will be the higher of the two taxes. However, if tax on assets exceeds income tax in a given year, that amount in excess will be computable as payment on account of income tax arising in any of the following ten years.

In Capex and Hychico, at April 30, 2016, 2015 and 2014, tax on assets exceeded income tax; consequently it was recognized as a credit, in the amount of \$ 81,810,021, \$ 51,151,967 and \$30,355,303, respectively, because Capex and Hychico estimate the recovery of these credits (see Note 13). In SEB, at April 30, 2016, income tax exceeded tax on assets. Thus, tax on assets was not accrued.

2.16 - Provisions and other charges

Provisions are recognized when:

- the Group has a present obligation, either legal or constructive, as a result of a past event,
- it is probable that an outflow of resources will be required to settle the obligation, and
- the amount can be reliably estimated.

Provisions are measured at the present value of disbursements that are expected to be necessary to settle the obligation considering the best information available at the date of preparation of the financial statements and are re-estimated at each closing. The discount rate used to determine the present value reflects the current market assessment, at the date of the financial statements, of the time value of money as well as the specific risk related to the liability.

The provision for lawsuits was set up based on the analysis of possible indemnities that the Group estimates to pay according to the opinion of its internal and external legal counsel.

To calculate the provision for well capping, the Company considered the well abandonment plan until the end of the concession and measured it at the estimated cost of capping, discounted at a rate that reflects the specific risks of liabilities and time value of money.

2.17 - Revenue recognition

Income from sales is measured at the fair value of the consideration received or to be received, and represents amounts receivable for the sale of assets and/or services net of discounts.

Income from sales of assets is recorded at the time in which the risks and rewards of ownership have been transferred. Non-invoiced sales at the end of the year are recognized based on estimates made by management, taking into account historical results, considering the type of customer, type of transaction and the specific circumstances of each agreement.

Income from the electricity generation activity is recognized based on the energy and power effectively delivered to the spot market.

Income from sales of crude oil, natural gas, butane, propane and oxygen is recognized with the transfer of ownership, in accordance with the terms of the related agreements, i.e., when the customer receives the ownership of the product, assuming risks and rewards.



NOTE 2 - BASIS FOR PREPARATION AND PRESENTATION (CONT'D)

The above mentioned income is recognized when all and each of the following conditions are met:

- The entity transferred to the buyer significant risks and rewards;
- The amount of income was reliably measured;
- It is probable that the entity receives the economic benefits associated to the transaction;
- Costs incurred or to be incurred, in relation to the transaction, were reliably measured.

Transactions between companies and business segments generate income, costs and results which are eliminated in the consolidation process.

Interest income is recognized using the effective interest method. Interest is registered on a temporary basis, with reference to the principal outstanding and the applicable interest rate. Interest income is recognized whenever it is likely that the entity will receive the economic benefits associated with the transaction and the amount of the transaction can be measured through reliable means.

2.18 - Segment reporting

The Board has determined operating segments based on the reports reviewed and used for strategic decision making (see Note 5).

Segment reporting is presented in a manner consistent with internal reporting. The Board of the Company and the Managers are responsible for assigning resources and assessing the profitability of operating segments.

2.19 - Receivable and payable balances with related parties

Receivables and payables with parent company and with other related parties generated by sundry transactions have been measured in accordance with the conditions agreed by the parties involved (see Note 32).

Companies and individuals comprised in Decree 677/01 and regulations of the CNV have been included as related parties.

NOTE 3 - ADMINISTRATION OF FINANCIAL RISKS

3.1 Market risk

Market risk is the potential loss in case of adverse changes in the market variables. The Company is exposed to different types of market risks: foreign exchange risk, interest rate risk and price risk.

For each of the market risks described below, a sensitivity analysis of the main inherent risks of financial instruments is included, showing how the results and equity might be affected in accordance with IFRS 7 - Financial Instruments, Disclosures.

The sensitivity analysis uses variations of risk factors that represent its historical behavior. Estimates made are representative both of favorable and unfavorable variations. The impact on results and/or equity is estimated based on the financial instruments owned by the Group at the closing of each year.

3.1.a. Foreign exchange risk

Foreign exchange risk arises whenever future business transactions or recognized financial assets or liabilities are stated in a currency different to the functional currency of the entity.

The Company's results and equity are exposed to the fluctuations of the foreign exchange rates in the currencies with which it operates. The currency generating the greatest exposure is the US dollar.



NOTE 3 - ADMINISTRATION OF FINANCIAL RISKS (CONT'D)

In December 2015, Argentina's economic context was affected by a devaluation of the Argentine peso of approximately 45%, a circumstance that impacted the results of financial statements at April 30, 2016, due to the fact that approximately 88.8% of the Company's financial liabilities are denominated in US dollars. The due date of 100% of the principal of the debt in US dollars is March 2018; therefore, even when the economic results are exposed to the foreign exchange fluctuation, including the principal of the debt, from the financial point of view the foreign exchange fluctuation risk in the short term is limited to the amount of interest payable. As of April 30, 2015 and 2014, the Group had approximately 85.4% and 92% of its financial liabilities denominated in US dollars.

The Group does not hedge the risk of changes in the exchange rate through derivative financial instruments. However, it should be mentioned that the price of the hydrocarbons (oil and gas) produced by Capex and the wind electric power produced by Hychico are stated in US dollars, representing approximately 67% and 2%, respectively, of the Group's income during the fiscal year ended on April 30, 2016. These revenues accounted for approximately 64% and 2% as of April 30, 2015 and 64% and 3% as of April 30, 2014. In the case of the prices of propane and butane, their price is stated in pesos but it is related to an export parity price in US dollars, and the income from these products represented approximately 7%, 10% and 12%, respectively, of the Group's total sales as of April 30, 2016, 2015 and 2014 (See Note 5).

The table below shows the exposure of the Group to foreign exchange risk for those financial assets and liabilities stated in a currency other than the functional currency of the Group:

	At 04/30/2016 \$	At 04/30/2015 \$	At 04/30/2014 \$
Net Asset /(liability) position	(171,300,045)	(169,666,532)	(184,416,241)
US Dollar (buying rate)	14.15	8.807	7.902
US Dollar (selling rate)	14.25	8.907	8.002
Total	(2,446,496,986)	(1,517,305,624)	(1,480,502,793)

The sensitivity of the comprehensive income and equity at April 30, 2016, 2015 and 2014, as a result of a 10% appreciation of the exchange rate on financial assets and liabilities stated in US dollars, would have been a decrease in the comprehensive income and equity of \$ 159,022,304, \$ 98,624,866 and \$96,984,265, respectively.

3.1.b. Interest rate risk

Changes in interest rates may affect the income or expenses for interest of financial assets and liabilities with reference to a variable interest rate. Indebtedness at variable rates exposes the Company to interest rate risk on its cash flows due to their volatility. Indebtedness at fixed rates exposes the Company to interest rate risk on the fair value of its liabilities, since they can be considerably higher than variable rates.

At April 30, 2016, 2015 and 2014, the Group had approximately 85.3%, 80.3% and 84.9%, respectively, of its financial liabilities at a fixed rate, which reduces its exposure to changes in the interest rate.

3.1.c. Price risk

The Group is not significantly exposed to hydrocarbons price risk, basically because Government regulatory and economic policies, among others, determine that local prices are not directly affected by the short-term fluctuation of prices in the international market. Within this framework, the price of oil is fixed in the negotiations between refiners and producers in accordance with the mechanics of the internal market, its framework being the transfer of these values to the final price of liquid fuels. As regards the price of gas, it is fixed by the ES for each of the market segments.

The price of LPG is based on a monthly publication issued by the ES, who sets the prices in pesos according to the export parity.

However, there can be a risk that the selling prices regulated in the local market can change due to significant changes in international prices of hydrocarbons.



NOTE 3 - ADMINISTRATION OF FINANCIAL RISKS (CONT'D)

Regarding the generation of electric power, the remuneration received by the generating companies is not in relation to its demand. The fixing of the remuneration is the responsibility of the Enforcement Authority, which is dependent on the National Government.

At April 30, 2016, 2015 and 2014, a 10% increase or decrease in the prices of electricity and hydrocarbons would have generated an increase or decrease in the comprehensive income and in equity of \$ 104,352,102, \$ 71,804,910 and \$45,676,734 respectively.

3.2 Credit risk

Credit risk is defined as the potential that a third party fails to meet its contractual obligations, generating losses for the Group. The Group's credit risk is measured and monitored per customer or individual third party.

The provisions for impairment are determined based on the following criteria:

- Aging of accounts receivables
- Existence of bankruptcy proceedings
- Analysis of the customers' capacity to repay the loan granted

The Group's exposure to the credit risk is mainly attributable to trade receivables arising from the sale of electricity, oil, gas and LPG; nonetheless, the Group has not had to set up provisions for impairment in the past years.

During last year, CAMMESA reduced its average delay in the payments, from 60 days for the year ended April 2015 to an average of 45 days for the year ended on April 30, 2016. The generators that sell electricity in the spot market have little management capacity to ensure collection of their receivables. Also, by applying ES Resolution 95/13 and amendments, the credit risk of the energy sale transactions came to be exclusively related to CAMMESA, in view of the temporary stay of the addition of new WEM contracts in the MAT. As from January 2016, the Ministry of Energy and Mining has been issuing resolutions to update the price of electric power, transferring a greater part of the price to end users, which could contribute to ease the deficit that CAMMESA has been recording and thus to regularize the delay in payments.

In the years ended April 30, 2015 and 2014, CAMMESA had average delays in its payments of 50 days and 60 days, respectively.

The Group's investment policy only accepts banks, financial institutions and mutual funds with at least "A" risk rating from independent parties, or which consolidate with institutions having that rating.

3.3 Liquidity risk

The Administration and Finance Department monitors current and future business projections aimed at:

- structuring financial liabilities so that their maturity in the short and medium term does not affect the current flow of business, considering the conditions prevailing at each time, in the credit markets to which it has access, and
- maintaining active positions in instruments with proper liquidity.

Within the framework of this strategy, the Group has structured practically all its liabilities on the basis of issuing corporate bonds in March 2011, for a term of 7 years, with the principal to be repaid in one installment at maturity date, in March 2018. The covenants governing this debt refer to incurrence rather than maintenance of debt. This means that creditors cannot request advance payment if Capex does not meet any of the covenants; instead, the Company must comply with certain pre-established financial restrictions (see Note 21). In addition, the financial ratios of the Group should enable it to refinance its liabilities in the future and to maintain its financial indebtedness policy in the long term.

The Group's Administration and Finance Management invests cash surplus in interest-bearing accounts, such as time deposits, mutual funds and corporate bonds, by choosing instruments with the proper maturities.

NOTE 3 - ADMINISTRATION OF FINANCIAL RISKS (CONT'D)

The table below analyzes financial liabilities based on contractual terms pending and not discounted, as from the date of the financial statements and until maturity and considering the prevailing exchange rates at April 30, 2016, 2015 and 2014.

At April 30, 2016	Less than 3 months	Between 3 months and one year	Between 1 and 2 years	More than 2 years	
Financial liabilities	56,122,402	464,701,032	3,217,128,366	79,800,000	
Trade accounts payable	334,119,638	7,473,558	7,853,185	32,931,764	
At April 30, 2015	Less than 3 months	Between 3 months and one year	Between 1 and 2 years	More than 2 years	
Financial liabilities	172,607,605	235,657,081	270,484,966	2,036,500,546	
Trade accounts payable	214,828,051	3,571,961	4,014,160	20,689,952	
At April 30, 2014	Less than 3 months	Between 3 months and one year	Between 1 and 2 years	Between 2 and 7 years	More than 7 years
Financial liabilities	110,566,212	256,445,834	183,373,939	1,987,405,903	25,854,891
Derivative financial instruments	2,467,244	-	-	-	-
Trade accounts payable	144,357,052	38,894,548	1,509,739	18,065,771	-

3.4. Capital risk

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern.

The Group monitors its capital structure based on the net financial debt to EBITDA ratio generated by the Group and measured in US dollars. This ratio is calculated by dividing the net financial debt by EBITDA. The net financial debt is calculated as total financial liabilities less financial investments and cash and cash equivalents.

Ratios are as follows:

- a) At April 30, 2016: 1.707;
- b) At April 30, 2015: 1.405; and
- c) At April 30, 2014: 2.787

3.5 Fair value estimation

The Group classifies the fair value of financial instruments, using a hierarchy of fair value, which reflects the significance of the inputs used to perform these measurements. The fair value hierarchy has the following levels:

- Level 1: quotation prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: information different from quotation prices included in level 1 that may be observable for assets and liabilities, either directly (i.e. prices) or indirectly (i.e. derived from prices); and
- Level 3: information on assets or liabilities not based on data that may be observable in the market (non-observable information).



NOTE 3 - ADMINISTRATION OF FINANCIAL RISKS (CONT'D)

The tables below show the financial assets and liabilities of the Company measured at fair value at April 30, 2016, 2015 and 2014.

As of April 30, 2016

	Level 1	Total
Assets		
Financial Assets at fair value through profit and loss		
Mutual funds	235,707,720	235,707,720

As of April 30, 2015

	Level 1	Total
Assets		
Financial Assets at fair value through profit and loss		
Mutual funds	381,965,221	381,965,221

As of April 30, 2014

	Level 1	Level 2	Total
Assets			
Financial Assets at fair value through profit and loss			
Mutual funds	45,613,802	-	45,613,802
Liabilities			
Derivative financial instruments	-	2,424,880	2,424,880

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

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on Company specific estimates. If all significant inputs required to determine the fair value of a financial instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs required to determine the fair value of a financial instrument is not based on observable market data, the instrument is included in Level 3.

There were no transfers between Levels 1, 2 and 3, for financial instruments measured at fair value during these years.

NOTE 4 - ACCOUNTING ESTIMATES AND JUDGMENTS

Accounting estimates and judgments are continually assessed and are based on the historical experience and other factors, including the expectations for future events that are considered reasonable under the circumstances.

NOTE 4 - ACCOUNTING ESTIMATES AND JUDGMENTS (CONT'D)

Significant accounting estimates and judgments

The Group makes estimates and hypotheses as regards the future. Resulting accounting estimates, by definition, will rarely equal actual results. Estimates and judgments that have a significant risk to give rise to a material adjustment in the book value of assets and liabilities within the following fiscal year are explained below. The main accounting principles and areas that require a greater amount of judgment and estimates in the preparation of financial statements are:

- (i) oil and gas reserves;
- (ii) provisions for lawsuits and other contingencies,
- (iii) income tax and deferred tax charges
- (iv) impairment test of assets
- (v) fair value of derivative financial instruments and
- (vi) fair value of revalued assets.

(i) Oil and gas reserves

Reserves are understood as the volume of oil and gas (determined in equivalent m³ of oil), which generate or are related to an economic benefit in the areas where the Group operates and over which it has rights for their exploration and exploitation.

The estimate of oil and gas reserves is an integral part of the Group's decision-making process. The volume of oil and gas reserves is considered in the calculation of depreciation charges, applying production unit ratios, as well as in the assessment of the recoverability of the investment in Exploration and Exploitation assets (see Notes 2.6 and 35).

The estimates of reserves were prepared by Group technical personnel, and are based on technological and economic conditions in force at December 31, 2015, considering the economic assessment and having as their horizon the expiry of the concession, in order to determine the term for recoverability.

These reserve estimates are adjusted whenever changes to the factors considered for their assessment justify so, or at least, once a year. These estimated reserves have been audited by an independent auditor.

There are several factors which create uncertainty about the estimate of proven reserves, estimates of future production profiles, development costs and prices, including other factors beyond the control of the producer. The procedure for calculating the reserves is subjective to allow for the estimate of crude oil and natural gas to be recovered from the subsoil, which has certain degree of uncertainty. The reserves estimate is prepared based on the quality of the information on geology and engineering available at that date, as well as on its interpretation.

See details on reserves in Note 35.

(ii) Provisions for lawsuits and other contingencies

Provisions are recognized for certain civil, commercial, labor and tax contingencies which occasionally take place in the ordinary course of business. With the aim of determining the sufficiency of the provisions for these contingencies, we have considered, based on the advice of our internal and external legal counsel, the probability of adverse resolutions regarding these matters, as well as the range of probable losses that could result from potentially adverse resolutions. Where applicable, the amount of the provisions required for these contingencies is determined after a careful analysis of each case in particular (See Note 25).

(iii) Income tax

Each group company has recognized income tax by the deferred tax liability method. Accordingly, deferred tax assets and liabilities are recognized to reflect the future tax consequences attributable to differences between the amounts recorded in the financial statements of existent assets and liabilities and their tax bases. Deferred tax assets and liabilities are valued recorded by applying the tax rate in effect to the taxable income during the years in which these temporary differences are expected to be recorded or settled. The effect that any modification in the tax rates may have on the deferred tax assets and liabilities is recognized in the comprehensive statement of income for the period that includes the date in which such modification of the tax rate has been made.



NOTE 4 - ACCOUNTING ESTIMATES AND JUDGMENTS (CONT'D)

The deferred tax assets are recognized only insofar that it is probable that the Company will have future taxable profits against which the temporary differences can be offset. Assets generated by tax losses are capitalized to the extent that they are recoverable before expiration date.

(iv) Impairment test of property, plant and equipment

The Group regularly assesses the recoverability of Property, plant and equipment, including assets being explored and assessed, as mentioned in Note 2.6, when there are events or circumstances that indicate a potential sign of impairment. The carrying amount of property, plant and equipment is considered impaired by the Company when the value-in-use, calculated based on the estimated cash flows expected from those assets, discounted and separately identifiable, or their net realizable values are lower than their carrying amounts. This analysis is made at the minimum level in which there are identifiable cash generating units (CGUs).

When evaluating if there is a sign that a cash generating unit (CGU) might be affected, internal and external sources are analyzed, considering specific facts and circumstances, which, in general, include the discount rate used in the projections of cash flows for each of the cash generating units and the condition of the business in terms of economic and market factors, such as the price of the tariff, inflation, exchange rate, costs, seismic information, disposal area requirements without renewal of exploration rights, other expenses and the regulatory framework of the industry in which the Group operates.

A previously recognized impairment loss is reversed when there is a subsequent change in the estimates used to compute the recoverable value of the asset. In this case, the new value cannot exceed the value it would have had at the new date of measurement had the impairment not been recognized. Both the impairment charge and its reversal are recognized as income/loss.

The value-in-use calculation requires the use of estimates and is based on cash flow projections prepared based on financial and economic budgets approved by the Board. Cash flows beyond the budgeted periods are extrapolated using estimated growth rates, which do not exceed the long-term average growth rate of each of the business segments involved.

At the time of estimating future cash flows, critical judgment is required from Management. Actual cash flows and amounts may significantly vary from the foreseen future cash flows and related values obtained through discount techniques. To consider the estimation risk included in those calculations, the Group has taken into consideration several scenarios of weighted probability of occurrence.

The estimate of net realizable values, where necessary, is calculated based on valuations prepared by independent appraisers.

Methodology for the estimation of the recoverable value:

General criterion of the Group: the methodology used for the estimation of the recoverable value of fixed and intangible assets consists, mainly, in the calculation of the value in use, from the expected future flows of funds deriving from the exploitation of these assets, discounted with a rate that reflects the weighted average cost of the used capital.

In assessing the value in use, projection of cash flows based on the best estimations available for revenue and expense of the Cash Generating Units (CGUs) are used. This is done by employing sector provisions, past results and future expectations about the evolution of the business and the development of the market. The most sensitive aspects included in the projections used in all the CGUs are: the prices of energy, fuels, the regulations in force, the estimation of cost increases, and the costs in personnel.

In assessing Exploration and Production assets, projections are made about cash flows that comprise the economically productive life of the oil and gas fields, limited by the expiration of the license agreements, permits, and exploitation agreements or contracts. The estimated cash flows are based, among other factors, on production levels, prices of commodities, costs of production, market supply and demand, contractual conditions and other factors. Regarding exploration assets, the estimations on future necessary investments related to the non-developed oil and gas reserves are also taken into consideration.



NOTE 4 - ACCOUNTING ESTIMATES AND JUDGMENTS (CONT'D)

The cash flows of Electricity and LPG are estimated, among other factors, from the expected evolution of sales, unitary contribution margins and fixed costs, in line with the expectations considered in the specific strategic plans of each business, limited by the useful life of each asset. However, those cash inflows and outflows corresponding to future restructurings or improvements in the performance or increase in assets are not taken into consideration.

(v) Fair value of derivative and other financial instruments

The fair value of financial instruments that are not traded in active markets (for example derived from outside the official market) are determined using valuation techniques. The Group applies its judgement to select a series of methods and makes hypotheses based mainly on existent market conditions at the date of each financial statement. The Group determined the valuation at the closing of each year calculating the future cash flows discounted at LIBO rate ("forward rate") that determines the "futures market" for each year.

(vi) Fair value of revalued assets

For the group of assets of the caption Property, plant and equipment (CT ADC, Buildings and Lands owned by Capex), the LPG Facility (owned by SEB), and DEEF (owned by Hychico) valued under the revaluation model, the Group makes estimates of the fair value of those assets as stated in Note 2.6.III).

NOTE 5 – SEGMENT REPORTING

The Board has determined operating segments based on the reports it reviews and which are used for strategic decision making.

Segment reporting is presented in a manner consistent with the internal reporting. The Board and Senior Managers are responsible for assigning resources and assessing the profitability of operating segments.

Management information used in the decision-making process is prepared on a monthly basis and contains a breakdown of the Group's segments:

- 1) the exploration, production and sale of oil and gas ("Oil and Gas"),
- 2) generation of electric power ("Electricity ADC"),
- 3) production and sale of gas-derived liquid fuel ("LPG").
- 4) generation of wind electric power ("Energy DEEF"),
- 5) generation of electric power with hydrogen ("HYDROGEN Energy") and
- 6) oxygen production and sale ("Oxygen").

Income received from CAMMESA at April 30, 2016, broken down by segment, which arises to \$ 968 million, is allocated to:

- 1) Gas revenue for \$ 519 million: payments received from CAMMESA as Own Fuel Recognition, the remuneration of which is fixed in US dollars and associated with the price of gas for generation plants, and
- 2) Electric power revenue for \$ 449 million: specific remuneration for the generation of power.



NOTE 5 – SEGMENT REPORTING (CONT'D)

Segments reporting information at April 30, 2016, 2015 and 2014 is as follows:

04.30.2016								
	Oil and Gas	Electricity ADC	LPG	Energy DEEF	Hydrogen Energy	Oxygen	Eliminations	Total
Net sales	751,636,973	968,068,884	87,428,291	33,597,175	3,077,851	995,123	-	1,844,804,297
Reclassification between segments	484,235,767	(519,449,949)	35,214,182	-	-	-	-	-
Sales per segment	1,235,872,740	448,618,935	122,642,473	33,597,175	3,077,851	995,123	-	1,844,804,297
Participation per segment on Sales	67.0%	24.3%	6.6%	1.8%	0.2%	0.1%	-	100.0%
Cost of sales	(375,551,966)	(192,573,070)	(35,734,236)	(10,313,385)	(4,104,367)	(1,250,711)	-	(619,527,735)
Gross Profit	860,320,774	256,045,865	86,908,237	23,283,790	(1,026,516)	(255,588)	-	1,225,276,562
Participation per segment on Gross Income	70.2%	20.9%	7.1%	1.9%	-0.1%	0.0%	-	100.0%
Exploration Expenses	(76,710,629)	-	-	-	-	-	-	(76,710,629)
Selling Expenses	(207,574,434)	(37,212,193)	(7,986,574)	(786,640)	(506,785)	(144,115)	-	(254,210,741)
Administrative Expenses	(74,974,685)	(37,497,574)	(13,443,523)	(373,018)	(2,599,350)	(1,017,996)	-	(129,906,146)
Other operating (expenses) / income, net	(429,620)	(553,327)	44,145	-	(13,286)	-	-	(952,088)
Operating result	500,631,406	180,782,771	65,522,285	22,124,132	(4,145,937)	(1,417,699)	-	763,496,958
Financial Income	300,116,745	22,609,125	56,097,527	2,703,154	14,314,590	4,628,152	(212,945)	400,256,348
Financial Costs	-	(1,499,800,104)	-	1,228	(61,395,633)	(281,772)	(91,009)	212,945
Other Financial Income	-	-	-	-	169,993	286,920	-	456,913
Result Before Income Tax	800,748,151	(1,296,408,208)	121,621,040	(36,568,347)	10,056,874	3,406,364	-	(397,144,126)
Tax on Assets	-	-	-	-	-	-	-	137,218,320
Income Tax	-	-	-	-	-	-	-	(259,925,806)
Result for the year								1,049,995,831
Other comprehensive results	-	-	-	-	-	-	-	
Net comprehensive result for the year								790,070,025
Depreciation								
In Cost of Sales	171,197,908	80,880,709	12,804,071	5,766,382	1,010,539	444,060	-	272,103,669
In Administrative Expenses	457,003	588,597	53,157	-	-	-	-	1,098,757
Total	171,654,911	81,469,306	12,857,228	5,766,382	1,010,539	444,060	-	273,202,426

04.30.2015							
	Oil and gas	Electricity ADC	LPG	Energy DEEF	Hydrogen Energy	Oxygen	Total
Net sales	452,856,840	679,570,722	97,711,701	27,885,132	2,067,532	819,730	1,260,911,657
Reclassification between segments	349,203,436	(383,393,739)	34,190,303	-	-	-	-
Sales per segment	802,060,276	296,176,983	131,902,004	27,885,132	2,067,532	819,730	1,260,911,657
Participation per segment on Sales	63.5%	23.5%	10.5%	2.2%	0.2%	0.1%	100.0%
Cost of sales	(284,426,254)	(144,458,970)	(32,183,876)	(8,037,107)	(3,420,475)	(1,192,850)	(473,719,532)
Gross profit	517,634,022	151,718,013	99,718,128	19,848,025	(1,352,943)	(373,120)	787,192,125
Participation per segment on Gross Income	65.7%	19.3%	12.7%	2.5%	-0.2%	0.0%	100.0%
Exploration expenses	(174,860,302)	-	-	-	-	-	(174,860,302)
Selling expenses	(132,099,953)	(29,464,426)	(7,104,871)	(1,127,027)	(410,759)	(144,309)	(170,351,345)
Administrative expenses	(49,520,470)	(26,394,948)	(12,709,337)	(396,665)	(1,736,936)	(769,466)	(91,527,822)
Other operating (expenses) / income, net	3,082,206	(1,537,868)	(219,097)	-	(26,552)	-	(1,298,689)
Operating result	164,235,503	94,320,771	79,684,823	18,324,333	(3,527,190)	(1,286,895)	351,751,345
Financial income	75,197,203	24,848,325	19,435,411	1,939,550	4,353,739	1,726,161	127,500,389
Financial costs	-	(453,763,740)	(7,393)	(21,005,726)	(111,431)	(51,492)	(474,939,782)
Other financial income	-	-	-	-	(217,403)	286,919	69,516
Result before Income Tax	239,432,706	(334,594,644)	99,112,841	(741,843)	497,715	674,693	4,381,468
Tax on assets	-	-	-	-	-	-	(431,582)
Income tax	-	-	-	-	-	-	(3,561,977)
Result for the year							387,909
Other comprehensive results	-	-	-	-	-	-	743,518,138
Net comprehensive result for the year							743,906,047

	Oil and gas	Electricity ADC	LPG	Energy DEEF	Hydrogen Energy	Oxygen	Total
Depreciation							
In Cost of sales	135,868,410	51,689,780	10,606,390	5,357,014	1,167,680	286,919	204,976,193
In Administrative expenses	369,732	554,832	79,776	-	-	-	1,004,340
Total	136,238,142	52,244,612	10,686,166	5,357,014	1,167,680	286,919	205,980,533



NOTE 5 – SEGMENT REPORTING (CONT'D)

	04.30.2014						
	Oil and gas	Electricity ADC	LPG	Energy DEEF	Hydrogen Energy	Oxygen	Total
Net sales	256,504,100	457,076,999	78,862,843	22,057,408	1,111,251	599,705	816,212,306
Reclassification between segments	261,532,055	(282,889,071)	21,357,016	-	-	-	-
Sales per segment	518,036,155	174,187,928	100,219,859	22,057,408	1,111,251	599,705	816,212,306
Participation per segment on Sales	63.5%	21.3%	12.3%	2.7%	0.1%	0.1%	100.0%
Cost of sales	(201,356,922)	(108,627,972)	(18,707,894)	(5,634,174)	(3,353,570)	(1,843,266)	(339,523,798)
Gross profit	316,679,233	65,559,956	81,511,965	16,423,234	(2,242,319)	(1,243,561)	476,688,508
Participation per segment on Gross Income	66.5%	13.8%	17.1%	3.4%	-0.5%	-0.3%	100.0%
Selling expenses	(85,828,362)	(27,395,030)	(6,470,549)	(854,702)	(129,388)	(52,247)	(120,730,278)
Administrative expenses	(24,445,830)	(31,437,955)	(7,480,070)	(195,810)	(1,193,830)	(675,069)	(65,428,564)
Other operating income / (expenses), net	1,885,680	(3,811,566)	15,598,689	(36,098)	(1,819)	(982)	13,633,904
Operating result	208,290,721	2,915,405	83,160,035	15,336,624	(3,567,356)	(1,971,859)	304,163,570
Financial income	99,323,241	5,760,603	31,142,618	378,834	9,935,816	5,364,177	151,905,289
Financial costs			(782,355,376)	(10,276)	(44,136,479)	(456,858)	(248,327)
Other financial income						1,206,005	286,920
Result before Income Tax	307,613,962	(773,679,368)	114,292,377	(28,421,021)	7,117,607	3,430,911	(369,645,532)
Tax on assets							3,801,279
Income tax							140,426,465
Result for the year							(225,417,788)
Depreciation							
In Cost of sales	95,391,780	29,109,681	5,912,190	4,456,689	1,167,680	286,920	136,324,940
In Administrative expenses	410,112	730,798	126,090	-	-	-	1,267,000
Total	95,801,892	29,840,479	6,038,280	4,456,689	1,167,680	286,920	137,591,940

As of April 30, 2015 and 2014, the Group did not make sales to customers abroad, nor does it own assets other than financial instruments outside of Argentina.

As of April 30, 2016, the Group has sold LPG to customers abroad.

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT

	04.30.2016	04.30.2015	04.30.2014
Residual value at beginning of year	2,646,497,530	1,670,638,617	1,610,240,244
Additions	641,130,235	353,904,047	196,543,316
Provisions	456,913	69,516	1,492,925
Revaluation	1,615,378,203	1,143,874,405	-
Retirements net of depreciation	-	(141,000,000)	(45,928)
Write-off and provision Río Negro Areas depreciation	(76,710,629)	(175,008,522)	-
Residual value at the end of the year	4,553,549,826	2,646,497,530	1,670,638,617

On September 10, 2014, the Company sold the Vicente López building in \$ 141 million. The transaction was approved by the Board of Directors and the Audit Committee.

The depreciation expense of the years ended at April 30, 2016, 2015 and 2014 for \$ 272,103,669, \$ 204,976,193 and \$ 136,324,940, respectively, was charged to the Cost of Sales, and \$ 1,098,757, \$ 1,004,340 and \$ 1,267,000, respectively, to Administrative Expenses.

Below is the revaluation by group of assets:



NOTE 6 – PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Cost value:

	Net book value at 04.30.2014	Additions/Retirements for the year – net	Depreciation for the year at cost value	Residual value at cost value at 04.30.2015	Additions/Retirements for the year – net	Depreciation for the year at cost value	Residual value at cost value at 04.30.2016
CT ADC	341,059,237	50,930,314	(25,805,742)	366,183,809	105,678,245	(47,205,048)	424,657,006
Building and land in Vicente Lopez	69,424,520	(69,318,230)	(106,290)	-	-	-	-
Building and land in Neuquén	34,092,923	-	(207,111)	33,885,812	-	(207,110)	33,678,702
LPG Plant	70,946,279	-	(5,199,560)	65,746,719	-	(5,040,418)	60,706,301
DEEF	66,452,416	(148,220)	(3,943,833)	62,360,363	663,796	(3,852,699)	59,171,460
Remaining assets	1,088,663,242	128,182,947	(138,000,530)	1,078,845,659	458,534,478	(173,526,261)	1,363,853,876
Total	1,670,638,617	109,646,811	(173,263,066)	1,607,022,362	564,876,519	(229,831,536)	1,942,067,345

Revaluation:

	Revaluation at 07.31.2014	Depreciation of the year Revaluation	Additions/Retirements for the year – Revaluation	Residual value of revaluation at 04.30.2015	Additions/Retirements for the year Revaluation	Depreciation of the year Revaluation	Residual value of revaluation at 04.30.2016
CT ADC	917,505,192	(25,884,037)	-	891,621,155	1,389,024,419	(33,675,661)	2,246,969,913
Building and land in Vicente Lopez	71,681,770	-	(71,681,770)	-	-	-	-
Building and land in Neuquén	21,727,852	(13,419)	-	21,714,433	153,219,051	(17,893)	174,915,591
LPG Plant	100,927,485	(5,406,830)	-	95,520,655	-	(7,763,653)	87,757,002
DEEF	32,032,106	(1,413,181)	-	30,618,925	73,134,733	(1,913,683)	101,839,975
Remaining assets	-	-	-	-	-	-	-
Total	1,143,874,405	(32,717,467)	(71,681,770)	1,039,475,168	1,615,378,203	(43,370,890)	2,611,482,481

Net book value:

	Net book value at 04.30.2016	Net book value at 04.30.2015	Net book value at 04.30.2014
CT ADC	2,671,626,919	1,257,804,964	341,059,237
Building and land in Vicente Lopez	-	-	69,424,520
Building and land in Neuquén	208,594,293	55,600,245	34,092,923
LPG Plant	148,463,303	161,267,374	70,946,279
DEEF	161,011,435	92,979,288	66,452,416
Remaining assets	1,363,853,876	1,078,845,659	1,088,663,242
Total	4,553,549,826	2,646,497,530	1,670,638,617

NOTE 7 – NET DEFERRED TAX ASSETS AND LIABILITIES

The deferred tax net position is as follows:

	04.30.2016	04.30.2015	04.30.2014
Deferred tax assets			
Deferred tax assets to be recovered after 12 months	193,834,548	67,472,558	156,986,209
Deferred tax assets to be recovered within 12 months	5,983,073	3,773,534	8,055,071
Deferred tax liabilities:			
Deferred tax liabilities to be recovered after 12 months	(1,058,095,476)	(474,589,897)	(204,712,341)
Deferred tax liabilities to be recovered within 12 months	(25,318,153)	(56,969,943)	(18,140,316)
Net deferred tax liabilities ⁽¹⁾	(883,596,008)	(460,313,748)	(57,811,377)

⁽¹⁾ This amount is shown in the consolidated financial statements as follows: \$ 24,214,743, \$ 14,984,266 and \$ 17,221,151 under net deferred tax assets at April 30, 2016, 2015 and 2014, respectively, and \$ 907,810,751, \$ 475,298,014 and \$ 75,032,528 under net deferred tax liabilities at April 30, 2016, 2015 and 2014, respectively.



NOTE 7 – NET DEFERRED TAX LIABILITIES (CONT'D)

The changes in deferred tax assets and liabilities, without considering the offsetting of balances, are as follows:

- Deferred assets:

	Tax Losses	Trade receivables	Trade payables	Provisions and other	Total
Balance at April 30, 2014	157,848,207	20,259	5,449,445	4,874,723	168,192,634
Charge to income/loss	(100,995,680)	-	490,991	3,558,147	(96,946,542)
Balance at April 30, 2015	56,852,527	20,259	5,940,436	8,432,870	71,246,092
Charge to income/loss	121,852,363	(20,259)	4,933,967	1,805,458	128,571,529
Balance at April 30, 2016	178,704,890	-	10,874,403	10,238,328	199,817,621

- Deferred liabilities:

	Financial investments at amortized cost	Property, plant and equipment	Other receivables	Financial liabilities	Total
Balance at April 30, 2014	267,170	(221,235,225)	(939,521)	(4,096,435)	(226,004,011)
Charge to income/loss	(7,423,979)	(298,807,163)	(70,618)	745,931	(305,555,829)
Balance at April 30, 2015	(7,156,809)	(520,042,388)	(1,010,139)	(3,350,504)	(531,559,840)
Charge to income/loss	3,109,922	(554,586,038)	(1,951,752)	1,574,079	(551,853,789)
Balance at April 30, 2016	(4,046,887)	(1,074,628,426)	(2,961,891)	(1,776,425)	(1,083,413,629)

Capex's specific tax losses at April 30, 2016 for \$ 453,700,543 may be allocated to future taxable income arising within five years as from the date they are generated; they will start to expire from the fiscal year ending on April 30, 2019.

In addition, Hychico's specific tax losses at April 30, 2016 for \$ 56,884,857 may be allocated to future taxable income arising within five years as from the date they are generated; they will start to expire from the fiscal year ending on April 30, 2017.

NOTE 8 – FINANCIAL ASSETS AND LIABILITIES PER CATEGORY

	04.30.2016	04.30.2015	04.30.2014
ASSETS			
Financial assets at amortized cost			
Trade accounts receivable and other accounts receivable	891,870,461	443,903,906	283,901,948
Financial instruments at amortized cost	568,799,995	354,415,925	319,741,920
Cash and cash equivalents	8,717,889	10,738,299	6,169,665
Total	1,469,388,345	809,058,130	609,813,533
Financial assets at fair value			
Financial instruments at fair value	235,707,720	381,965,221	45,613,802
Total	235,707,720	381,965,221	45,613,802
LIABILITIES			
Financial liabilities at fair value			
Derivative Financial Instruments through P&L	-	-	2,424,880
Financial liabilities at amortized cost	3,763,719,108	2,461,310,665	2,034,788,235
Total	3,763,719,108	2,461,310,665	2,037,213,115



NOTE 9 - FINANCIAL ASSETS CREDIT RATING

The credit rating of financial assets which have not yet fallen due or have not been written down can be assessed, based on the rating provided by banks for cash and cash equivalents. In the case of trade accounts receivable, the classification is based on historical ratios.

The credit rating of cash items and short-term deposits is as follows:

	04.30.2016	04.30.2015	04.30.2014
Cash at banks and short-term deposits			
Credit rating "A"	813,020,531	390,384,520	51,401,758
Total	813,020,531	390,384,520	51,401,758

The credit rating of trade accounts receivable is as follows:

	04.30.2016	04.30.2015	04.30.2014
Without due date (shown as current assets)			746,602
Without due date (shown as non-current assets)	100,444,863	54,988,586	16,587,364
Past due			
From 0 to 3 months	203,050,647	109,041,650	68,752,880
From 3 to 6 months	47,225,732	-	-
To be due			
From 0 to 3 months	448,798,081	223,028,008	150,438,293
Total	799,519,323	387,058,244	236,525,139

See Note 3.2 as regards receivables from CAMMESA.

NOTE 10 – DERIVATIVE FINANCIAL INSTRUMENTS

	04.30.2016	04.30.2015	04.30.2014
Foreign currency (Exhibit G)			
LIBO swap rate			
Current	-	-	2,424,880
Total	-	-	2,424,880

In October 2007, the Company signed an agreement with the Deutsche Bank AG, whereby an annual nominal LIBO rate was fixed at 4.75% ("LIBO Rate Swap") for a period that began on January 18, 2008 and ended on July 18, 2014 on an amount equal to 50% of the original debt under the unsecured loans for US\$ 238,339,978 and US\$ 11,660,022 granted by Deutsche Bank AG in July 2007. Such loans were refinanced on February 23, 2010 and fully prepaid in March 2011.

The time period and outstanding US dollar amounts under the LIBO Rate Swap transaction respond to the variations over time in the Company's financial liabilities accrued under the swap.

At April 30, 2015 and 2014 were generated gains for \$ 1,079,814 and \$7,373,217, respectively (see Note 28).



NOTE 11 - SPARE PARTS AND MATERIALS

	04.30.2016	04.30.2015	04.30.2014
Non-Current			
In local currency			
Spare parts and materials	84,030,707	62,820,501	48,807,322
Provision for turnover and obsolescence (Exhibit E)	(839,383)	(959,414)	(1,228,874)
In foreign currency (Exhibit G)			
Sundry advances	77,105,157	6,894,682	5,538,673
Total	160,296,481	68,755,769	53,117,121
Current			
In local currency			
Spare parts and materials	28,073,950	18,520,081	15,318,994
Provision for turnover and obsolescence (Exhibit E)	(209,846)	(239,854)	(307,218)
Sundry advances	-	371,623	-
In foreign currency (Exhibit G)			
Sundry advances	19,276,289	1,600,956	1,384,668
Total	47,140,393	20,252,806	16,396,444

The provision for turnover and obsolescence was set up based on the analysis of possible losses the Group estimates to incur due to the decrease in the value of materials. The movement is as follows:

Balance at April 30, 2013	(1,563,964)
Recovery of the provision allocated to Other operating (expenses) / income, net (Note 27)	27,872
Balance at April 30, 2014	(1,536,092)
Recovery of the provision allocated to Other operating (expenses) / income, net (Note 27)	336,824
Balance at April 30, 2015	(1,199,268)
Recovery of the provision allocated to Other operating (expenses) / income, net (Note 27) and Exhibit E)	150,039
Balance at April 30, 2016	(1,049,229)

NOTE 12 - INVENTORIES

	04.30.2016	04.30.2015	04.30.2014
Oil	1,894,668	48,574	350,783
Propane and butane	1,379,782	517,723	560,387
Total	3,274,450	566,297	911,170

NOTE 13 - OTHER RECEIVABLES

	04.30.2016	04.30.2015	04.30.2014
Non-Current			
In local currency			
Value added tax	5,479,475	3,763,373	5,354,788
Tax on assets (Note 2.15.2)	81,810,021	51,151,967	30,355,303
In foreign currency (Exhibit G)			
Assignment of CAMMESA rights	26,280,798	21,172,535	22,996,264
Total	113,570,294	76,087,875	58,706,355



NOTE 13 - OTHER RECEIVABLES (CONT'D)

Current	04.30.2016	04.30.2015	04.30.2014
In local currency			
Sundry advances	18,209,231	3,456,373	1,749,885
Turnover tax	3,772,105	2,175,122	2,485,303
Value added tax	11,384,420	13,644,025	10,813,573
Income tax and tax on assets	17,031,854	15,641,474	7,487,968
Other tax credits	5,597,950	3,971,147	2,919,430
Prepaid insurance	15,698,508	10,413,483	8,941,348
Prepaid expenses	3,236,324	1,145,788	535,317
Assignment of CAMMESA rights	891,038	411,554	-
Intercompany receivables Section 33 – Law 19550 (Note 32.b)	487,168	584,416	308,710
Sundry	1,246,971	540,380	410,684
In foreign currency (Exhibit G)			
Sundry advances	58,921	6,042,812	1,095,181
Assignment of CAMMESA rights	12,622,189	8,152,972	7,501,318
Agreement for gas propane supply for networks to collect / receivable	13,619,990	4,925,349	3,838,102
Total	103,856,669	71,104,895	48,086,819

The fair value of other accounts receivable does not significantly differ from the carrying value.

According to the term for collection, they are grouped as follows:

	04.30.2016	04.30.2015	04.30.2014
Without due date (shown as current assets)	31,857,437	13,653,338	6,589,205
Past due			
From 0 to 3 months	3,391,262	-	-
To be due			
From 0 to 3 months	23,677,494	15,258,107	17,568,977
From 3 to 6 months	15,241,353	21,531,570	11,552,316
From 6 to 9 months	10,268,033	17,380,512	3,820,768
From 9 to 12 months	19,421,090	3,281,368	8,555,553
From 1 to 2 years	92,394,223	9,588,251	10,155,009
More than 2 years	21,176,071	66,499,624	48,551,346
Total	217,426,963	147,192,770	106,793,174

NOTE 14 - TRADE RECEIVABLES

	04.30.2016	04.30.2015	04.30.2014
Non-Current			
In local currency			
From sale of energy and others (Receivables Art.5 Res 95/2013 - CAMMESA)	100,444,863	54,988,586	16,587,364
Past-due receivables	2,627,115	2,627,115	2,627,115
Less: Provision for impairment (Exhibit E)	(2,627,115)	(2,627,115)	(2,627,115)
Total	100,444,863	54,988,586	16,587,364
Current			
In local currency			
From sale of energy and others	642,488,528	226,787,801	202,331,023
Intercompany receivables Section 33 – Law 19550 (Note 32.b)	483,881	314,422	316,262
In foreign currency (Exhibit G)			
From sale of oil and others	55,371,084	104,793,478	17,282,779
Intercompany receivables Section 33 – Law 19550 (Note 32.b)	730,967	173,957	7,711
Total	699,074,460	332,069,658	219,937,775

At April 30, 2016, 2015 and 2014, trade receivables for \$ 799,519,323, \$ 387,058,244 and \$236,525,139, respectively, are in compliance with their contractual terms, and their fair value did not significantly differ from the carrying value.



NOTE 14 - TRADE ACCOUNTS RECEIVABLE (CONT'D)

In addition, there are trade receivables for \$ 250,276,379, \$ 109,041,650 and \$68,752,880, at April 30, 2016, 2015 and 2014, respectively, which were past due but no impaired; as such these receivables, are principally related to CAMMESA (with which there is no record of default) and to the "Incentive Program for Natural Gas Injection for Companies with Reduced Injection" (see Note 37). The aging analysis of these account receivables is as follows:

	04.30.2016	04.30.2015	04.30.2014
Without due date (shown as current assets)	-	-	746,602
Without due date (shown as non-current assets)	100,444,863	54,988,586	16,587,364
Past due			
From 0 to 3 months	203,050,647	109,041,650	68,752,880
From 3 to 6 months	47,225,732	-	-
Outstanding			
From 0 to 3 months	448,798,081	223,028,008	150,438,293
Total	799,519,323	387,058,244	236,525,139

At April 30, 2016, 2015 and 2014 the provision for trade receivables amounts to \$ 2,627,115, for the three years.

The movement of the provision for impairment (Exhibit E) of trade receivables is as follows:

	04.30.2016	04.30.2015	04.30.2014
Balance at beginning of year	2,627,115	2,627,115	2,627,115
Balance at year end	2,627,115	2,627,115	2,627,115

The provision for impairment of trade receivables correspond to balances of certain customers facing specific economic situations.

Trade receivables are generally charged to the provision when there is no expectation of receiving additional cash related to an impaired trade receivables.

NOTE 15 - FINANCIAL INVESTMENTS AT AMORTIZED COST

	04.30.2016	04.30.2015	04.30.2014
Non-Current			
In foreign currency (Exhibit G)			
Financial investments at amortized cost (Exhibit D)	-	354,415,925	319,741,920
Total	-	354,415,925	319,741,920
Current			
In foreign currency (Exhibit G)			
Financial investments at amortized cost (Exhibit D)	568,799,995	-	-
Total	568,799,995	-	-

The carrying amount of financial investments at amortized cost approximates their fair value.

According to the term for collection, they are grouped as follows:

	04.30.2016	04.30.2015	04.30.2014
To be due			
From 9 to 12 months	568,799,995	-	-
From 1 to 2 years	-	354,415,925	319,741,920
Total	568,799,995	354,415,925	319,741,920



NOTE 16 - CASH AND CASH EQUIVALENTS

	04.30.2016	04.30.2015	04.30.2014
Current			
In local currency			
Cash	49,895	51,619	33,934
Checks to be deposited	-	2,171,745	257,715
Banks	8,338,715	8,242,758	5,649,882
Financial assets at fair value (Exhibit D)	235,707,720	381,965,221	45,613,802
In foreign currency (Exhibit G)			
Cash	155,178	95,636	90,060
Banks	174,101	176,541	138,074
Total	244,425,609	392,703,520	51,783,467

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

	04.30.2016	04.30.2015	04.30.2014
Cash and cash equivalents	8,717,889	10,738,299	6,169,665
Financial investments at fair value	235,707,720	381,965,221	45,613,802
Bank overdrafts (Note 21)	-	(151,222,593)	(94,705,098)
Total	244,425,609	241,480,927	(42,921,631)

NOTE 17 - CAPITAL STOCK AND ADDITIONAL PAID-IN CAPITAL

	Number of shares	Face value per share	Capital subscribed	Additional paid-in capital	Subtotal
		\$	\$	\$	\$
Balances at April 30, 2014	179,802,282	1	179,802,282	79,686,176	259,488,458
Balances at April 30, 2015	179,802,282	1	179,802,282	79,686,176	259,488,458
Balances at April 30, 2016	179,802,282	1	179,802,282	79,686,176	259,488,458

The capital stock of \$ 179,802,282 is represented by 179,802,282 ordinary, book-entry Class "A" shares of \$ 1 nominal value and one vote each, authorized to be placed for public offering.

All the shares issued have been subscribed and paid in.

Capital stock at April 30, 2016, 2015 and 2014 is as follows:

Capital	Face value	Approved by	
		Date	Instrument/Body
Subscribed, paid-in and registered	2,000,000		Incorporation Agreement
Subscribed, paid-in and registered	18,000,000	01.17.94	Extraordinary Shareholders' Meeting
Subscribed, paid-in and registered	16,363,636	03.18.94	Extraordinary Shareholders' Meeting
Subscribed, paid-in and registered	4,520,859	08.18.99	Ordinary Shareholders' Meeting
Subscribed, paid-in and registered	7,062,780	07.11.00	Ordinary Shareholders' Meeting
Subscribed, paid-in and registered	11,986,819	09.21.05	Ordinary Shareholders' Meeting
Subscribed, paid-in and registered	119,868,188	08.28.07	Ordinary Shareholders' Meeting
Subscribed and paid-in	179,802,282		

NOTE 18 – RESERVES
a) Reserves Evolution

	Legal reserve	Optional reserve	Special reserve for IFRS implementation	Reserve for assets revaluation (see point b)
Balances at April 30, 2014	21,225,830	10,164,434⁽¹⁾	192,356,878	-
Ordinary Shareholders' Meeting dated August 5, 2014	(21,225,830)	(10,164,434)	(192,356,878)	
Other comprehensive results	-	-	-	739,365,741
Reversal of reserve for assets revaluation (point b)	-	-	-	(67,563,777)
Balances at April 30, 2015	-	-	-	671,801,964
Ordinary Shareholders' Meeting dated August 7, 2015	23,508,318	43,367,267 ⁽²⁾	-	-
Comprehensive result of the year	-	-	-	1,048,198,511
Reversal of reserve for assets revaluation (point b)	-	-	-	(27,891,729)
Balances at April 30, 2016	23,508,318	43,367,267	-	1,692,108,746

⁽¹⁾ For the distribution of future dividends and/or investments and/or cancellation of debts and/or absorption of losses. The amounts included in this item were determined by the Meetings of Shareholders which approved the pertinent annual financial statements.

⁽²⁾ For investments and/or cancellation of debts and/or absorption of losses. The amounts in this item were determined by the Meetings of Shareholders which approved the pertinent annual financial statements.

b) Changes and breakdown of the Reserve for the revaluation of assets / other comprehensive results

Below is a detail of the changes and breakdown of the Reserve for revaluation of assets / Other comprehensive results:

	CT ADC	LPG Plant	DEEF	Building and land – Vicente López	Building and land - Neuquén	Total	Attributable to the Company	Attributable to Minority Interest
Balance at April 30, 2014								
Increase due to revaluation	917,505,192	100,927,485	32,032,106	71,681,770	21,727,852	1,143,874,405	1,137,485,756	6,388,649
Deferred tax	(321,126,817)	(35,324,845)	(11,211,237)	(25,088,620)	(7,604,748)	(400,356,267)	(398,120,015)	(2,236,252)
Total other comprehensive results	596,378,375	65,602,640	20,820,869	46,593,150	14,123,104	743,518,138	739,365,741	4,152,397
Reversal due to depreciation for the year ⁽¹⁾	(25,884,037)	(5,406,830)	(1,413,181)	-	(13,419)	(32,717,467)	(32,262,504)	(454,963)
Reversal due to sales ⁽¹⁾	-	-	-	(71,681,770)	-	(71,681,770)	(71,681,770)	-
Reversal of deferred tax ⁽¹⁾	9,059,413	1,892,391	494,613	25,088,620	4,697	36,539,734	36,380,497	159,237
Subtotal for reversal of reserve for revaluation of assets ⁽¹⁾	(16,824,624)	(3,514,439)	(918,568)	(46,593,150)	(8,722)	(67,859,503)	(67,563,777)	(295,726)
Balance at April 30, 2015 of reserve for the revaluation of assets	579,553,751	62,088,201	19,902,301	-	14,114,382	675,658,635	671,801,964	3,856,671
Increase due to revaluation ⁽²⁾	1,389,024,419	-	73,134,733	-	153,219,051	1,615,378,203	1,612,613,095	2,765,108
Deferred tax ⁽²⁾	(486,158,547)	-	(25,597,157)	-	(53,626,668)	(565,382,372)	(564,414,584)	(967,788)
Total other comprehensive results ⁽²⁾	902,865,872	-	47,537,576	-	99,592,383	1,049,995,831	1,048,198,511	1,797,320
Reversal due to depreciation for the year ⁽¹⁾	(33,675,661)	(7,763,653)	(1,913,683)	-	(17,893)	(43,370,890)	(42,910,353)	(460,537)
Reversal of deferred tax ⁽¹⁾	11,786,481	2,717,279	669,789	-	6,263	15,179,812	15,018,624	161,188
Subtotal for reversal of reserve for revaluation of assets ⁽¹⁾	(21,889,180)	(5,046,374)	(1,243,894)	-	(11,630)	(28,191,078)	(27,891,729)	(299,349)
Subtotal	880,976,692	(5,046,374)	46,293,682	-	99,580,753	1,021,804,753	1,020,306,782	1,497,971
Balance at April 30, 2016 of reserve for the revaluation of assets	1,460,530,443	57,041,827	66,195,983	-	113,695,135	1,697,463,388	1,692,108,746	5,354,642

⁽¹⁾ Charged to "Retained Earnings"

⁽²⁾ Charged to "Other comprehensive results"



NOTE 19 –RETAINED EARNINGS

	04.30.2016	04.30.2015	04.30.2014
Balance at April 30, 2013			192,356,878
Ordinary Shareholders' Meeting dated August 9, 2013 (Special reserve for IFRS implementation)			(192,356,878)
Result for the year			(224,966,816)
Balances at April 30, 2014	<u>(224,966,816)</u>	<u>(224,966,816)</u>	
Ordinary Shareholders' Meeting dated August 5, 2014 (absorption of reserve)		223,747,142	
Comprehensive result for the year		531,482	
Reversal of reserve for revaluation of assets (Note 18)		67,563,777	
Balances at April 30, 2015	<u>66,875,585</u>	<u>66,875,585</u>	
Ordinary Shareholders' Meeting dated August 7, 2015 (constitution of legal and free reserves)		(66,875,585)	
Comprehensive result of year		(259,556,433)	
Reversal of reserve for revaluation of assets (Note 18)		27,891,729	
Balances at April 30, 2016	<u>(231,664,704)</u>		

Restrictions on the distribution of profits

- a) In accordance with the Commercial Companies Law, by-laws and CNV Resolution No. 368/01, 5% of net income, once accumulated losses have been absorbed, plus (less) prior years' adjustments, must be appropriated to the Legal Reserve until it reaches 20% of capital.
- b) In line with the Global Program for the Issue of Class I Corporate Bonds (Note 21 a), the Company and its subsidiary SEB may declare or pay:
 - Stock dividends or distributions with voting rights;
 - Dividends or distributions collected by the Company and/or its Restricted subsidiaries (SEB);
 - Dividends paid pro rata to the Company and its restricted subsidiaries (SEB), on one hand, and to the minority bondholders of one Restricted Subsidiary, on the other hand.

The above will apply provided that at the time of payment and immediately after giving effect to it: (a) no default or event of default (such as nonpayment of principal or interest at maturity, failure by the Company to fulfill a commitment or agreement included in the program, or in case the Company is declared insolvent or bankrupt in an insolvency or bankruptcy proceeding) shall have occurred and still persists; and (b) the Company may incur additional financial debt for at least US\$ 1 if, when incurred, the Consolidated Interest Coverage Ratio is not less than 2.5:1.0 and the Interest Coverage Ratio and Financial Debt to adjusted EBITDA Ratio is not higher than 3.5:1.0 (see Note 21).

- c) By application of CNV General Resolution No. 609 dated September 13, 2012, this special reserve for IFRS implementation shall not be reversed to make dividend distributions in cash or in kind to the Company's shareholders or owners, and it may be reversed only for capitalization purposes or to absorb any potential negative balance of "Retained earnings" account.
- d) At the closing of the year, the positive balance of the Reserve for the revaluation of assets may not be distributed, capitalized or allocated to absorb accumulated losses, but must be computed as part of Retained earnings for the purposes of comparison to determine the Company's situation under sections 31, 32 and 206 of the Commercial Companies Law No 19550, in accordance with the amended text of the CNV.



NOTE 20 - TRADE PAYABLES

	04.30.2016	04.30.2015	04.30.2014
Non-Current			
In local currency			
Sundry accruals	27,159,490	15,317,182	11,562,817
In foreign currency (Exhibit G)			
Sundry accruals	6,016,712	4,693,465	5,150,903
Total	33,176,202	20,010,647	16,713,720
	04.30.2016	04.30.2015	04.30.2014
Current			
In local currency			
Suppliers	109,626,901	87,166,404	37,202,453
Intercompany suppliers Section 33 – Law 19550 (Note 32.b)	44,756	6,636	612,231
Sundry intercompany provisions (Note 32.b)	-	-	120,000
Advance of customers	-	-	13,311,926
Sundry accruals	26,237,447	9,190,212	1,661,790
In foreign currency (Exhibit G)			
Suppliers	197,378,461	123,293,250	94,433,294
Advance of customers	-	-	27,639,642
Sundry accruals	6,476,268	3,021,375	962,651
Total	339,763,833	222,677,877	175,943,987

The carrying amount of trade accounts payable approximates to their fair value.

According to the estimated term for payment, they are grouped as follows:

	04.30.2016	04.30.2015	04.30.2014
Past due			
From 0 to 3 months	625,576	458,957	7,233,380
From 3 to 6 months	552,722	25,662	43,149
From 6 to 9 months	-	30,600	2,159
From 9 to 12 months			5,166
From 1 to 2 years	-	166,261	-
More than 2 years	-	6,210	-
Without due date (shown as current liabilities)	729,079	729,804	729,804
To be due			
From 0 to 3 months	332,047,130	218,867,683	129,102,410
From 3 to 6 months	2,571,192	1,022,613	10,811,723
From 6 to 9 months	1,619,067	686,085	10,949,708
From 9 to 12 months	1,619,067	684,002	17,066,488
From 1 to 2 years	6,016,712	2,719,338	1,286,265
More than 2 years	27,159,490	17,291,309	15,427,455
	372,940,035	242,688,524	192,657,707

NOTE 21 – FINANCIAL LIABILITIES

	04.30.2016	04.30.2015	04.30.2014
Non-Current			
In local currency			
Commissions and expenses to be accrued	(2,420,340)	(4,680,858)	(6,941,377)
Bank loans	55,500,000	74,000,000	4,000,000
Advance funding for maintenance of the CT ADC (Note 1.b.5)	149,763,237	62,694,874	-
In foreign currency (Exhibit G)			
Bank loans	99,750,000	74,818,800	78,419,600
Corporate bonds	2,850,000,000	1,781,400,000	1,600,400,000
Total	3,152,592,897	1,988,232,816	1,675,878,223



NOTE 21 – FINANCIAL LIABILITIES (CONT'D)

	04.30.2016	04.30.2015	04.30.2014
Current			
In local currency			
Bank overdrafts	-	151,222,593	94,705,098
Sale & lease back CMF S.A.	-	-	613,590
Commissions and expenses to be accrued	(2,260,524)	(2,251,786)	(2,252,522)
Bank	179,376,486	43,212,123	63,451,134
In foreign currency (Exhibit G)			
Bank	20,465,376	12,826,229	27,885,175
Corporate bonds	40,604,838	25,380,166	22,801,398
Total	238,186,176	230,389,325	207,203,873

Changes in loans are as follows:

	04.30.2016	04.30.2015	04.30.2014
Balances at the beginning	2,218,622,141	1,883,082,096	1,283,685,946
(Decrease) / increase in bank overdrafts	(151,222,593)	56,517,495	17,870,268
Funding for maintenance of the CT ADC net of credits applications	175,250,000	153,051,587	-
Offsetting with credit for remuneration of non-recurring maintenance	(122,561,332)	(114,973,325)	-
Loans obtained	181,750,000	106,250,000	-
Accruals:			
Accrued interest	388,300,597	232,288,969	176,109,833
Accrued commissions and expenses	2,251,780	2,261,250	2,220,600
Exchange difference generated by foreign currency debts	1,117,800,107	189,586,498	602,665,973
Payments:			
Interest	(325,472,701)	(197,054,583)	(171,123,071)
Capital	(93,938,926)	(92,387,846)	(28,347,453)
Balances at the end	3,390,779,073	2,218,622,141	1,883,082,096

According to the estimated term for payment, they are grouped as follows:

	04.30.2016	04.30.2015	04.30.2014
6 months or less	136,943,460	202,970,043	190,419,701
6-12 months	101,242,716	27,419,282	16,784,172
1-2 years	73,029,660	71,564,962	12,942,281
More than 2 years	3,079,563,237	1,916,667,854	1,662,935,942
Total	3,390,779,073	2,218,622,141	1,883,082,096

The carrying values of the resources outside the Company are stated in the following currencies:

	04.30.2016	04.30.2015	04.30.2014
US Dollar	3,010,820,214	1,894,425,195	1,729,506,173
Pesos	379,958,859	324,196,946	153,575,923
Total	3,390,779,073	2,218,622,141	1,883,082,096

Financial liabilities in US dollars accrue annual interest averaging approximately 10% at April 30, 2016, 2015 and 2014.

The fair value of corporate bonds at April 30, 2016, 2015 and 2014 amounts to \$ 2,906 million, \$ 1,745 million and \$ 1,372 million, respectively, categorized as level 1 within the fair value hierarchy (see Note 2.7.2.2).

The carrying value of the other current and non-current financial liabilities is close to their fair value.



NOTE 21 – FINANCIAL LIABILITIES (CONT'D)

a) Corporate bonds – Senior Notes

On December 28, 2010, the Board of Directors of Capex approved the terms and conditions of the Global Corporate Bond Program, the request for authorization of public offering and listing for trading for a nominal value of up to US\$ 200 million.

On March 10, 2011 Class I Corporate Bonds were issued for an amount of US\$ 200 million under that program.

At the time of their issuance, Class I Corporate Bonds has been rated locally and internationally by two credit rating agencies as "B/RR4" and "B-" and "A+(arg)" and "raA", respectively.

Its characteristics are as follows:

Facilitators: Deutsche Bank Securities Inc and J.P. Morgan Securities, LLC

Issued amount: US\$ 200,000,000

Issue price: 100%

Issue date: March 10, 2011

Expiration date: March 10, 2018

Interest: it accrues compensatory interest payable every six months as from the agreement execution date and until repayment date, at an annual nominal fixed rate of 10%. The payment dates will be March 10 and September 10 of each year until/to maturity, commencing on September 10, 2011.

Amortization: Principal will be amortized in only one installment on March 10, 2018.

Listing for trading: The corporate bonds are listed for trading on the Buenos Aires Stock Exchange and the Luxembourg Stock Exchange.

Optional redemption with a premium: The Company may make a full and non-partial redemption at any time prior to March 10, 2015 for an amount equal to 100% of principal, plus accrued and unpaid interest until the redemption date plus a premium.

Optional redemption without premium: The Company may make a full or partial redemption at any time as from March 10, 2015, at the redemption prices expressed as percentages of the principal amount set below, plus accrued and unpaid interest, if any, until the redemption date.

Year	Redemption price
2015	105%
2016	103.3%
2017 and subsequent	100%

Allocation of funds: Payment of short and long term liabilities and provision of working capital in Argentina.

Guarantees: No guarantees

Main commitments of the Company and its restricted subsidiaries

At the date of issue of these financial statements at April 30, 2016 SEB but not Hychico qualifies as a restricted subsidiary for the purposes of compliance with certain covenants.

- Limitation to incur additional financial debt: the Company and its restricted subsidiaries may incur additional financial debt if at the time of incurring such debt and giving effect to it: (1) no event of default has occurred and (2) the Consolidated Interest Coverage Ratio is not less than 2.5:1.0 (adjusted EBITDA for the year of four consecutive quarters preceding the calculation date to interest paid for such year) and the Financial Debt to adjusted EBITDA ratio is not higher than 3.5:1.0. In all cases, the values are consolidated with its restricted subsidiaries. Once the minimum and maximum values have been reached in the case of the Interest Coverage Ratio and Financial Debt to adjusted EBITDA Ratio, respectively, the Company and its restricted subsidiaries, taken as a whole, may incur additional financial debt for the higher of US\$ 20 million or 5% of the Consolidated Asset value.
- Change of control: In the event of a change of control, the holders may request the Company to buy all or a part of its corporate bonds.



NOTE 21 – FINANCIAL LIABILITIES (CONT'D)

- Limitation on dividend payments: The Company and its restricted subsidiaries may pay dividends if no event of default has occurred and the Company could incur additional financial debt for at least US\$1, if, when incurred, the Consolidated Interest Coverage Ratio is not less than 2.5:1.0 and the Interest Coverage Ratio and Financial Debt to adjusted EBITDA Ratio is not higher than 3.5:1.0. (*)
- Limitation on dividend payments and other payment restrictions affecting the restricted subsidiaries: The restricted subsidiaries may not have agreements restricting their ability to pay dividends (*)
- Limitation on sales of assets: The Company and its subsidiaries must apply the proceeds from the sales of their assets (other than in the normal course of business) to: (1) the repayment of Financial Debt, (2) the purchase of assets in a similar line of business (in the case of the purchase of Shares in a Company, this company must, as from that moment, become a restricted subsidiary). All amounts not applied to one or some of these items within 270 days must be applied to an offer for the purchase of the Corporate Bonds (*)
- Limitation on liens on any of its assets or property (with the usual exceptions)
- Limitation on sale & leaseback transactions (with the usual exceptions) (*)
- Limitation on mergers, absorptions and sales of assets (with the usual exceptions) (*)
- Limitation on transactions with related companies (with the usual exceptions) (*)
- No activity will be carried out other than the permitted businesses
- Keeping its corporate existence in full force and effect
- Maintenance of property and insurance
- Keeping its bond ratings: The Company will make all commercial efforts to keep the rating of the Corporate Bonds with at least two credit rating agencies.

If at any date following the issuance of the Corporate Bonds, they are rated as investment grade by at least two credit rating agencies (equal, for example, to a) BBB-, in the case of S&P and Fitch, and b) Baa3, in the case of Moody's, or higher) and no event of default has occurred or still subsists, the Company and its restricted subsidiaries will not be subject to the commitments marked with an (*).

For further information, see the Offering Circular and Pricing Supplement for the Company's Global Corporate Bond Issue Program.

At the date of issue of the financial statements at April 30, 2016, the Company and its Restricted Subsidiaries are in compliance with all covenants taken on.

The balance at April 30, 2016 amounts to \$ 2,890,604,838, \$ 40,604,838 of which is current. Commissions and expenses paid in relation to the Corporate Bonds have been deducted from liabilities, which will accrue over the life of the debt. The balance at April 30, 2016 amounts to \$ 3,907,262, \$ 2,131,236 of which is current (see point I)).

b) Syndicated loans

The Company entered into a syndicated loan with Banco Galicia de Buenos Aires and Banco Ciudad de Buenos Aires on September 20, 2012. The characteristics of the loan are as follows:

Amount: \$ 20,000,000
Starting date: September 20, 2012
Term: 3 years
Expiration date: September 21, 2015

Amortization: 25 equal consecutive monthly installments, the first having fallen due on September 21, 2013.
Interest: it accrues interest at an annual nominal rate of 15.01%, payable monthly.
Allocation of funds: Financing of investment projects over a term of 180 days.

The loan was paid at maturity.



NOTE 21 – FINANCIAL LIABILITIES (CONT'D)

c) Banco de Crédito y Securitización S.A. loan for \$ 30,000,000

On November 11, 2014, the Company entered into a loan agreement with BACS Banco de Crédito y Securitización S.A.:

Amount: \$ 30,000,000

Purpose of the funds: working capital.

Starting date: November 11, 2014

Term: 36 months

Expiration date: November 11, 2017

Amortization: 5 semi-annual, equal and consecutive installments, with a grace period of one year.

Interest rate: It accrues interest at nominal annual floating BADLAR rate for Private Banks (adjusted) plus 400 bps. Interest is paid on a semi-annual basis.

Main commitments of the Company and its restricted subsidiaries: they have general conditions similar to the conditions already existing under fixed-rate Class 1 Corporate Bonds falling due in 2018 for a nominal value of up to US\$ 200,000,000. In the event of noncompliance with certain financial commitments, there is a restriction on the declaration or payment of dividends or on any capital distribution.

At the date of issue of the financial statements at April 30, 2016, the Company and its Restricted Subsidiaries are in compliance with all commitments taken on.

The balance at April 30, 2016 amounts to \$ 28,322,523, \$ 16,322,523 of which is current (see point l)).

d) Banco Mariva loan for \$ 10,000,000

On January 6, 2015, the Company entered into a loan agreement with Banco Mariva, for \$ 10,000,000, trenewed on July 6, 2015. The main characteristics of the loan are as follows:

Amount: \$ 10,000,000

Starting date: July 6, 2015

Term: 180 days

Expiration date: January 6, 2016

Amortization: one payment at maturity

Interest: nominal monthly floating BADLAR rate (adjusted) plus 900 bps.

The loan was paid at maturity.

e) Banco Galicia de Buenos Aires loan for \$ 16,250,000

On February 4, 2015, the Company entered into a loan agreement with Banco Galicia, for \$ 16,250,000, the main characteristics of which are as follows:

Amount: \$ 16,250,000

Starting date: February 4, 2015

Term: 365 days

Expiration date: February 4, 2016

Interest: It accrued interest at nominal annual floating BADLAR rate for Private Banks (adjusted) plus 450 bps. Interest was paid at maturity.

The loan was paid at maturity.

f) Industrial Commercial Bank of China (Argentina) S.A.

On April 1, 2015, the Company entered into a loan agreement with Industrial Commercial Bank of China (Argentina) S.A. (ICBC) the main characteristics of which are as follows:

Amount: \$ 50,000,000

Purpose of the funds: refinancing liabilities.

Starting date: April 1, 2015



NOTE 21 – FINANCIAL LIABILITIES (CONT'D)

Term: 24 months

Expiration date: April 1, 2017

Amortization: 3 quarterly, equal and consecutive installments the first one falling due on October 1, 2016.

Interest rate: It accrues interest at nominal annual floating BADLAR rate for Private Banks (adjusted) plus 5.25% annual interest. Interest is paid on a quarterly basis.

Main commitments of the Company and its restricted subsidiaries: they have general conditions similar to the conditions already existing under fixed-rate Class 1 Corporate Bonds falling due in 2018 for a nominal value of up to US\$ 200,000,000. In the event of noncompliance with certain financial commitments, there is a restriction on the declaration or payment of dividends or on any capital distribution.

At the date of issue of the financial statements at April 30, 2016, the Company and its Restricted Subsidiaries are in compliance with all commitments taken on.

The balance at April 30, 2016 amounts to \$ 51,737,210, all of which is current (see point I)). The loan was prepaid on July 1, 2016.

g) Banco Ciudad de Buenos Aires, Hipotecario and Macro loan for \$ 125,000,000

On May 5, 2015, Capex entered into a loan agreement with Banco de la Ciudad de Buenos Aires, Banco Hipotecario S.A. and Banco Macro S.A., as lenders, and Banco Macro S.A. as administrative agent and organizer, the main characteristics of which are as follows:

Amount: \$ 125,000,000

Purpose of the funds: \$ 100,000,000 for refinancing of liabilities and \$ 25,000,000 for working capital.

Starting date: May 5, 2015

Term: 24 months

Expiration date: May 5, 2017

Amortization: 5 quarterly, equal and consecutive installments, with a grace period of one year. Each of those installments will be paid as follows:

Instalment	Expiration date	Percentage of the loan
1	May 2016	15%
2	August 2016	15%
3	November 2016	15%
4	February 2017	25%
5	May 2017	30%

Interest: It accrues interest at nominal annual floating BADLAR rate for Private Banks (adjusted) plus 450 bps.

Minimum cash used for the correction is the percentage of minimum cash liquidity required to financial institutions for loans of fixed installments within 30 to 59 residual days under Category 1 according to the BCRA, valid when determining the appropriate interest. They are paid quarterly.

Main commitments of the Company and its restricted subsidiaries: they have general conditions similar to the conditions already existing under fixed-rate Class 1 Corporate Bonds falling due in 2018 for a nominal value of up to US\$ 200,000,000. In the event of noncompliance with certain financial commitments, there is a restriction on the declaration or payment of dividends or on any capital distribution exists.

At the date of issuance of these financial statements at April 30, 2016, the Company and its subsidiaries are in compliance with all commitments taken on.

The balance at April 30, 2016 amounts to \$ 135,824,246, \$ 98,324,246 of which is current (see point I)).



NOTE 21 – FINANCIAL LIABILITIES (CONT'D)

h) Banco Galicia for \$ 3,750,000

On May 29, 2015, Capex entered into a loan agreement with Banco Galicia for \$ 3,750,000, the main characteristics of which are as follows:

Amount: \$ 3,750,000

Starting date: May 29, 2015

Term: 365 days

Expiration date: May 27, 2016

Interest: It accrued interest at nominal annual floating BADLAR rate for Private Banks (adjusted) plus 450 bps. Interest is paid at maturity.

The balance at April 30, 2016 amounts to \$ 4,831,245, all of it being current (see point I)). The loan was cancelled at maturity.

i) Banco de Crédito y Securitización S.A. loan for \$ 15,000,000

On July 28, 2015, Capex entered into a loan agreement with BACS Banco de Crédito y Securitización S.A., the main characteristics of which are as follows:

Amount: \$ 15,000,000

Purpose of the funds: working capital.

Starting date: July 28, 2015

Term: 28 months

Expiration date: November 13, 2017

Amortization: 5 quarterly, equal and consecutive installments, the first one having fallen due on November 11, 2015 and the rest payable semiannually.

Interest: It accrues interest at nominal annual floating BADLAR rate for Private Banks (adjusted) plus 400 bps.

Minimum cash used for the correction is the percentage of minimum cash liquidity required to financial institutions for loans of fixed installments within 29 days under Category 1 according to the BCRA, valid when determining the appropriate interest. They are paid alongside with capital amortization.

Main commitments of the Company and its restricted subsidiaries: they have general conditions similar to the conditions already existing under fixed-rate Class 1 Corporate Bonds falling due in 2018 for a nominal value of up to US\$ 200,000,000. In the event of noncompliance with certain financial commitments, there is a restriction on the declaration or payment of dividends or on any capital distribution.

At the date of issuance of these financial statements at April 30, 2016, the Company and its subsidiaries are in compliance with all commitments taken on.

The balance at April 30, 2016 amounts to \$ 14,161,262, \$ 8,161,262 of which is current (see point I)).

j) Sale & lease back with Banco CMF S.A.

In April 2009, Hychico signed a Sale & Lease Back agreement with Banco CMF S.A. whereby it delivered the ownership of the electrolyzers, the storage systems, the oxygen compressor and the gas engine generator, among other assets, located in its industrial plant, in the Diadema Argentina oil field in Comodoro Rivadavia, Province of Chubut.

The term of the leasing was sixty one (61) months plus the term for exercising the purchase option, which would be computed as from the starting date of the agreement. However, Hychico had the option to purchase the title to the property upon payment of 75% of the fixed leasing price, at any time until the expiration of the term.

The purchase option exercise price was \$ 400,000, with the payment of the fee accrued until that date, where applicable.

The total price for this agreement was \$ 8,000,000, payable in sixty one (61) monthly consecutive fees of \$ 219,562.50 (including principal and interest); the due date of the first fee was May 17, 2009.

On May 19, 2014 Hychico decided to exercise the call option on the price agreed in the contract for \$ 400,000.



NOTE 21 – FINANCIAL LIABILITIES (CONT'D)

k) Corporación Interamericana de Inversiones - US\$ 14,000,000

In March, 2012, Hychico signed a loan agreement with Corporación Interamericana de Inversiones, which was applied to the long-term refinancing of the liabilities taken on for the construction and operation of the DEEF (loan with the Deutsche Bank AG London (see point j)). Its characteristics are as follows:

Underwriter: Corporación Interamericana de Inversiones (CII)

Manager: Corporación Interamericana de Inversiones

Amount: it is divided into Loan A for up to US\$ 8,000,000 and Loan B for up to US\$ 6,000,000.

Disbursement date: April 24, 2012

Maturity date: 10 years as from the date of the first disbursement.

Amortization: the loan is amortized in 20 consecutive and equal semi-annual installments, falling due as from the date of the first disbursement.

Interest: it accrues interest (calculated on a six-month basis) payable semi-annually as from the disbursement at an annual rate equivalent to the aggregate of LIBO plus a rate of 8.75%. Furthermore, default interest at an annual rate of 2% will be applied to the amounts that might be owed in case of default.

Fees: it accrues i) Commitment Fee: 0.5% annual on the amounts not disbursed under the loan, which will be accrued as from the effective date and until the loan has been fully disbursed or the disbursements ceased;

ii) Origination Fee: 1.25 % on the amount of principal payable at the date of the first disbursement; iii) Syndication Fee: 1.25% on the amount of the Loan B payable at the disbursement of each fund request; iv) Supervision Fee: US\$ 8,000 payable at the time of the first interest payment of each year and until the total amortization of Loan A and v)

Administration Fee: US\$ 2,000 payable at the time of the first interest payment of each year and until the total amortization of Loan B.

Advance payment: the loan may voluntarily be repaid earlier, either in full or in part. Advance payments will be subject to a surcharge equal to: (i) 2% of the amount paid earlier if it occurs before the fifth anniversary of the Loan; or (ii) 1.5% if the early repayment occurs between the fifth anniversary of the loan and the expiration date. The amount of the advance payment may not be below US\$ 2,000,000. All advance payments will be applied to the installments of the loan principal balance inversely to their expiration dates.

Allocation of funds: refinancing of the liabilities taken on for the construction and operation of DEEF.

Guarantees: the loan is secured as follows:

- Senior Pledge on the equipment and all assets of DEEF
- Surety bonds provided by the Company as surety and principal payer of all obligations assumed by Hychico under the loan agreement, the promissory notes and other main documents ⁽¹⁾;
- Conditional assignment of the rights included in the Energy Purchase Agreement;
- Conditional assignment of the rights arising from the permits and main agreements, including easement, connection agreements, and any other document or agreement related to DEEF;
- Assignment of the guarantee over the rights arising under the loan for use signed with CAPSA on the land where DEEF is located; and
- Senior pledge on 100% of the shares of Hychico.

¹⁾ Capex undertakes, until full repayment of the loan, to maintain ownership and control, directly or indirectly through its subsidiary SEB, a majority of the capital stock with voting rights.

The loan sets forth covenants for Hychico and for the Company, as its Guarantor, the most important ones are mentioned below:

Positive covenants

- Comply with the Financial Debt Service Coverage ratio (as from April 2013);

Negative covenants

- Incur and maintain any financial debt, except for this loan and the liabilities derived from the loans of the Guarantor, which are subject to the Loan with regard to payment terms and conditions, except for a maximum amount of US\$500,000;



NOTE 21 – FINANCIAL LIABILITIES (CONT'D)

- Declare, approve and/or distribute dividends or any type of remuneration to the shareholders, temporary and definitive, directly or indirectly, except each of the following conditions are met:
 - that the net result for the year be positive and it be declared against the income of the year;
 - that the Financial Debt Service Coverage ratio be greater than 1.1, measured after payment of dividends; and
 - that Hychico complies with its obligations under this Agreement and the Main Documents.
- Invest in assets outside the normal course of business;
- Guarantee and become surety of third party debts;
- Constitute and/or allow that a lien is levied on any of the assets belonging to Hychico, except for those mentioned in the Loan Agreement;
- Sell or lease more than ten per cent (10%) of DEEF assets or carry out a merger, division, consolidation and transfer of more than ten per cent (10%) of DEEF assets, spin-off, transformation, change of the corporate name or any other significant change to its legal structure, unless the proceeds be applied to the acquisition of replacement assets;
- Reduce its capital stock¹⁾;
- Allow or take any action that allows the Loan to be lower in priority (including the Guarantee) with respect to the other preferred debts incurred.

⁽¹⁾ In September, 2013, the CII removed permanently the restriction imposed on Hychico relating to the reduction of its capital stock provided that it is mandatory under the Law of Commercial Companies N°19950.

These covenants have been met, there being no events of default at April 30, 2016.

At the balance sheet date of Capex, Hychico has repaid according to the due dates provided, principal for \$ 45,558,540 and interest for a cumulative total of \$ 33,440,981.

At April 30, 2016 the balance amounts to \$ 120,215,376, \$ 20,465,376, of which are current. The commissions and guarantees paid have been deducted from the loan, which will accrue during the life of the debt. The balance of these commissions and guarantees at April 30, 2016 amounts to \$ 773,602, \$ 129,288 of which are current (see point I)).

I) Summary at April 30, 2016

Loan	Current	Non-Current	Total
Corporate Bonds - Senior Notes (point a))	40,604,838	2,850,000,000	2,890,604,838
Unearned commissions and expenses corporate bonds (point a))	(2,131,236)	(1,776,026)	(3,907,262)
Banco Crédito y Securitización (point c))	16,322,523	12,000,000	28,322,523
ICBC (point f))	51,737,210	-	51,737,210
Banco Ciudad de Buenos Aires, Hipotecario and Macro (point g))	98,324,246	37,500,000	135,824,246
Banco Galicia (point h))	4,831,245	-	4,831,245
Banco Crédito y Securitización (point i))	8,161,262	6,000,000	14,161,262
Corporación Interamericana de Inversiones (CII) (point k))	20,465,376	99,750,000	120,215,376
Commissions and guarantees Corporación Interamericana de Inversiones (point k))	(129,288)	(644,314)	(773,602)
Total	238,186,176	3,002,829,660	3,241,015,836

On June 8, 2015, Capex entered into a loan agreement with Banco Itaú for \$ 28,000,000, falling due in less than one year. The loan was repaid on the date.

NOTE 22 – SALARIES AND SOCIAL SECURITY CONTRIBUTIONS

	04.30.2016	04.30.2015	04.30.2014
In local currency			
Salaries and social security contributions	11,840,756	9,166,400	7,373,715
Sundry accruals	39,020,541	30,928,093	22,643,287
Total	50,861,297	40,094,493	30,017,002



NOTE 23 – TAXES

	04.30.2016	04.30.2015	04.30.2014
In local currency			
Accrual for tax on assets	2,465,925	-	1,274,859
Tax withholdings and collections	2,839,811	4,485,422	2,553,590
Value added tax	29,139,387	18,634,524	10,871,227
Other	5,407,428	2,806,160	2,279,954
Total	39,852,551	25,926,106	16,979,630

NOTE 24 – OTHER LIABILITIES

	04.30.2016	04.30.2015	04.30.2014
In local currency			
Oil and gas royalties	55,860,950	20,201,715	7,801,159
Total	55,860,950	20,201,715	7,801,159

NOTE 25 - PROVISIONS AND OTHER CHARGES

1. Provisions

	04.30.2016	04.30.2015	04.30.2014
In local currency			
Provisions for lawsuits and fines (Exhibit E)	3,244,352	2,367,385	1,810,499
Total	3,244,352	2,367,385	1,810,499

The provision for lawsuits was set up based on the analysis of possible indemnities that the Group estimates to pay according to the opinion of its legal counsel. The movement is as follows:

Balances as of May 1, 2013	3,732,808
Increase in the provision allocated to other operating (expenses) / income, net – (Note 27)	(534,835)
Lawsuits paid as of April 30, 2014	(1,387,474)
Balances as of April 30, 2014	1,810,499
Increase in the provision allocated to other operating (expenses) / income, net – (Note 27)	556,886
Balances as of April 30, 2015	2,367,385
Increase in the provision allocated to other operating (expenses) / income, net – (Note 27)	1,509,967
Court orders paid as of April 30, 2016	(633,000)
Balances as of April 30, 2016	3,244,352

2. Contingencies

a) Provisional remedy and administrative appeals

a.1) ES Resolution N° 821/10

On October 24, 2010, Resolution No. 821/10 (the “Resolution”) issued by the ES imposed penalties on the Company for alleged non-compliance with the supply of liquefied petroleum gas (LPG) in accordance with the agreement on LPG price stability (the “Agreement”) executed between the ES and some LPG retailers and producers, among which the Company is not included.

The penalties imposed are:

- A fine of \$ 3,117,426,
- The Company’s forced delivery of LPG 2,351 tn to other producers and/ or retailers for a market value of approximately \$ 3,853,289, and
- Prohibition to export for the time the resolution is not complied with.

The Company has requested at the administrative stage at stay of the resolution and filed a motion for reconsideration. Additionally, the Company filed for an autonomous provisional remedy with a federal court to prevent the application of the resolution until the courts decide on the administrative appeals lodged. The provisional remedy was granted and notice was served on the ES on November 25, 2010.



NOTE 25 - PROVISIONS AND OTHER CHARGES (CONT'D)

The Company's management, in line with the opinion of the legal advisors, understands that it has solid grounds to consider these claims to be inadmissible; therefore, the financial statements at April 30, 2016 do not include any related charge. Legal advisors of the Company consider that Law 26854 on provisional remedies in lawsuits to which the Government is a party or intervenes as a third party claimant, would not have a significant impact on the provisional remedies granted.

a.2) ENARGAS Resolutions Nos. 1982, 1988 and 1991/2011

The Company considers that the charge envisaged by Resolutions N° 1982, 1988 and 1991, as mentioned in Note 1.2 d) is unconstitutional for it is clearly a tax and has not been created by a Law passed by National Congress. The charge has a tax nature for the following reasons: (i) it is not aimed at expanding or improving the public utility service for gas distribution or transport; instead, it is allocated to a trust fund created and administered by the National Government to meet natural gas imports; (ii) the gas treatment plants without regulated measurement, as is the case of the Company, do not use public utility services for gas distribution or transport but receive the fluid directly from producers; (iii) the charge has been excluded from other tax bases (except for VAT); (iv) without prejudice to its name, the charge is a requirement imposed by the Government in the exercise of its powers so that private parties may deliver to it sums of money to defray expenses to serve its purposes, in this case the import of gas to supply the domestic market.

For all these reasons, and considering that this charge has a significant economic impact on the LPG business unit, on December 29, 2011 the Company filed with the Neuquén Federal Court action for declaration of unconstitutionality against the resolutions referred to in the foregoing paragraph and paid the charge for December 2011 under protest, which amounted to \$ 3,498,609 plus VAT.

Subsequently, on March 5, 2012, the Company requested that a provisional remedy be granted by the Federal Court at which the action for declaration of unconstitutionality is pending, to stay the effects of the regulations referred to above. As a result, on March 14, 2012, the Federal Court hearing the case sustained the provisional remedy requested by the Company, staying the above-mentioned regulations and the consequent obligation to pay the charge imposed by them, and requesting the Company to take out a bond insurance for \$ 25,400,000 as security for costs. The Company notified the ES and the ENARGAS of the provisional remedy on March 30, 2012. Other LPG producing companies also requested and obtained similar provisional remedy.

On August 2, 2012, the Company was served notice of the resolution of the Federal Court of Neuquén whereby the court declared that it had jurisdiction to hear the case but considered that the judicial stage was not yet authorized to file the claim. Consequently, the provisional remedy ordered was lifted. The resolution was appealed on August 10, 2012; therefore the provisional remedy will remain effective until the resolution becomes final. The Company considers that there are strong grounds for reversal of the appealed resolution. Also, in August 2012, the Company filed an administrative appeal against Decree 2067/08 and the resolutions adopted in compliance therewith.

Law 26784 was published in the Official Gazette on November 5, 2012. This law, among other issues, amended Law 26095 on Energy Infrastructure Works by establishing that gas imports are a priority for the National Government, and that the charge and the trust fund created by Decree 2067/08 and the related proceedings performed will be governed by the provisions of that Law.

In August of 2013 the Federal Court of Appeals in General Roca allowed the appeal filed by Capex in August 2012 and partially reversed the judgment of the lower court; the court permitted that the claim of CAPEX S.A. be heard, ordered that the court costs be awarded against the parties to the case and maintained the effectiveness of the provisional remedy issued.

The ruling of the court of appeals removed the uncertainty of the Company as regards the feasibility of its original claim.

The Company's legal counsel completed an analysis of Law 26784 and came to the conclusion that the law does not make Decree 2067/08 and related ENARGAS resolutions constitutional mainly because the Argentine Supreme Court of Justice (CSJN) ruled in the "Franco" case that the Argentine Constitution prevents the Executive Branch from exercising legislative powers without sufficient and prior legal grounds and that "only in the exceptional case of a decree of necessity and emergency a subsequent ratification thereof could virtually validate it, but this does not apply in this case..." In other words, according to this court precedent, the Argentine Congress could not validate an unconstitutional regulation issued by the Executive Branch, as this clearly exceeds its regulatory powers. As a result, since it becomes apparent that Decree 2067/08 is not a decree of necessity and emergency, a law passed by the Congress confirming the decree is not sufficient to cure the unconstitutionality.



NOTE 25 - PROVISIONS AND OTHER CHARGES (CONT'D)

As regards Law 26784 and after the decision of the Court of Appeals allowing the Company to file its claim and maintain the provisional remedy, on October 29, 2013 the Company filed an amended complaint with the Federal Court of Neuquén requesting that section 54 of the law was also declared unconstitutional. The court hearing the case accepted the amended complaint and ordered that the summons and amended complaint be served upon the National Government and ENARGAS.

On May 22, 2014, the Company filed a voluntary petition, asking for the rejection of a request by ENARGAS based on Law 26854 on Provisional Remedies against the National Government and on Law 26784; the Company argued, among other reasons, that: (a) the provisional remedy obtained by the Company was granted prior to enactment of Law 26854, and it cannot be applied retroactively (b) the provisions included in the Law on Provisional Remedies against the National Government are unconstitutional, as has been ruled in numerous precedents and (c) the Annual Budget Law for 2013 does not ratify Decree 2067/08 or the regulations of ENARGAS derived from it, neither does it amend the unconstitutionality of these regulations due to the fact that it does not meet the requirements required by the principle of legality of taxation rooted in the Constitution.

The Company's management, based on the above and in the opinion of its internal and external legal advisors, considers that the Company has solid grounds to obtain the unconstitutionality of the charge created by Decree 2067/08, the related Resolutions of ENARGAS and section 54 of Law 26784 and to reject their enforceability. As a result, it is not necessary to set up any provision.

As of April 30, 2014, the provision set up in connection with this item for \$ 31.7 million was reversed; \$ 16.3 million for the period November 2012 to April 2013 were allocated to line Other operating (expenses) / income, net of the comprehensive income statement and \$ 15.4 million for the period May to October 2013 were allocated to line Cost of Sales.

On November 5, 2014, the Company was notified of the decision rendered by the Federal Court of Neuquén removing the provisional remedy requested by ENARGAS, on the grounds that the likelihood of the claim originally considered when granting the provisional remedy should have disappeared upon the enactment of Law 26784. On the same date, the Company filed an appeal against the decision of the court, which was granted with a stay of execution on November 6, 2014.

On September 16, 2015, the General Roca Federal Court of Appeals admitted the appeal filed by Capex and revoked the petition for release of the injunction submitted by ENARGAS. ENARGAS filed an extraordinary appeal against such decision, which was rejected on February 10, 2016.

In addition to the maintenance of the provisional remedy, on 27 October 2015 the Argentine Supreme Court of Justice issued the ruling "Compañía Mega S.A. c/EN" in which, in a similar case in which the gas consumed by the plaintiff does not enter the transportation system and cannot be confused with imported gas, it was established that the charge created by Decree 2067/08 is unconstitutional. The Company's legal advisors believe that this ruling is a precedent of importance to endorse the Company's position.

The Company's Management, based on the opinion of its internal and external legal advisors, continue considering that it has solid arguments to obtain a declaration from the court that the charge created by Decree 2067/08, the related Resolutions issued by ENARGAS and section 54 of Law 26784 are unconstitutional and, thus deny their application, as well as maintain the provisional remedy. Consequently, it would not be necessary to set up any provision.

a.3) Energy Secretariat Resolution 77/12

The Company considers, among other issues, that ES Resolution No. 77/2012 mentioned in Note 1.2.d) is in breach of the provisions of LPG Law 26020, which establish that the only price limit for the sales of LPG to the domestic market is the export parity (Section 7, subsect. b)) and that the LPG production activity will be free (Section 11). On March 29, 2012, the Company received Note No. 1584/12 from the Energy Secretariat whereby, the Company will be required to supply certain retailers with 12,418 tons of butane at the prices set in that resolution; these prices are significantly lower than the prices at which Capex sells its production and they meet the "export parity" limit set by the LPG Law.



NOTE 25 - PROVISIONS AND OTHER CHARGES (CONT'D)

Upon receipt of that Note, on April 4, 2012 the Company filed a motion for reconsideration and an appeal in the alternative before a higher administrative authority, against the resolution and Note No. 1584/12 of the ES; subsequently, it applied for an autonomous provisional remedy with staying effects on both of them before the Neuquén Federal Court.

In April 2012, Capex received ES Note 2247/12 whereby the ES prohibits it from (i) exporting LPG, and (ii) entering into LPG purchase and sale transactions in the domestic market with all of the individuals operating in the industry, on the grounds that Capex had not complied with the supply required by ES Note No. 1584/12 mentioned above. Capex filed a motion for reconsideration and an appeal in the alternative before a higher administrative authority, against ES Note 2247/12, and informed the Neuquén Federal Court of this Note, requesting it that the provisional remedy be extended to the prohibitions imposed by that Note.

On April 25, 2012, the Neuquén Federal Court awarded Capex the provisional remedy requested, staying the effects of the resolution and of the ES Notes No. 1584/12 and 2247/12 regarding Capex and those parties that operate with it. Accordingly, Capex continues with its normal operations of LPG production and sale.

As explained above, the resolution is in breach of: (i) the provisions of the LPG Law 26020 which provides that the only price limit on the sales of LPG to the domestic market is the export parity (Section 7, subsect. b)) and that the LPG production activity will be free (Section 11); (ii) the guarantee of due administrative process and defense envisaged by Section 18 of the Argentine Constitution, for it imposes a sanction without granting Capex the right of self-defense; (iii) the principle of legality, envisaged by Sections 18 and 19 of the Constitution, as the sanctions have not been created by Congress; and (iv) Capex's right to perform any lawful work, as guaranteed by Section 14 of the Argentine Constitution.

The Company's Management, in line with the opinion of the internal and external legal advisors, understands that it has solid grounds to consider these claims to be wrongful; therefore, these financial statements at April 30, 2016 do not include any related charge.

Capex's legal advisors consider that Law 26854 on provisional remedies in lawsuits to which the Government is a party or intervenes as a third party claimant, would not have a significant impact on the provisional remedies granted.

b) Differences in the liquidation of employer contributions

In August 2010, the AFIP served notice to Capex of a debt assessment for \$ 6,334,286.51 for differences in the calculation of employer's contributions to the social security system. This amount is made up of principal for \$2,863,919.51 plus interest accrued for \$ 3,470,367 for the periods from August 2001 to March 2008.

The AFIP considers that Capex should have made employer's contributions at a tax rate of 21%, applicable to employers whose main activity is the provision of services instead of the tax rate of 17% applicable to industries, among others. The Tax Authorities consider that applicable regulations state that the generation activity is a service rather than an industrial activity.

The Company challenged the debt assessment based on electricity laws (Laws 15336 and 24065) and other regulations and case law which define the generation activity as an industrial activity.

In June 2011, the Company received notice of AFIP Resolution No. 69/2011 rejecting the challenge filed and suspending the application of penalties for certain periods until a final and conclusive judgment is rendered by a criminal court.

The Company filed motion for reconsideration of the above resolution, which was rejected by the AFIP, as notified in August 2011.

The Company filed legal action with the Federal Social Security Court; to that end, the prior deposit of the assessed debt is required, but it was replaced, according to different legal precedents, with a bond insurance policy for \$ 7,186,211.25.

In July 2011, the AFIP notified the Company of (i) a new debt assessment due to differences in employer contributions for the April 2008-April 2009 year for a total amount of \$ 1,717,313.35 (principal of \$ 1,002,396.78 plus interest of \$ 714,916.57) and (ii) the application of fines totaling \$ 490,686.71, on grounds of an alleged false statement invoking an employer contribution abatement benefit for the period from August 2001 to April 2005. Capex challenged both the debt assessment and the applied fines. The AFIP rejected the legal challenges to the applied fine, so Capex also filed an appeal with the Federal Social Security Court and provided a bond insurance policy for the amount of the fine.



NOTE 25 - PROVISIONS AND OTHER CHARGES (CONT'D)

On March 17, 2015, Panel I of the Court of Appeals with jurisdiction over Social Security Matters in and for the City of Buenos Aires rendered AFIP's resolution ineffective. The resolution had ordered the Company to pay the differences in employers' contributions. The court considered the resolution arbitrary on the grounds that AFIP had dismissed the evidence offered by the Company thus breaching the right to defense and ordered that a new resolution be issued after Capex has produced the evidence it had offered.

The Company's Management, in line with the opinion of its internal and external legal counsel, understands that it has solid grounds to reverse the position of AFIP; therefore, these financial statements at April 30, 2016 do not include any related charge.

c) Argentine Central Bank ("BCRA") Summary Proceedings – Access to the foreign exchange market for payments under the Swap Agreement

In November 2015, through Resolution No. 881/2015, the BCRA started summary proceedings under the criminal exchange system against Capex and its directors Alejandro Götz, Pablo Götz and Rafael Götz. Summary proceedings were commenced under three exchange operations performed in 2011 and 2012 for US\$ 5,334,192.77, corresponding to purchases of foreign currency for the settlement of interest rate hedge agreements which, according to the BCRA, would have apparently been made without prior authorization. Capex filed the pertinent disclaimers on December 4, 2015 and the legal advisors consider that it has grounds to argue that the purchases of foreign currency did not require prior authorization from the BCRA under the regulations prevailing at the time of the agreement.

NOTE 26 – NET SALES

	04.30.2016	04.30.2015	04.30.2014
Oil	383,154,912	292,631,732	221,678,528
Gas	108,728,846	43,510,606	31,866,278
Gas – government incentives ⁽²⁾	256,532,824	116,070,735	2,959,294
Electricity ADC ⁽¹⁾	968,068,884	679,570,722	461,199,282
LPG	85,783,568	97,711,701	78,862,843
Electricity DEEF	33,597,175	27,885,132	22,057,408
Energy generated with hydrogen	3,077,851	2,067,532	1,111,251
Oxygen	995,123	819,730	599,705
Others ⁽³⁾	4,865,114	643,767	-
Less: Freight charges for electricity forward sales	-	-	(4,122,283)
Total	1,844,804,297	1,260,911,657	816,212,306

(1) It includes income generated by the gas produced at ADC field and consumed in CT ADC and paid by CAMMESA as acknowledgement of own fuel for \$519.5 million, \$383.4 million and \$282.9 million at April 30, 2016, 2015 and 2014, respectively

(2) At April 30, 2016, 2015 and 2014 includes revenues from the "Stimulus Plan for Injection of Natural Gas for Companies with Reduced Injection" for \$ 256.5 million, \$ 116.1 million and \$2.9 million, respectively (see Note 1.2.c).

(3) At April 30, 2016 and 2015, includes revenues from the "Stimulus Program for the Production of Crude Oil" for \$3.2 million and \$0.6 million, respectively (see Note 1.2.a). And at April 30, 2016 includes revenue from the "Propano Sur Program" and "Hogar Program" for \$ 1.6 million.

NOTE 27 - OTHER OPERATING (EXPENSES) / INCOME, NET

	04.30.2016	04.30.2015	04.30.2014
Trust fund of LPG (See Note 25.a.2)	-	-	16,268,270
Tax on financial transactions ⁽¹⁾	-	-	(7,296,796)
Assignment of rights under the compensation program of petróleo plus program ⁽²⁾	-	4,107,070	4,024,670
Expenses relating to the notarial registration of the sale of the Vicente López Building.	-	(2,908,303)	-
Sales of vehicles	525,600	268,833	-
Provision for lawsuits and fines (Note 25 and Exhibit E)	(1,509,967)	(556,886)	534,835
Provision for turnover and obsolescence of spare parts and materials (Note 11 and Exhibit E)	150,039	336,824	27,872
Sundry	(117,760)	51,151	75,053
Total	(952,088)	1,298,689	13,633,904

(1) On November 5 and 7, 2013, Capex deposited \$ 7.3 million for tax on financial transactions generated in assignments of checks plus respective interests (included in financial costs, line of interests and other from the separate statement of comprehensive income), notwithstanding the formulation of administrative and legal recovery measures tending to clarify the legitimacy and accuracy of the Company's procedures.

(2) See Note 1.2.a)

NOTE 28 – FINANCIAL RESULTS

	04.30.2016	04.30.2015	04.30.2014
Finance income			
Interest and other	120,523,841	77,587,474	13,270,706
Interest accrued on receivables	(3,809,929)	3,499,807	502,158
Exchange difference	283,542,436	46,413,108	138,132,425
	400,256,348	127,500,389	151,905,289
Finance costs			
Interest and other	(403,188,432)	(279,722,538)	(220,666,995)
LIBO rate swap (see Note 10)	-	1,079,814	7,373,217
Exchange difference	(1,154,517,380)	(196,054,923)	(617,149,291)
Interest accrued from accounts receivable and payable	(3,648,533)	(242,135)	3,235,753
	(1,561,354,345)	(474,939,782)	(827,207,316)

NOTE 29 - INCOME TAX

Below is reconciliation between income tax charged to earnings and that resulting from applying the income tax rate applicable in each jurisdiction to the accounting profit before taxes:

	04.30.2016	04.30.2015	04.30.2014
Income/Loss before income tax of the Group's shareholders	(397,144,126)	4,381,468	(369,645,532)
Current tax rate	35%	35%	35 %
Income/loss for the year at tax rate	(139,000,444)	1,533,514	(129,375,936)
 - Interest accrued from accounts receivable and payable			
- Provision for deferred asset	2,610,462	(1,140,185)	(1,308,269)
- Sundry	(1,639,872)	424,640	(4,543,589)
- Tax losses from prior years	930,183	493,668	1,345,281
- Recovery of tax loss	-	2,250,340	(5,817,888)
	(118,649)	-	(726,064)
Total income tax charge	(137,218,320)	3,561,977	(140,426,465)
- Adjustment in previous tax returns	(133)	-	-
- Variation between deferred taxes at the beginning and end of the year charged to income (includes tax losses)	(423,282,260)	(402,502,371)	137,932,814
- Payment of amended returns	(47,646)	-	-
- Increase for revaluation - deferred tax (see Note 18)	565,382,372	400,356,267	-
Current tax charged	4,834,013	1,415,873	(2,493,651)

NOTE 30 - EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net income attributable to the Company shareholders by the weighted average number of ordinary shares outstanding during the year, excluding own shares acquired by the Company (Note 17).

The Company does not have ordinary shares to be potentially diluted, so basic earnings per share are equal to diluted earnings per share

	04.30.2016	04.30.2015	04.30.2014
Net result attributable to the Company's shareholders	(259,556,433)	531,482	(224,966,816)
Weighted average number of ordinary outstanding shares	179,802,282	179,802,282	179,802,282
Basic and diluted earnings/losses per share	(1.44357)	0.00296	(1.25119)



NOTE 30 - EARNINGS PER SHARE (CONT'D)

	04.30.2016	04.30.2015	04.30.2014
Comprehensive result attributable to the Company's shareholders	788,642,078	739,897,223	(224,966,816)
Weighted average number of ordinary outstanding shares	179,802,282	179,802,282	179,802,282
Basic and diluted earnings/losses per share	4.38616	4.11506	(1.25119)

NOTE 31 – COMMITMENTS

- In relation to the supply of LPG, the Company has commitments for fiscal year 2016/2017 for the total amount of commercial butane gas and 30% of propane gas it will produce.
- In connection with the supply of gas, the Company has undertaken to deliver 30,000 m³ a day at a value of US\$/bbl 5.50 between May 1, 2016 and September 30, 2016.
- With relation to the sale of eolic energy, according to the contract signed with CAMMESA, the latter agrees to purchase up to 361,755 MWh, during the term of the contract (15 years from the first day of the month following signature - March/12) (see Note 36).
- Note 1 describes the commitments undertaken by the Company with:
 1. The Province of Neuquén.
 2. CAMMESA as a result of ES Resolutions Nos. 529/14 and 95/13.
- The Company has entered into an agreement with Halliburton Argentina S.A. for the provision of fracturing services at risk, being the price for the provision of them subject to the condition that there is commercial production in fractured wells.
- As for the "Maintenance program for the energy generating units", the Company, after completion of the maintenance works, commits to maintaining the minimum availability of the repaired power generation units, from their becoming operative until the end of the repayment period (see Note 1.2.b.5)
- Within the framework of the "Stimulus Plan for Injection of Natural Gas", the Company committed to injecting at least the adjusted base injection or repaying to the National Government the price of importing the deficit volume of gas (see Note 1.2.c)
- In Note 21 a), c), f), g) and i) and Note 33, there is a description of the main commitments arising from the issuance of financial liabilities.
- Note 34 describes the main commitments related to the extension of the third exploration period of the areas in the Province of Río Negro.
- There are no capital disbursements committed but not incurred at the closing date of the financial statements at April 30, 2016.

NOTE 32 - RELATED PARTIES AND KEY MANAGEMENT PERSONNEL

The Company is controlled by Compañías Asociadas Petroleras Sociedad Anónima (C.A.P.S.A.) which holds 75.2% of the Company's shares. Furthermore, Wild S.A. is the last group parent company with a direct and indirect interest of 98.01% in the shares of CAPSA. The remaining shares are held by shareholders who have acquired them in the Stock Market.

Transactions between related parties were conducted as if between independent parties and are as follows:

- a) *Transactions with related parties*
 - a.i.) *With the parent company*



NOTE 32 - RELATED PARTIES AND KEY MANAGEMENT PERSONNEL (CONT'D)

Transactions with the parent company C.A.P.S.A. were:

	04.30.2016	04.30.2015	04.30.2014
Sale of electricity	3,077,851	2,067,531	1,111,251
Expenses corresponding to Hychico	(2,631)	(14,877)	(24,756)
Expenses corresponding to SEB	(176)	(13,488)	-
Expenses corresponding to C.A.P.S.A.	4,234,880	3,052,336	2,404,299
Expenses corresponding to Capex S.A.	(169,739)	(202,811)	(121,039)

a.ii.) With the companies directly or indirectly controlled by the parent company

The following transactions were carried out with Interenergy Argentina S.A.:

	04.30.2016	04.30.2015	04.30.2014
Office and garage rental	(2,329,000)	(1,497,600)	(1,407,000)
Accrual of fees	(10,000)	(5,000)	-
Expenses corresponding to SEB	-	(4,490)	-
Expenses corresponding to Hychico	-	(4,200)	(2,100)
Capitalization of irrevocable contributions	-	-	1,400,000
Expenses corresponding to Interenergy	5,394	2,710	5,545

a.iii.) With the parent companies of the parent company

The following transactions were carried out with Plenium Energy S.A.:

	04.30.2016	04.30.2015	04.30.2014
Expenses corresponding to Plenium Energy S.A.	-	15,558	3,458

The following transactions were carried out with Wild S.A.:

	04.30.2016	04.30.2015	04.30.2014
Expenses corresponding to Wild S.A.	-	9,798	4,530

a.iv.) With related companies

The following transactions were carried out with Alparamis S.A.:

	04.30.2016	04.30.2015	04.30.2014
Sale of Vicente López building	-	141,000,000	-
Expenses corresponding to Alparamis	-	217,094	-
Office and garage rental	(12,540,000)	(6,640,000)	-



NOTE 32 - RELATED PARTIES AND KEY MANAGEMENT PERSONNEL (CONT'D)

b) Balances at year end with the related companies

	With the parent company	With the companies directly or indirectly controlled by the parent company	Total at 04.30.2016
	C.A.P.S.A.	Interenergy Argentina S.A.	
Assets			
Current trade receivables			
In local currency	483,881	-	483,881
In foreign currency	730,967	-	730,967
Other current account receivables			
In local currency	362,368	124,800	487,168
Liabilities			
Current accounts payable			
In local currency	44,756	-	44,756

	With the parent company	With the companies directly or indirectly controlled by the parent company	With the related companies	Total at 04.30.2015
	C.A.P.S.A.	Interenergy Argentina S.A.	Alparamis S.A.	
Assets				
Current trade receivables				
In local currency	308,122	6,300	-	314,422
In foreign currency	173,957	-	-	173,957
Other current account receivables				
In local currency	242,522	124,800	217,094	584,416
Liabilities				
Current accounts payable				
In local currency	6,220	416	-	6,636

	With the parent company	With the companies directly or indirectly controlled by the parent company	With the parent company of the parent companies	Total at 04.30.2014
	C.A.P.S.A.	Interenergy Argentina S.A.	Plenium Energy S.A.	
Assets				
Current trade receivables				
In local currency	312,662	1,800	900	316,262
In foreign currency	7,711	-	-	7,711
Other current account receivables				
In local currency	182,110	125,400	600	308,710
Liabilities				
Current accounts payable				
In local currency	19,431	712,800	-	732,231

c) Remuneration of key management personnel

The remuneration of the key management personnel related to services provided (salaries and other services rendered) accrued in the years ended April 30, 2016, 2015 and 2014, amounts to \$ 40,383,943, \$ 28,286,244 and \$ 20,586,628, respectively.



NOTE 33 - GUARANTEES GRANTED AND RESTRICTED ASSETS

- On March 29, 2012 Hychico signed a new loan agreement with Corporación Interamericana de Inversiones for up to US\$14,000,000. With respect to this loan, the Company provided the surety bonds as surety and principal payer of all obligations assumed by Hychico under the loan agreement, promissory notes and other main documents. Further, the Company and SEB granted as surety a chattel mortgage on 100% of the shares in Hychico.

As consideration for the guarantee granted, Hychico pays the Company an annual fee calculated on the loan outstanding balance.

- In guarantee of faithful compliance with every commitment undertaken under the "Maintenance program for the energy generating units", the Company assigns and transfers in favor of CAMMESA 100% of its present and future credit rights, accrued or to be accrued in favor of Capex derived exclusively from Fixed Cost Remuneration, Variable Costs (non-fuel) and Additional Remuneration for generators, in accordance with ES Resolution 95/2013, for a maximum amount of up to US\$ 20 million at each time point, and up to the limit of the value of unpaid installments (see Note 1.2.b.5).

NOTE 34 - EXPLORATION AREAS IN RÍO NEGRO

a. Loma de Kauffman

The "National and International Public Tender No. 1/06" was called for by the Province of Río Negro for the granting of other permits for the exploration and potential concessions for the exploitation, development, transportation and sale of hydrocarbons. Interenergy Argentina S.A. was awarded a permit of the Loma de Kauffman area under Decree No. 126/07 dated February 2007.

In June 2007, the Company acquired from Interenergy Argentina S.A. the permit for the exploration of that area. Upon acquisition, the Company undertook to invest in exploration works during the first period of exploration for US\$ 14,280,000. Such works had to be carried out within 3 years counted as from the date of award.

In November 2009, the Company requested a one-year extension of the first exploration period.

In August 2010, through Decree 90/10, the Hydrocarbons Secretariat for the Río Negro Province (HSRNP) suspended for one year compliance with the obligations arising from the exploration permits, with the first period expiring on April 5, 2012, after adding the extension requested in the year 2009.

On June 10, 2013, the Province of Río Negro served notice to Capex of Decree 728/13, whereby the Company was authorized to go on to the "Second Exploration Period" in the area Loma de Kauffman retaining the original exploration area.

Furthermore, it was recognized that Capex completed 571 UT in excess of the investment commitments for the first exploration period, and the allocation of those UT to the second exploration period was approved. The second exploration period expired on June 13, 2015.

During the first and second exploration periods, seven wells had been drilled, three of which were gas-producing wells, one is was oil-producing well and the remaining three were dry wells. Gas-producing wells as wells as the oil well are low-productivity wells. Given their location and the works necessary to connect them to the transportation system, the dry wells were abandoned and the investments related to their drilling were charged to prior-year profits/losses.

On June 12, 2015, the Company went on to the third exploration period, reverting 50% of the area; due to this, at April 30, 2015 it had set a provision to cover the investments made in the reverted portion of the area, for \$ 9,779,714. The third exploration period will expire in May, 2017. At the date of issuance of these financial statements the Company has complied with the investments committed to and, in accordance with the results recently obtained, a provision was set to cover the investments made for \$ 76,710,629.



NOTE 34 - EXPLORATION AREAS IN RÍO NEGRO (CONT'D)

b. Lago Pellegrini

In March 2007, the National and International Public Tender 2/06 was called for by the province of Río Negro for the granting of other permits for the exploration and potential concessions for the exploitation, development, transportation and sale of hydrocarbons. Interenergy Argentina S.A. was awarded an exploration permit for the Lago Pellegrini area under Decree No. 560/07.

In June 2007 the Company acquired this exploration permit from Interenergy Argentina S.A., taking on a commitment to invest for an amount of US\$ 31,400,000 in exploration work in the Lago Pellegrini area, during the first exploration period. Such works had to be carried out within 3 years counted as from the date of award.

On June 10, 2013, the Province of Río served notice to Capex of Decree No. 727/13, whereby the Company was authorized to go on to the "Second Exploration Period" in the area Lago Pellegrini retaining the original exploration area. The second exploration period expired on June 13, 2015.

In the first and second exploration periods, the Company performed seismic studies, analyzed the geochemistry and drilled three wells that turned out to be dry.

On June 12, 2015 and after making the investments agreed with the HSRNP, the Company decided to reverse the area in full since no hydrocarbon findings were made that could be exploited from a commercial viewpoint. The investments made were provided for at April 30, 2015 for an aggregate amount of \$ 141,396,270.

c. Cerro Chato

In May 2008, the Company was pre-awarded an exploration permit and potential concession for the exploitation, development, transportation and sale of hydrocarbons in the Cerro Chato area (situated to the east of the Loma Kauffman area and to the north of the Villa Regina area). This award took place within the framework of the Fourth Bidding Process involving the Río Negro Hydrocarbon Areas, through National and International Public Tender No. 2/07 in the province of Río Negro. Through Decree No. 1066 of October 2008 the Company was awarded the Cerro Chato area.

In the first and second exploration periods, the Company performed seismic studies, analyzed the geochemistry and drilled four wells that turned out to be dry.

On December 22, 2014, the Company sent to the Energy Secretariat of the Province of Rio Negro as Enforcement Authority, a note with (i) the Work Plan required for the Second Exploration Period and (ii) the decision adopted by the Company to reverse the Cerro Chato Exploration Area in full despite the exploratory work performed at that date, as no hydrocarbons that could be commercially exploited were discovered.

At April 30, 2015, the Company charged to profit/loss the investments made in Cerro Chato for \$ 23,684,318.

Investments written off from the areas Loma de Kauffman, Lago Pellegrini and Cerro Chato as of April 30, 2016 and 2015 amount \$ 76,710,629 and \$ 174,860,302 (see Note 6), respectively, were charged to Exploration Expenses.

NOTE 35 - OIL AND GAS RESERVES (NOT COVERED BY INDEPENDENT AUDITOR'S REPORT)

Below is the estimate of hydrocarbon reserves in the area Agua del Cajón made by the Company at December 31, 2015, which has been audited by the independent auditor Mrs. Ana M. Nardone, in compliance with the requirements of ES Resolution No. 324/06, and having as its horizon the expiry of the concession in January 2026 (see Note 1):

NOTE 35 - OIL AND GAS RESERVES (NOT COVERED BY INDEPENDENT AUDITOR'S REPORT) (CONT'D)

Products		Proven			Probable	Possible
		Developed	Non-developed	Total		
Gas	MMm ³ ⁽¹⁾	3,636	1,339	4,975	430	408
Oil	Mbbl	1,830	566	2,396	654	830
	Mm ³	291	90	381	104	132

Proven developed reserves at April 30, 2016, based on the audited reserves at December 31, 2015 and adjusted according to production for the period January to April 2016, are as follows:

Gas	MMm ³ ⁽¹⁾	3,451
Oil	Mbbl	1,746
	Mm ³	278

⁽¹⁾ Determined at 9,300 K/Cal per cubic meter

NOTE 36 - HYCHICO BUSINESS – FINANCING – MAIN CONTRACTS

a) Business of Hychico

Hychico S.A. was incorporated on September 28, 2006, and its main activity is the generation of electricity, and the production of hydrogen and oxygen

Hychico decided to start the development of two projects involving the construction of an eolic energy farm and a plant for the production of hydrogen and oxygen through the electrolysis process.

Eolic Energy Project

This project was started in the Argentine Patagonia due to the abundance of the eolic resource in particular and other resources, such as a large area available with a low demographic density, qualified workforce and road infrastructure, which will enable in the medium term the commencement of large scale projects, involving the generation of energy free from greenhouse gas emissions.

Hychico started in December 2006 the wind measurement using three towers located approximately 20 km from the city of Comodoro Rivadavia, Province of Chubut, and one tower located in the municipality of Colonia Presidente Luis Sáenz Peña, Province of Santa Cruz. The measurement towers are 50 meters high, with masts manufactured in Argentina and approved by the National Committee of Communications. Their installation has been approved by international auditors, and they all have calibration certificates issued by internationally renowned laboratories.

The Diadema Eolic Energy Farm (DEEF) comprises 7 wind energy converters model ENERCON E-44 with a nominal power of 0.9 MW (megawatt) each, adding up to a total installed power of 6.3 MW, located in the area where the measurements mentioned above were conducted. Each wind energy converter is connected to the Diadema Transformer Station by means of underground cables and overhead lines, through a transmission line of 33 KV (kilovolt) and a length of 5.7 km. Total investments amounted approximately to US\$ 17 million.

Work performed have been aimed at: 1- the performance of different studies on the feasibility of this activity in Argentina and its environmental impact; 2- analysis of the national electric market; 3- retaining an international advisor on the development of wind energy farms, purchase, installation and start-up of the equipment necessary for measuring the winds in the aforementioned places; 4- international bidding procedure for the acquisition, assembly and start-up of the wind energy farm; 5- execution of a contract for the purchase of wind energy converters and a contract for their Operation and Maintenance (point b)), 6- electrical studies to connect the wind farm to the Argentine Interconnection System, 7- assembly of the wind energy converters, 8- construction of medium voltage lines and electromechanical works and 9- testing and start-up of the wind generators and electromechanical installations.



NOTE 36 - HYCHICO BUSINESS – FINANCING – MAIN CONTRACTS (CONT'D)

In its economic and financial analysis, Hychico has considered the return on the eolic energy farm and the obtainment of greenhouse gas emissions reduction certificates (CERs) within the framework of the clean development mechanism (CDM). To that end, Hychico has prepared and submitted the PDD (Project Design Document) which has been approved by the United Nations Executive Board with retroactive effects to July 2012. The next step is to verify the reduction of emissions and the subsequent issuance of the pertinent certificates, which would be sold by Hychico. Given the present market for carbon bonds and the recent international negotiations on this matter, we are awaiting for the commitments that could be made in the next COPs (Conference of Parties) to be able to sell the certificates accumulated up to that moment.

Hychico was authorized as generating agent in the Wholesale Electricity Market (WEM) regarding its DEEF, through Resolution of the Energy Secretariat (ES) No. 424/10. Commercial operation of the DEEF commenced in December 2011. The electricity generated is being sold to the WEM, in compliance with regulations in force.

In March, 2012, in compliance with Note ES No. 1205/12, the Supply Contract to the WEM from renewable energy sources for a term of 15 years was signed, within the framework of ES Resolution No. 108/11.

Hydrogen Project

In December 2008 the plant for the production of hydrogen and oxygen through the electrolysis process was inaugurated; it will produce 850,000 normal cubic meters of hydrogen per year and 425,000 normal cubic meters of oxygen per year.

The plant boasts two electrolyzers with a total capacity of 120 Nm³/h of hydrogen and 60 Nm³/h of oxygen. The high purity hydrogen (99.998%) is mixed with natural gas to power a motor-generator of 1.4 MW, which has an internal combustion engine specially adapted to operate with gas- rich and / or poor mixed with hydrogen.

It is worth mentioning that the purity of hydrogen produced makes it especially suitable for use in fuel cells. It should be noted that the proportions reached of up to 42% hydrogen mixture are above the usual international ranges for these high horsepower engines, achieving good performances in terms of yields and reducing emissions of greenhouse gases.

The oxygen produced, also high purity (99.998%), is sold at high pressure in the market for industrial gases.

The Plant for the production of hydrogen and oxygen was built in 11,000 m² and is divided into different areas: control, processes and auxiliary systems

In accordance with the facon service agreement signed with Compañías Asociadas Petroleras Sociedad Anónima (CAPSA) in May 2009, as from March 1, 2009 it has started its pre-operating stage, thus generating electricity on an irregular basis. As for oxygen, in November 2008 a contract was signed with Air Liquide Argentina S.A. for the supply of oxygen which is being dispatched as from June 2009.

The hydrogen and oxygen production plant started operations in May 2010 and, thus, the depreciation of property, plant and equipment related to the project started.

This first stage places Hychico as a key participant in the hydrogen production, as energy and renewable energy vector, whose impact on the energy matrix of the nations will be growing. The hydrogen and oxygen plant allows Hychico to develop experience in these new technologies' operations and processes, to attract strategic partners with technological experience, thus ensuring even more ambitious projects, and to achieve a competitive advantage for Argentina and Hychico in a world market that will demand increasing energy volumes.

At April 30, 2016, 2015 and 2014, property, plant and equipment and intangible assets related to the Hydrogen Project are totally provided for in accordance with current economic conditions.

The hydrogen and oxygen produced and the electricity generated have been dispatched and invoiced, and they have been allocated to "Net sales" in the Statement of Income.



NOTE 36 - HYCHICO BUSINESS – FINANCING – MAIN CONTRACTS (CONT'D)

b) Wind energy converters

Contract for the Operation, Maintenance and Technical Assistance

In June 2008 a contract was signed with Wobben Windpower Industria y Comercio Ltda. (Wobben), supplier of seven Wind Energy Converters installed in the Wind Energy Farm, for the Wind Energy Converters Operation, Maintenance and Technical Assistance, for a period of six years with two options for extension of two years each. It includes a clause whereby, in case the aerogenerators are not in service, Wobben must compensate Hychico for such loss. This contract became effective in December 2011. In November 2013, an amendment was signed to that contract, which was assigned to the Argentine affiliate Wobben Windpower Argentina S.R.L. with a corporate guarantee provided by the head office based in Germany.

c) Oxygen supply Contract

In November 2008, The Company entered into an Oxygen Supply Contract with Air Liquide Argentina S.A. (ALASA), with a duration of 4 years from June 1, 2009 (date of start of the commercial operation of the plant) which establishes that ALASA was responsible for the design, assembly supervision and construction, start-up, operation and maintenance of a system to supply oxygen and Hychico was in charge of its construction according to the design, instructions and under the supervision of ALASA.

Since then, extensions of the commercial and operating agreement have been executed; the one currently effective is that corresponding to the period from June 2015 to May 2018.

In the agreement in effect, three differential prices are set for oxygen, according to the packing methodology used by ALASA: i) oxygen in cylinders for industrial use, ii) LASAL-type packed oxygen, and iii) oxygen packed in the highly pure mode; in addition, a volume of oxygen is defined to be supplied monthly, under a "Take or Pay" clause on ALASA.

d) Contract to supply the Wholesale Electric Market with renewable sources

The energy generated by the Diadema Eolic Energy Farm (DEEF) from its startup in December 2011 to March 2012 has been sold to the WEM at spot prices in accordance with current regulations.

In March 2012, by means of Note No. 1205/2012 the Energy Secretariat instructed CAMMESA and Hychico to enter into a Contract to Supply the WEM with Renewable Sources, within the framework of Energy Secretariat Resolution No. 108/2011, for the commercialization of the energy generated by the DEEF.

The contracted power is 6.3 MW and CAMMESA agreed to acquire up to 361,755 MWh over the life of the contract. The power surpluses in each hour over the contracted power shall be sold in the spot market or through contracts with WEM agents and shall not be considered in the calculation of the contracted power.

The price of the supplied energy is set at US\$/MWh 115.896, remaining constant over the life of the contract, and the energy actually delivered into the grid is remunerated up to an amount equal to the quantity of maximum energy established for the hour, at that price. Power is not remunerated. A fraction of the fixed costs of operation of the machinery committed in the WEM will be reimbursed, based on information published in the Economic Transaction Document (ETD) issued by CAMMESA in the respective month.

The duration of the contract is 15 years counted as from the first day of the month following that of the contract date and will be extended by the Energy Secretariat for a maximum period of 18 months, unless Hychico delivers the contracted power within a shorter term.

e) Long-Term Façon Service Agreement with CAPSA

In May 2009, a long-term façon service agreement was entered into between Hychico and CAPSA, whereby CAPSA will deliver to Hychico, free of charge, a maximum of 7,000 m³/d (cubic meters per day) of natural gas at 9,300 kcal/Nm³ (kilo calorie per normal cubic meter) which, together with a minor percentage of hydrogen added by Hychico, will be used to supply the power plant at a rate of 1 MW/h (megawatt per hour) per each 270 m³ of natural gas; the electricity thus produced will be delivered to CAPSA at the electricity connection point established in the agreement.



NOTE 36 - HYCHICO BUSINESS – FINANCING – MAIN CONTRACTS (CONT'D)

The term is eighteen (18) years from the date of commencement of supply. Operational activity began in May 2009 (see point a).

Until April 30, 2011 the price of the energy generation service was US\$/MWh 30. As from May 1, 2011 it amounts to US\$/MWh 34.

As from December 2014 a new price was agreed upon, US\$/MWh 40, and a procedure was set for monthly adjustment; it can be renegotiated at the end of each calendar year.

f) Capital status

Hychico's Shareholders' Meeting of September 30, 2013 approved the mandatory reduction of capital stock for \$ 800,000, thus amounting to \$ 77,066,730, issuing in place of outstanding securities, ordinary, registered, non-endorsable shares of \$ 1 face value each, entitled to one vote per share. At the date of these financial statements, the mandatory reduction of capital has not yet been filed with the Superintendence of Commercial Companies of Argentina.

On April 29, 2014, the Extraordinary Shareholders' Meeting resolved to accept \$ 1,400,000 of the irrevocable contribution made by Interenergy Argentina S.A. on October 31, 2013 for the total sum of \$ 3,000,000, and return \$ 1,600,000. This Meeting also approved a capital increase for \$ 1,400,000 with the issue of 1,400,000 registered, non-endorsable shares of \$ 1 face value each and entitled to one vote per share in favor of Interenergy Argentina; the capital stock thus amounted to \$ 78,466,730. At the date of these financial statements, this capitalization has not yet been filed with the Superintendence of Commercial Companies of Argentina.

On April 24, 2015, as per Ordinary Meeting of Shareholders Minutes, Hychico decided to capitalize the irrevocable contribution for \$ 8,500,000 made by Capex S.A. on October 28, 2014, with the issuance of 8,500,000 nominative non-endorsable shares of face value \$ 1 each and entitled to one vote per share in favor of Capex S.A.; thus, the capital stock now amounts to \$ 86,966,730. As per the minutes, Servicios Buproneu S.A. and Interenergy Argentina S.A. waived their preemptive and accretion rights. At the date of these financial statements, this capitalization has not yet been filed with the Superintendence of Commercial Companies of Argentina.

At April 30, 2016 accumulated losses recorded by the Company absorb 50% of capital stock; therefore, Hychico falls within the provisions of section 206 of the Commercial Companies Law 19550 that establishes the mandatory reduction of capital in this situation. When the Shareholders' Meeting considers the financial statements of Hychico as of April 30, 2016, if this situation persists, it should take the necessary measures to solve it.

NOTE 37 - SUBSEQUENT EVENTS

National Executive Branch Decree No. 704/16

On May 23, 2016, the National Executive Branch issued Decree No. 704/16, which established the payment of the funds accumulated until December 31, 2015 corresponding to:

- a) "Incentive Program for the Excess Natural Gas Injection",
- b) "Incentive Program for Natural Gas Injection for Companies with Reduced Injection", and
- c) "Propane gas supply agreement for distribution networks of undiluted propane gas", subject to the execution of the pertinent extension agreement by the producing companies.

Payment will be made by means of "BONAR 2020 US\$" (Argentina Bonds in US dollars at 8%, due 2020) at market value, based on the average market value for five business days prior to the date of issuance of this decree.

The beneficiaries must sign the application letters and submit them to the Secretariat of Hydrocarbon Resources of the Ministry of Energy and Mining within 30 calendar days following publication of this decree in the Official Gazette. The bank accounts used exclusively by the beneficiary companies that adhere to this decree, in the amounts corresponding to the Bonds received, will be exempt from the Tax on financial transactions in bank accounts and other operations created by Law 25413 and amendments.



NOTE 37 - SUBSEQUENT EVENTS (CONT'D)

The BONAR 2020 US\$ received are restricted for sale, in such a way that until December 2017 inclusive, the beneficiary companies will not be able to sell more than a monthly 3% of the total of the bonds received; this percentage can be cumulative, provided it does not exceed 12%. In case of non-compliance, they must pay a fine equivalent to 10% of the market value of the total amount of BONAR 2020 US\$ received.

From 2018 onwards, there will be no restrictions on the sale of the BONAR 2020 US\$ received.

The Company adhered to this decree on June 13, 2016 under, the "Incentive Program for Natural Gas Injection for Companies with Reduced Injection" for \$ 107,931,422, and on June 16, 2016 under the "Propane gas supply agreement for distribution networks of undiluted propane gas" for \$ 13,382,586.



EXHIBIT A

At April 30, 2016, 2015 and 2014

Property, plant and equipment

This exhibit is part of these consolidated financial statements

Items	ORIGINAL VALUE						DEPRECIATION				
	At the beginning of year	Additions	Completed works in progress	Retirements / Provisions	Revaluation	At year-end	Accumulated at the beginning of year	For the year	Retirements	Revaluation	Accumulated at year-end
<u>Exploration activities for the production of oil and gas:</u>											
- <u>Acquired exploration permits (includes bond insurance)</u>											
Loma de Kauffman	311,156	-	-	(311,156)	-	-	-	-	-	-	-
Lago Pellegrini	-	-	-	-	-	-	-	-	-	-	-
Cerro Chato	-	-	-	-	-	-	-	-	-	-	-
- <u>Assets for the production of oil and gas in Lago Pellegrini</u>											
Works in progress											
<u>Loma de Kauffman</u>	19,964,009	-	37,098,828	(57,062,837)	-	-	-	-	-	-	-
Oil and gas wells	15,809,931	21,288,897	(37,098,828)	-	-	-	-	-	-	-	-
Works in progress											
<u>Cerro Chato</u>	-	-	-	-	-	-	-	-	-	-	-
Works in progress	-	-	-	-	-	-	-	-	-	-	-
- <u>Other Studies</u>											
Loma de Kauffman											
Seismic	11,324,793	-	-	(11,324,793)	-	-	-	-	-	-	-
Geological research and other studies											
Geo-magnetography	7,653,488	-	-	(7,653,488)	-	-	-	-	-	-	-
Lago Pellegrini											
Seismic	358,355	-	-	(358,355)	-	-	-	-	-	-	-
Geological research and other studies											
Geo-magnetography	-	-	-	-	-	-	-	-	-	-	-
Geochemistry	-	-	-	-	-	-	-	-	-	-	-
Technical fees	-	-	-	-	-	-	-	-	-	-	-
Cerro Chato											
Seismic	-	-	-	-	-	-	-	-	-	-	-
Geochemistry	-	-	-	-	-	-	-	-	-	-	-
Studies	-	-	-	-	-	-	-	-	-	-	-
Technical fees	-	-	-	-	-	-	-	-	-	-	-
Transport	55,421,732	21,288,897	-	(76,710,629)	-	-	-	-	-	-	-



EXHIBIT A
At April 30, 2016, 2015 and 2014

Property, plant and equipment (Cont'd)
This exhibit is part of these consolidated financial statements

Items	ORIGINAL VALUE						DEPRECIATION				
	At the beginning of year	Additions	Completed works in progress	Retirements / Provisions	Revaluation	At year-end	Accumulated at the beginning of year	For the year	Retirements	Revaluation	Accumulated at year-end
Brought forward	55,421,732	21,288,897	-	(76,710,629)	-	-	-	-	-	-	-
Oil and gas exploitation activities:											
- Areas acquired and other studies											
Agua del Cajón - exploitation rights	120,660,816	-	-	-	-	120,660,816	70,909,239	4,357,547	-	-	75,266,786
- Other studies											
Agua del Cajón - Exploration	8,106,139	-	-	-	-	8,106,139	5,973,800	186,763	-	-	6,160,563
Agua del Cajón - Seismic	12,172,940	-	-	-	-	12,172,940	7,813,681	381,811	-	-	8,195,492
- Assets for the production of oil in:											
Oil and gas Wells	1,721,140,267	7,767,499	378,055,355	-	-	2,106,963,121	829,674,333	153,278,389	-	-	982,952,722
Works in progress	9,637,728	500,656,161	(392,643,619)	-	-	117,650,270	-	-	-	-	-
Production assets	162,952,867	-	14,588,264	-	-	177,541,131	108,283,428	9,515,798	-	-	117,799,226
Vehicles	4,172,948	1,802,489	-	(234,863)	-	5,740,574	2,503,062	615,711	(234,863)	-	2,883,910
Gas Pipeline	33,864,764	-	-	-	-	33,864,764	25,776,978	2,861,889	-	-	28,638,867
Transport	2,128,130,201	531,515,046	-	(76,945,492)	-	2,582,699,755	1,050,934,521	171,197,908	(234,863)	-	1,221,897,566



EXHIBIT A

At April 30, 2016, 2015 and 2014

Property, plant y equipment (Cont'd)

This exhibit is part of these consolidated financial statements

Items	ORIGINAL VALUE						DEPRECIATION				
	At the beginning of year	Additions	Completed works in progress	Retirements / Provisions	Revaluation	At year-end	At the beginning of year	Additions	Retirements	Revaluation	Acc.
Brought forward	2,128,130,201	531,515,046	-	(76,945,492)	-	2,582,699,755	1,050,934,521	171,197,908	(234,863)	-	1
Central administration and production plant											
Neuquén land and buildings	59,545,148	-	-	-	153,219,051	212,764,199	3,944,903	225,003	-	-	-
Vicente López land and buildings	-	-	-	-	-	-	-	-	-	-	-
Furniture and fixtures	1,776,563	-	-	-	-	1,776,563	1,776,563	-	-	-	-
Administration assets	11,451,442	2,275,462	-	-	-	13,726,904	9,801,463	873,754	-	-	-
Agua del Cajón Power Plant											
CT ADC (1)	1,988,356,515	-	93,981,016	-	1,389,024,419	3,471,361,950	741,512,695	80,880,709	-	-	-
Works in progress	10,961,144	105,678,245	(93,981,016)	-	-	22,658,373	-	-	-	-	-
Assets under Surplus due to Restrictions to the Transportation Capacity Account											
Fourth line	15,523,142	-	-	-	-	15,523,142	15,523,142	-	-	-	-
Capacitor bank	6,558,338	-	-	-	-	6,558,338	6,558,338	-	-	-	-
LPG Plant - Agua del Cajón											
Vehicles	67,920	-	-	-	-	67,920	67,920	-	-	-	-
Facilities	54,881	-	-	-	-	54,881	54,881	-	-	-	-
Computer equipment	11,252	-	-	-	-	11,252	11,252	-	-	-	-
Furniture and fixtures	4,579	-	-	-	-	4,579	4,579	-	-	-	-
LPG Plant (2)	359,908,095	-	-	-	-	359,908,095	198,640,721	12,804,071	-	-	-
Diadema Eolic Energy Farm (DEEF)											
DEEF (3)	132,213,752	663,796	-	-	94,855,368	227,732,916	39,234,464	5,766,382	-	21,720,635	2
Hydrogen and Oxygen Project											
Hydrogen and Oxygen Plant	30,484,595	997,686	-	-	-	31,482,281	7,267,718	1,454,599	-	-	-
Hydrogen and Oxygen Plant provision	(23,216,877)	-	-	456,913	-	(22,759,964)	-	-	-	-	-
Total at April 30, 2016	4,721,830,690	641,130,235	-	(76,488,579)	1,637,098,838	6,923,571,184	2,075,333,160	273,202,426	(234,863)	21,720,635	2
Total at April 30, 2015	3,371,007,393	353,904,047	-	(322,785,636)	1,319,704,886	4,721,830,690	1,700,368,776	205,980,533	(6,846,630)	175,830,481	2
Total at April 30, 2014	3,173,230,684	196,543,316	-	1,233,393	-	3,371,007,393	1,562,990,440	137,591,940	(213,604)	-	1

(1) The net effect of the revaluation is of \$2,246,969,913 and \$891,621,155 at April 30, 2016 and 2015, respectively (See Note 6)

(2) The net effect of the revaluation is of \$87,757,002 and \$95,520,655 at April 30, 2016 and 2015, respectively (See Note 6)

(3) The net effect of the revaluation is of \$101,839,975 and \$30,618,925 at April 30, 2016 and 2015, respectively (See Note 6)



EXHIBIT D
At April 30, 2016, 2015 and 2014

OTHER INVESTMENTS

This exhibit is part of these consolidated financial statements

Principal account and characteristics	Book Value at 04.30.2016	Book Value at 04.30.2015	Book Value at 04.30.2014
Other non-current investments	\$	\$	\$
Financial instruments at amortized cost			
In foreign currency (Exhibit G)			
Time deposits	-	354,415,925	319,741,920
Total other non-current investments	-	354,415,925	319,741,920
Other current investments			
Financial instruments at amortized cost			
In foreign currency (Exhibit G)			
Time deposits	568,799,995	-	-
Cash and cash equivalents			
In local currency			
Financial instruments at fair value			
Mutual funds	235,707,720	381,965,221	45,613,802
Total other current investments	804,507,715	381,965,221	45,613,802
Total other investments	804,507,715	736,381,146	365,355,722



EXHIBIT E

At April 30, 2016, 2015 and 2014

PROVISIONS

This exhibit is part of these consolidated financial statements

Items	Balance at the beginning of year	(Recoveries) / Increases	Balance at 04.30.2016	Balance at 04.30.2015	Balance at 04.30.2014
DEDUCTED FROM ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment					
In local currency					
Impairment of property, plant and equipment	23,216,877	⁽³⁾ (456,913)	22,759,964	23,216,877	23,286,393
Trade accounts receivable					
In local currency					
Provision for impairment	2,627,115	-	2,627,115	2,627,115	2,627,115
Spare parts and materials					
In local currency					
Provision for turnover and obsolescence	959,414	⁽¹⁾ (120,031)	839,383	959,414	1,228,874
CURRENT ASSETS					
Spare parts and materials					
In local currency					
Provision for turnover and obsolescence	239,854	⁽¹⁾ (30,008)	209,846	239,854	307,218
Total deducted from assets	27,043,260	(606,952)	26,436,308	27,043,260	27,449,600
INCLUDED IN LIABILITIES					
NON-CURRENT LIABILITIES					
Provisions					
In local currency					
For lawsuits and fines	2,367,385	⁽²⁾ 876,967	3,244,352	2,367,385	1,810,499
Total included in liabilities	2,367,385	876,967	3,244,352	2,367,385	1,810,499
Total provisions	29,410,645	270,015	29,680,660	29,410,645	29,260,099

⁽¹⁾ Charged to Other operating (expenses) / income, net (see Note 27)

⁽²⁾ As of April 30, 2016 certain ordered payments were made for an amount of \$ 633,000. The remaining \$ 1,509,967 were charged to other operating (expenses) / income, net (see Notes 25 and 27)

⁽³⁾ Charged to Other Financial Results



EXHIBIT F
At April 30, 2016, 2015 and 2014

COST OF SALES

This exhibit is part of these consolidated financial statements

	04.30.2016	04.30.2015	04.30.2014
	\$		
Inventories and spare parts and materials at the beginning of year ⁽¹⁾	80,707,611	63,501,394	56,553,667
Plus:			
- Addition to warehouses	170,975,420	99,608,500	49,937,072
- Production cost according to Exhibit H	622,234,505	473,374,667	339,380,222
Less:			
- Consumption	(140,059,923)	(82,057,418)	(42,845,769)
Inventories and spare parts and materials at year end ⁽¹⁾	(114,329,878)	(80,707,611)	(63,501,394)
Cost of sales	619,527,735	473,719,532	339,523,798

⁽¹⁾ Includes inventories and spare parts and materials net of advances to suppliers.



EXHIBIT G
At April 30, 2016, 2015 and 2014

FOREIGN CURRENCY ASSETS AND LIABILITIES

This exhibit is part of these consolidated financial statements

Items	04.30.2016			04.30.2015	04.30.2014
	Class	Amount	Exchange rate	Amount in \$	Amount in \$
ASSETS					
NON-CURRENT ASSETS					
Financial investments at amortized cost					
Time deposits		-	-	-	354,415,925
Spare parts and materials					319,741,920
Sundry advances	US\$	5,449,128	14.15	77,105,157	6,894,682
Other accounts receivable	US\$	1,857,300	14.15	26,280,798	21,172,535
Assignment of rights CAMMESA					22,996,264
Total Non-Current Assets				103,385,955	382,483,142
CURRENT ASSETS					
Spare parts and materials					
Sundry advances	US\$	1,362,282	14.15	19,276,289	1,600,956
Other accounts receivable	US\$	4,165	14.15	58,921	6,042,812
Sundry advances	US\$	892,027	14.15	12,622,189	8,152,972
Assignment of rights CAMMESA	US\$	962,543	14.15	13,619,990	4,925,349
Agreement of propane supply for networks receivable	US\$	51,658	14.15	730,967	173,957
Trade accounts receivable	US\$	3,913,151	14.15	55,371,084	104,793,478
Intercompany receivables	US\$				7,711
For sale of oil and others	US\$				17,282,779
Financial investments at amortized cost					
Financial investments at amortized cost	US\$	40,197,880	14.15	568,799,995	-
Cash and cash equivalents					
Cash	US\$	6,019	14.15	85,173	53,010
Cash	€	4,329	16.1706	70,005	42,626
Banks	US\$	12,304	14.15	174,101	176,541
Total Current Assets				670,808,714	125,961,701
Total assets				774,194,669	508,444,843
LIABILITIES					
NON-CURRENT LIABILITIES					
Trade accounts payable					
Sundry accruals	US\$	422,225	14.25	6,016,712	4,693,465
Financial liabilities					
Bank	US\$	7,000,000	14.25	99,750,000	74,818,800
Corporate bonds	US\$	200,000,000	14.25	2,850,000,000	1,781,400,000
Total Non-Current Liabilities				2,955,766,712	1,860,912,265
CURRENT LIABILITIES					
Trade accounts payable					
Suppliers	US\$	13,851,120	14.25	197,378,461	123,293,250
Advance from customers	US\$	-	-	-	-
Sundry accruals	US\$	454,475	14.25	6,476,268	3,021,375
Derivative financial instruments					
Financial liabilities					
Bank	US\$	1,436,167	14.25	20,465,376	12,826,229
Corporate bonds	US\$	2,849,462	14.25	40,604,838	25,380,166
Total Current Liabilities				264,924,943	164,521,020
Total Liabilities				3,220,691,655	2,025,433,285
					1,860,117,543



EXHIBIT H

INFORMATION REQUIRED BY SECT. 64, SUB-SECT, B) OF LAW No, 19550

for years commenced on May 1, 2015, 2014 and 2013 ended on April 30, 2016, 2015 and 2014
 This exhibit is part of these consolidated financial statements

Items	04.30.2016			
	Production cost	Selling expenses	Administrative expenses	Total
Fees and other compensation	\$ 11,112,411	\$ -	\$ 13,366,089	\$ 24,478,500
Salaries and social security contributions	180,405,530	-	62,161,503	242,567,033
Materials, spare parts and others	33,002,912	-	5,982	33,008,894
Operation, maintenance and repairs	83,473,941	-	11,644,426	95,118,367
Fuel, lubricants and fluids	3,223,185	-	-	3,223,185
Transportation, freight and studies	8,562,291	-	893,520	9,455,811
Depreciation of Property, plant and equipment	272,103,669	-	1,098,757	273,202,426
Office, travel and representation expenses	2,112,590	-	1,793,323	3,905,913
Taxes, rates, contributions, insurance and rental	24,806,544	-	18,670,322	43,476,866
Acquisition of electricity from CAMMESA	741,146	-	-	741,146
Gas carriage expenses	2,690,286	-	-	2,690,286
Sundry	-	-	-	-
Royalties	-	189,087,790	-	189,087,790
Cost of transport and energy deliveries	-	14,336,597	-	14,336,597
Export withholdings	-	91,600	-	91,600
Turnover tax	-	46,868,127	-	46,868,127
Commissions and other	-	3,826,627	-	3,826,627
Bank charges	-	-	20,272,224	20,272,224
Total at April 30, 2016	622,234,505	254,210,741	129,906,146	1,006,351,392

Items	04.30.2015			
	Production cost	Selling expenses	Administrative expenses	Total
Fees and other compensation	\$ 4,356,093	\$ -	\$ 6,637,172	\$ 10,993,265
Salaries and social security contributions	139,007,224	-	46,641,304	185,648,528
Materials, spare parts and others	32,596,973	-	4,369	32,601,342
Operation, maintenance and repairs	57,775,329	-	9,105,649	66,880,978
Fuel, lubricants and fluids	2,402,129	-	-	2,402,129
Transportation, freight and studies	6,112,951	-	744,148	6,857,099
Depreciation of Property, plant and equipment	204,976,193	-	1,004,340	205,980,533
Office, travel and representation expenses	2,562,791	-	1,135,410	3,698,201
Taxes, rates, contributions, insurance and rental	20,768,862	-	11,431,648	32,200,510
Acquisition of electricity from CAMMESA	169,843	-	-	169,843
Gas carriage expenses	2,556,036	-	-	2,556,036
Sundry	90,243	-	-	90,243
Royalties	-	119,384,958	-	119,384,958
Cost of transport and energy deliveries	-	14,432,838	-	14,432,838
Turnover tax	-	34,109,902	-	34,109,902
Commissions and other	-	2,423,647	-	2,423,647
Bank charges	-	-	14,823,782	14,823,782
Total at April 30, 2015	473,374,667	170,351,345	91,527,822	735,253,834



EXHIBIT H

INFORMATION REQUIRED BY SECT. 64, SUB-SECT, B) OF LAW NO, 19550 (Cont'd)
 for years commenced on May 1, 2015, 2014 and 2013 ended on April 30, 2016, 2015 and 2014
 This exhibit is part of these consolidated financial statements

Items	04.30.2014			
	Production cost	Selling expenses	Administrative expenses	Total
	\$	\$	\$	\$
Fees and other compensation	4,125,638	-	6,322,303	10,447,941
Salaries and social security contributions	98,890,438	-	34,053,038	132,943,476
Materials, spare parts and others	22,023,074	-	11,308	22,034,382
Operation, maintenance and repairs	44,427,069	-	6,110,767	50,537,836
Fuel, lubricants and fluids	1,851,518	-	-	1,851,518
Transportation, freight and studies	4,034,286	-	346,050	4,380,336
Depreciation of Property, plant and equipment	136,324,940	-	1,267,000	137,591,940
Office, travel and representation expenses	1,765,222	-	800,758	2,565,980
Taxes, rates, contributions, insurance and rental	13,926,153	-	6,101,308	20,027,461
Acquisition of electricity from CAMMESA	11,294,374	-	-	11,294,374
Gas carriage expenses	668,560	-	-	668,560
Sundry	48,950	-	-	48,950
Royalties	-	77,541,993	-	77,541,993
Cost of transport and energy deliveries	-	16,848,425	-	16,848,425
Turnover tax	-	23,988,395	-	23,988,395
Commissions and other	-	2,351,465	-	2,351,465
Bank charges	-	-	10,416,032	10,416,032
Total at April 30, 2014	339,380,222	120,730,278	65,428,564	525,539,064

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CAPEX S.A.
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