YPF LUZ

YPF ENERGÍA ELÉCTRICA S.A.

CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2018 AND COMPARATIVE INFORMATION

YPF ENERGÍA ELÉCTRICA S.A.

INDEX

GLOSSARY OF TERMS

Term	Definition
ADR	American Depositary Receipt
AESA	Related Party A-Evangelista S.A.
AFIP	Argentine Tax Authority
Associate	Company over which YPF EE has significant influence as provided for in IAS 28
BICE	Banco de Inversión y Comercio Exterior
CAE	Electricity Supply Agreements
CAMMESA	Compañía Administradora del Mercado Mayorista Eléctrico S.A.
CDS	Related Party Central Dock Sud S.A.
CGU	Cash-Generating Units
CNV	Argentine Securities Commission
COD	Respect to a Thermal Power Plant, the commercial operation dates.
CSJN	Argentine Supreme Court of Justice
ENARGAS	Argentine Gas Regulator
ENARSA	Energía Argentina S.A.
ENRE	Argentine Electricity Regulator
FACPCE	Argentine Federation of Professional Councils in Economic Sciences
FODER	Trust Fund for Development of Renewable Energy Sources
FONINVEMEM	Fund for Investments Required to Increase the Electric Power Supply
GE	General Electric Corporation, Inc., or any of its subsidiaries and/or affiliates
GE EFS	GE EFS Power Investments B.V., an affiliate of GE
Group	YPF EE and its subsidiaries
GW	Gigawatts
GWh	Gigawatts per hour
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IDS	Joint Venture Inversora Dock Sud S.A.
IFRIC	International Financial Reporting Standards Committee
IFRS	International Financial Reporting Standard
IGJ	Argentine Superintendence of Corporations
IPIM	Internal Wholesale Price Index (*Índice de Precios Internos al por Mayor*)
IVA	Value Added Tax
Joint Venture	Company jointly owned by YPF EE as provided for in IFRS 11
LGS	Argentine General Corporations Law No. 19,550 (T.O. 1984), as amended
Loma Campana I	Loma Campana I thermal power plant located in the district of Añelo, Province of Neuquén.
Loma Campana II	Loma Campana II thermal power plant located in the district of Añelo, Province of Neuquén.
MATER	Renewable Energy Term Market (*"Mercado a Término de Energía Renovable"*)
MINEM	Ministry of Energy and Mining
MMBtu	Million British thermal units
MPIT	Minimum Presumed Income Tax
MW	Megawatts
MWh	Megawatts per hour
NO	Negotiable Obligations
OPESSA	Related party and non controlling interest Operadora de Estaciones de Servicios S.A.
PAS	Professional accounting standards (Argentine)
PEN	National Executive Power *("Poder Ejecutivo Nacional")*
PPA	Capacity and/or power purchase agreements
SADI	Argentine electricity grid (*"Sistema Argentino de Interconexión"*).
SE	Secretariat of Energy
SEC	U.S. Securities and Exchange Commission
SEE	Secretariat of Energy Electric
SIC	Standing Interpretations Committee
Subsidiary	Company controlled by YPF EE in accordance with the provisions of IFRS 10.
US$	U.S. dollar
US$/Bbl	U.S. dollar per barrel
WEM	Argentine Wholesale Electricity Market
Y-GEN	Subsidiary Y-GEN Eléctrica S.A.U. (previously Y- GEN ELECTRICA S.R.L.) (1)
Y-GEN II	Subsidiary Y-GEN Eléctrica II S.A.U. (previously Y- GEN ELECTRICA II S.R.L.) (1)
Y-GEN III	Subsidiary Y-GEN Eléctrica III S.R.L
Y-GEN IV	Subsidiary Y-GEN Eléctrica IV S.R.L
YPF	YPF Sociedad Anónima
YPF EE	YPF Energía Eléctrica S.A. or the Company
YPF EE Comercializadora	Subsidiary YPF EE Comercializadora S.A.U.

(1) The transformation is pending registration before the General Inspection of Justice.

LEGAL INFORMATION

Legal address

Av. Córdoba 111, 14th Floor – Buenos Aires – Argentina

Fiscal year

N° 6 beginning on January 1, 2018

Principal business of the Company

Generation, transport and commercialization of electric power from all kind of primary sources of production, and exploration and exploitation of oil and natural gas in the Ramos Area, province of Salta (operations related to Ramos Consortium constitutes discontinued operations, see Note 3.a).

Tax identification code (“CUIT”): 30-71412830-9.

Registration date with the Public Commerce Registry:

- Of the articles of incorporation: August 26, 2013.
- Last amendment to bylaws: March 20, 2018

Registration with the IGJ: 16,440 of Book 65, Volume A of Corporations (“Sociedades Anónimas”).

Duration of the company: Through August 26, 2112.

Capital Stock

(Amounts expressed in Argentine Pesos - See Note 19)

Class of shares	Subscribed, paid-in and issued	Subscribed, paid-in, issued and registered	Total
Commons, book entry shares, with a nominal value of 1 each and entitled to one vote per share:			
Class A	303,747,096	2,506,555,895	2,810,302,991
Class B	936,767,364	-	936,767,364
	1,240,514,460	2,506,555,895	3,747,070,355

MARCOS MIGUEL BROWNE
President

YPF ENERGÍA ELÉCTRICA SOCIEDAD ANÓNIMA
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018 , DECEMBER 31, 2017 AND JANUARY 1, 2017
(Amounts expressed in thousands of Argentine Pesos)

	Notes	12.31.2018	12.31.2017	01.01.2017
ASSETS				
Non-current assets				
Property, plant and equipment	7	37,650,465	5,234,723	1,941,058
Intangible assets	3.d / 3.e	196,835	-	-
Investments in associates and joint ventures	8	1,948,492	2,424,677	459,326
Other receivables	9	1,846,127	623,638	802,708
Investment in financial assets	6	69,901	-	-
Deferred tax asset	12	54,153	-	-
Total non-current assets		**41,765,973**	**8,283,038**	**3,203,092**
Current assets				
Inventories		-	585	256
Other receivables	9	6,234,304	255,428	212,603
Trade receivables	10	3,724,234	707,855	372,205
Other financials assets	5	1,489,031	-	-
Cash and cash equivalents	11	4,701,336	139,082	651,447
Total current assets		**16,148,905**	**1,102,950**	**1,236,511**
TOTAL ASSETS		**57,914,878**	**9,385,988**	**4,439,603**
SHAREHOLDERS' EQUITY				
Shareholders' contributions		8,411,982	2,506,556	58,816
Reserves, other comprehensive income and retained earnings		17,109,294	1,406,831	1,688,589
TOTAL SHAREHOLDERS' EQUITY		**25,521,276**	**3,913,387**	**1,747,405**
LIABILITIES				
Non-current liabilities				
Provisions		35,421	91,261	63,447
Deferred income tax liability	12	2,430,623	347,288	157,886
Loans	13	18,256,570	3,088,604	1,679,560
Other liabilities		-	-	200
Total non-current liabilities		**20,722,614**	**3,527,153**	**1,901,093**
Current liabilities				
Provisions		-	14,594	12,219
Income tax payable		-	-	42,630
Taxes payable		340,436	11,839	65,002
Salaries and social security		151,256	47,012	22,881
Loans	13	6,514,408	992,375	8,985
Other liabilities		99,359	200	-
Accounts payable	14	4,565,529	879,428	639,388
Total current liabilities		**11,670,988**	**1,945,448**	**791,105**
TOTAL LIABILITIES		**32,393,602**	**5,472,601**	**2,692,198**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**57,914,878**	**9,385,988**	**4,439,603**

Accompanying notes are an integral part of these consolidated financial statements.

MARCOS MIGUEL BROWNE
President

YPF ENERGÍA ELÉCTRICA SOCIEDAD ANÓNIMA
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Amounts expressed in thousands of Argentine Pesos)

YPF LUZ

	Notes	For the year ended December 31, 2018	2017
Revenues	15	7,124,905	1,470,670
Production costs	16	(2,401,625)	(443,646)
Gross profit		**4,723,280**	**1,027,024**
Administrative and selling expenses	16	(544,414)	(183,508)
Remeasurement of pre-existing equity interest	3.b	1,785,033	-
Other net operating results		(292)	(723)
Operating profit		**5,963,607**	**842,793**
Income from equity interest in associates		268,015	67,503
Net financial results	8		
- Financial income	17	1,285,441	208,769
- Financial loss	17	(2,607,963)	(197,190)
Profit before income tax from continuing operations		**4,909,100**	**921,875**
Income tax	12	(416,984)	(269,105)
Net profit for the year from continuing operations		**4,492,116**	**652,770**
Profit after income tax for the year from discontinued operations	18	13,296	193,987
Net profit for the year		**4,505,412**	**846,757**
Other comprehensive income for the year			
Other comprehensive income that will not be reclassified to net income in subsequent years	2.3.19	11,170,660	542,191
Other comprehensive income that will be reclassified to net income in subsequent years	2.3.19	26,391	-
Net variation of other comprehensive income		11,197,051	542,191
Total comprehensive income for the year		**15,702,463**	**1,388,948**
Net income for the year attributable to shareholders			
Continuing operations		4,492,116	652,770
Discontinued operations		13,296	193,987
		4,505,412	**846,757**
Total comprehensive income for the year attributable to shareholders			
Continuing operations		15,689,167	1,194,961
Discontinued operations		13,296	193,987
		15,702,463	**1,388,948**
Basic and diluted earnings per share from continuing and discontinued operations:			
- Basic and diluted (ARS)	20	1.275	0.559
Basic and diluted earnings per share from continuing operations			
- Basic and diluted (ARS)	20	1.271	0.431

Accompanying notes are an integral part of these consolidated financial statements.

MARCOS MIGUEL BROWNE
President

YPF ENERGÍA ELÉCTRICA SOCIEDAD ANÓNIMA
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Amounts expressed in thousands of Argentine Pesos)

YPF LUZ

	For the year ended December 31, 2018								
	Shareholders' contributions			Reserves					
	Subscribed capital	Share Premium	Others shareholders' contributions	Legal reserve	Voluntary reserves	Other comprehensive income	Retained earnings		Total
As of January 1, 2018	2,506,556	-	-	6,351	-	542,191	858,289	(1)	3,913,387
As decided by the General Extraordinary Shareholders' Meeting of January 12, 2018 (Note 19):									
- Capital increase	303,747	-	-	-	-	-	-		303,747
As decided by the Ordinary and General Extraordinary Shareholders' Meeting of March 20, 2018 (Note 19):									
- Capital increase	936,767	-	-	-	-	-	-		936,767
- Contribution in share premium	-	4,604,483	-	-	-	-	-		4,604,483
Sale of Ramos Consortium and the interest in Central Dock Sud S.A. (Note 3.a))	-	-	60,429	-	-	-	-		60,429
As decided by the Shareholders' Meeting of April 26, 2018 (Note 19)									
- Legal Reserve	-	-	-	46,404	-	-	(46,404)		-
- Specifically prescribed voluntary reserves	-	-	-	-	881,681	-	(881,681)		-
Others comprehensive income for the year	-	-	-	-	-	11,197,051	-		11,197,051
Net profit for the year	-	-	-	-	-	-	4,505,412		4,505,412
As of December 31, 2018	**3,747,070**	**4,604,483**	**60,429**	**52,755**	**881,681**	**11,739,242**	**4,435,616**		**25,521,276**

(1) Includes 11,532 corresponding to the initial adjustment for the implementation of IFRS, that will be allocated to a special reserve in the next shareholders' meeting that approves the financial statement as of December 31, 2018. See Note 2.3.19.

Accompanying notes are an integral part of these consolidated financial statements.

MARCOS MIGUEL BROWNE
President

YPF ENERGÍA ELÉCTRICA SOCIEDAD ANÓNIMA
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Amounts expressed in thousands of Argentine Pesos)

	For the year ended December 31, 2017								
	Shareholders' contributions			Reserves					
	Subscribed capital	Capital Adjustment	Share Premium	Legal reserve	Reserve for future dividends	Voluntary reserve	Other comprehensive income	Retained earnings	Total
As of January 1, 2017	30,006	1,746	27,064	6,351	60,456	1,029,530	-	592,252 (1)	1,747,405
As decided by the General Ordinary Shareholders' Meeting of May 26, 2017									
- Capital Adjustment capitalization	1,746	(1,746)	-	-	-	-	-	-	-
- Reserve for future dividends capitalization	60,456	-	-	-	(60,456)	-	-	-	-
- Share premium capitalization	27,064	-	(27,064)	-	-	-	-	-	-
- Voluntary Reserve capitalization	1,029,530	-	-	-	-	(1,029,530)	-	-	-
- Retained earnings capitalization	580,720	-	-	-	-	-	-	(580,720)	-
- YPF S.A. in kind capital increase	777,034	-	-	-	-	-	-	-	777,034
Other comprehensive income for the year	-	-	-	-	-	-	542,191	-	542,191
Net profit for the year	-	-	-	-	-	-	-	846,757	846,757
As of December 31, 2017	**2,506,556**	**-**	**-**	**6,351**	**-**	**-**	**542,191**	**858,289**	**3,913,387**

(1) Includes 11,532 corresponding to the initial adjustment for the implementation of IFRS, that will be allocated to a special reserve in the next shareholders' meeting that approves the financial statement as of December 31, 2018. See Note 2.3.19.

Accompanying notes are an integral part of these consolidated financial statements.

MARCOS MIGUEL BROWNE
President

YPF LUZ

YPF ENERGÍA ELÉCTRICA SOCIEDAD ANONIMA
CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Amounts expressed in thousands of Argentine Pesos)

	12.31.2018	12.31.2017
OPERATING ACTIVITIES		
Net profit for the year from continuing operations	4,492,116	652,770
Net profit for the year from discontinued operations	13,296	193,987
Net profit for the year	4,505,412	846,757
Adjustments to reconcile net profit to net cash flows from operating activities:		
Income from equity interest in associates	(268,015)	(67,503)
Remeasurement of pre - existing equity interest	(1,785,033)	-
Depreciation of property, plant and equipment	1,283,274	88,815
Decreases of property, plant and equipment (3)	43,239	37,450
Collections of dividends	53,996	-
Net financial results	1,322,522	(11,579)
Movements in provisions (3)	35,421	10,383
Charge on income tax	419,065	365,979
Additional Indirect Remuneration and remuneration for non-recurring maintenance	-	(23,172)
Income tax payments	(44,255)	(103,878)
Changes in operating assets and liabilities**:**		
Trade receivables	(2,682,791)	(392,865)
Other receivables	(5,101)	146,030
Inventories (3)	-	(261)
Accounts payable (3)	2,262,156	58,772
Salaries and social security	104,244	22,632
Taxes payable	192,574	(170,935)
Interest payed to suppliers	-	(3,670)
Interest received from customers	-	98,213
Net cash flows from operating activities	**5,436,708**	**901,168**
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment [(1)]	(7,838,730)	(2,171,036)
Acquisition of interest in subsidiaries [(2)]	(1,524,304)	-
Advances to suppliers to property, plant and equipment	(454,826)	(24,119)
Other financials assets	(1,290,497)	-
Sales of interests in subsidiaries	283,247	-
Contributions in joint ventures [(4)]	(4,076)	(809,314)
Net cash flows used in investing activities	**(10,829,186)**	**(3,004,469)**
FINANCING ACTIVITIES		
Proceeds for loans	9,877,729	2,065,429
Shareholders' contributions received	2,720,250	-
Payments of loans	(2,355,833)	(366,489)
Payment of interest and other financial costs	(949,923)	(176,737)
Net cash flows from financing activities	**9,292,223**	**1,522,203**
Net increase (decrease) in cash and cash equivalents	3,899,745	(581,098)
Effect of exchange difference variations on cash and cash equivalents	662,509	68,733
Cash and cash equivalents at the beginning of year (Note 11)	139,082	651,447
Cash and cash equivalents at the end of the year (Note 11)	**4,701,336**	**139,082**

(1) Net of the variation of unpaid balances from additions to property, plant and equipment for the years ended December 31, 2018 and 2017 of 947,115 and 121,040 respectively, and of advanced to suppliers' transfers to property, plant and equipment of 574,559 and 167,625 as of December 31, 2018 and 2017, respectively. Additionally, net of not monetary transactions of 124,114 as of December 31, 2017 (See Note 13).
(2) Net of cash and cash equivalents for 172,612 incorporated by business combination (Note 3.b)). Additionally, includes 48,496 and 22,266 for Luz del Cerro S.A. and Luz del Valle S.A. acquisitions, respectively (see Note 3.d)).
(3) "Decreases of property, plant and equipment", "Movements in provisions", "Inventories" and "Accounts payable" for the year ended December 31, 2018 are shown net of the effect from the decreases of Ramos Consortium for amount an of (84,881), 105,855, (585) and 22,298 respectively (Note 3.a)).
(4) Net of 18,830 of in kind contributions as of December 31, 2017.

Accompanying notes are an integral part of these consolidated financial statements.

MARCOS MIGUEL BROWNE
President

1. GENERAL INFORMATION AND MAIN ACTIVITIES

YPF Energía Eléctrica S.A. (hereinafter "the "Company") is a Sociedad Anónima (Argentine business association type akin to a stock corporation) organized under the laws of Argentina. Its registered office is at Av. Córdoba N° 111, 14th Floor, Buenos Aires City.

YPF EE and the companies that make up the business Group are mainly engaged in (i) generating and selling electric power through three thermal generation plants located in the Province of Tucumán, two thermal generation plants and moto generators located in the Province of Neuquén, a cogeneration plant in the Province of Buenos Aires and a wind farm in the Province of Chubut (ii) building new thermal generation plants project in the Province of Tucumán and a cogeneration plant in La Plata; (iii) building wind farms in the Province of Santa Cruz and Buenos Aires; (iv) selling energy, (v) indirect participation through IDS in the generation and commercialization of electric energy through CDS thermal power plant; and (vi) exploring, exploiting, producing, transporting and/or storing liquid and gaseous hydrocarbons (discontinued operation, see Note 3.a)).

The Group has an installed capacity, at the date of issuance of these consolidated financial statements, of 1,819MW, 99MW of which begun operation during the second half of 2018, representing approximately 6.6% of the maximum power and approximately 8.5% of the average energy demanded in Argentina, according to information published by CAMMESA.

Additionally, the Group has projects under construction with an installed capacity of more than 634MW.

The Group's assets and generation projects portfolio are located in the provinces of Tucumán, Neuquén, Buenos Aires, Chubut and Santa Cruz.

Thermal power stations

The Company owns and operates the Tucumán Complex comprised of the Tucumán Thermal Power Plant, located in the town of El Bracho, approximately 22 km south of San Miguel de Tucumán, in the province of Tucumán, with a capacity of 447MW and the San Miguel de Tucumán Thermal Power Plant, with a capacity of 382MW. In addition, the Company expanded the Tucumán Complex through the thermal power plant of its subsidiary Y-GEN II, El Bracho TG. This power plant has a capacity of 267MW and obtained the Commercial Operation Date (COD) on January 27, 2018.

By virtue of Resolution No. 287-E/2017 from the Secretary of Electric Energy, Y-GEN II was awarded, as a consequence of the bidding process established, the project to close the existing open cycle power plant (El Bracho TG) into a combined cycle. Once the project is completed, the plant is expected to increase the total capacity in 198MW so that the total capacity of the plant will be approximately 465 MW, and the efficiency of 6,407 kJ / kWh (56.2%). In this way it would become the largest power station owned by the Group. The COD of the Thermal Power Plant is expected around second quarter of 2020.

In 2015, the Company developed the first thermal generation project called Loma Campana I, located in the town of Añelo, province of Neuquén, integrated by a thermal power plant of 105MW of installed capacity that obtained its COD at the beginning of November 2017 and, a through the figure of the distributed autogenerator. The Company provides capacity to YPF through an operation and maintenance agreement for a period of 15 years, with a fixed remuneration for availability with a price denominated in US dollars. Loma Campana I began to operate on November 7, 2017.

Loma Campana II, owned by Y-GEN, was built on the same site. It consists of a 107MW thermal power plant whose power and energy is committed under a PPA entered into with CAMMESA Campana II for a 10 year term from commercial operation and the price of which is denominated in US dollars. Loma Campana II started operating on November 30, 2017.

Additionally, the Company owns and operates the Loma Campana Este thermal power plant, located within the Loma Campana oil and gas production block concession, in the town of Añelo, province of Neuquén. This plant has a generation capacity of 17MW and provides energy for YPF's own consumption and it is not connected to the SADI.

During the year ended December 31, 2018, the Company acquired the asset La Plata Cogeneration, a thermal power plant previously owned by Central Puerto S.A., with a capacity of 128MW connected to SADI (see note 3.c)).

Finally, pursuant to Resolution No. 287 – E/2017, the Company was awarded a new cogeneration project to be developed within the La Plata Refinery, which is owned by YPF. This project consists in the installation of a gas turbine, its electric generator and a boiler to generate steam for heat recovery. The gas turbine will have a generating capacity of 85MW, and the steam generator of heat recovery (HRSG) generates 200 Tn / h with additional fire and 140 Tn / h without additional fire. The Company has signed a PPA contract with CAMMESA for a term of 15 years after being awarded in the bidding process mentioned. In the same bidding process it committed to install and maintain available a generation capacity of 72MW for the term of the contract from agreed date of the COD.

Renewable sources

The Company owns the Parque Eólico Manantiales Behr, with 99MW of installed capacity, through 30 Vestas wind turbines of 3.3 MW of installed power each. On July 25, 2018 the first stage of the wind farm for the first 49.5 MW obtained the commercial operation permit and on December 22, 2018, the last commercial operation permit for the remaining 49.5 MW was obtained.

100% of the energy generated by this project is already operational and 50% is being delivered to YPF through a PPA for a term of 15 years with a price denominated in US dollars. The remaining energy generated will be sold to private. It should be noted that this project has dispatch priority in the MATER for 100% of its installed capacity.

The Group was awarded a PPA as part of the RenovAr 2.0 Program, for the provision of renewable energy through the Cañadón León Wind Power Project of 99MW of capacity. It is located in the province of Santa Cruz, 25 km from the city of Caleta Olivia, and approximately 100 km from “Parque Eólico Manantiales Behr”. The PPA with CAMMESA, is for a term of 20 years, and a price denominated in US dollars.

Additionally, through the company Luz del Cerro S.A., acquired in May 2018, the Company is the owner of the "Los Teros" wind generation project of up to 122.5MW, located in the town of Azul, province of Buenos Aires. This project has priority dispatch in MATER transportation capacity for its whole installed capacity. The Company is currently in the process of signing the PPAs with various industries for their supply from such Wind Farm (see Note 3.d)).

On November 21, 2018, the Company acquired 100% of the shares of Luz del Valle S.A., a company whose single asset is the development of the wind farm project known as “Parque Eólico Los Teros II” (Los Teros II Wind Farm) located in the town of Azul, Province of Buenos Aires. The wind farm will have 49.8 MW of capacity (see Note 3.e))

Shareholders of the Company

Until the year ended December 31, 2017, the Company was controlled by YPF. On March 20, 2018 GE EFS Power Investments B.V. (“GE”) a subsidiary of EFS Global Energy B.V. (both companies are indirectly controlled by GE Energy Financial Services, Inc.), subscribed shares of YPF EE equivalent to 24.99% of its capital stock, committing to contribute US$ 275,000,000. Since GE’s shares subscription by means of a Shareholders agreement, GE and YPF jointly control YPF EE (Note 19).

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1. Professional accounting standards

The Company prepares its consolidated financial statements in accordance with IFRS, as issued by the IASB.

These consolidated financial statements for the year ended as of December 31, 2018, belong to the first year in which the Company will prepare its consolidated financial statements under IFRS.

For this purpose, the Company determined the effects of the changes in the professional accounting standards (PAS) applied until the previous year ended December 31, 2017. These effects were recognized retrospectively in accordance with IFRS 1 (First-time Adoption of International Financial Reporting Standards) by amending the measurement and presentation of the assets and liabilities as of January 1, 2017 (date of transition to IFRS), as well as the measurement and presentation of the assets and liabilities as of December 31, 2017, and comprehensive income for the year then ended. However, IFRS 1 requires that the recognized amounts not be amended retrospectively in some cases, and allows to opt for such treatment as an alternative criterion in other cases expressly indicated. The effects of these changes are disclosed in these consolidated financial statements.

Thus, the Company prepared and included in these consolidated financial statements: (i) the opening statement of financial position as of January 1, 2017 (date of transition to IFRS), prepared under IFRS, and (ii) the reconciliations between equity prepared under PAS and IFRS as of the date of transition to IFRS, and for the year ended December 31, 2017, respectively, and; (iii) the reconciliations between net profit under PAS and IFRS comprehensive income as of December 31, 2017, which are included in section 2.5 of this note.

The amounts and information for fiscal year ended December 31, 2017 and January 1, 2017 (the latter being the date of transition to the IFRS) are an integral part of the aforementioned financial statements and should only be read in connection with these financial statements.

Likewise, additional disclosures required by Argentine General Business Associations Law No. 19,550 and/or CNV regulations have been included with the only purposes of complying with such regulatory requirements.

The issuance of the consolidated financial statements for the year ended on December 31, 2018 was approved by the Board of Directors on March 25, 2019.

2.2. Basis of presentation and consolidation

These financial statements were prepared under the assumption that the Company has the ability to continue as a going concern.

2.2.1. Consolidated financial statements

The consolidated financial statements include the financial statements of the Group made up by the parent company YPF EE and its subsidiaries Y-GEN, Y-GEN II, Luz del Cerro S.A., Luz del Valle S.A., Luz de Leon S.A, Y-Luz Inversora S.A.U., YPF EE Comercializadora and its associates Y-GEN III, Y-GEN IV and IDS.

These consolidated financial statements have been prepared by applying the consolidation method to all the subsidiaries that are the companies over which the Group holds control. The Group controls an entity when it is exposed, or it is entitled to the variable results arising from its equity interest in the entity, and has the ability to affect those results through its power over the entity. This capacity is, in general but not exclusively, obtained by the ownership, direct or indirect, of more than 50% of the voting shares of a company.

Subsidiaries are consolidated by including all their assets, liabilities, income, expenses and cash flows into the consolidated financial statements once the adjustments and eliminations corresponding to intra-Group transactions have been made.

The statements of comprehensive income of the subsidiaries are included in the consolidated statement of comprehensive income from the date on which the Company obtains control of the subsidiary until the date on which it loses control over the subsidiary.

The interest held in the Ramos Consortium that provided the Company with contractual interest rights on the assets and liabilities were consolidated as of January 1, and December 31, 2017, using the proportional consolidation method, based on the interest held in the consortium's assets and liabilities. Due to the sale of this interest described in Note 3.a), revenues and expenses are presented as discontinued operations in the consolidated statements of comprehensive income as of December 31, 2018 and 2017.

Each subsidiary's last financial statements available as of each year-end were used for consolidation purposes, considering the subsequent events, management information available and the transactions conducted between the Company and the subsidiaries that would have changed the subsidiaries' equity. Moreover, the accounting principles and criteria adopted by the subsidiaries were adapted, if needed, with those used in the preparation of the financial statements of the Company with the purpose of presenting the consolidated financial statements applying identical valuation and presentation methods.

The Group holds a 100% interest in the consolidated companies' capital stock. Therefore, there are no non-controlling interests.

2.2.2. Measurement unit

These consolidated financial statements have been prepared under the historical cost approach, with the exception of certain assets measured at fair value, with changes through the statement of comprehensive income.

2.3. Summary of significant accounting policies

The following are the significant accounting policies applied by the Group in preparing its consolidated financial statements.

2.3.1. Functional and presentation currency

Under IFRS the companies must define their functional currency, which may differ from the presentation currency. The functional currency must be defined according to the criteria set forth in IAS 21: "The effects of changes in foreign exchange rates". Based on the provisions of the referenced rule, and considering the main activities of the Company, its subsidiaries and associates, as detailed in Note 8, and the currency of the primary economic environment in which the entities operate, the Management and the Board of Directors have defined for the Group, the U.S. dollar as their functional currency. Therefore, the financial statements of the Group have been converted into dollars according to the procedure stated in IAS 21. According to such procedures, monetary assets and liabilities are converted at the closing exchange rate. Non-monetary items, measured in terms of the historical cost approach, as well as results, are converted using the exchange rate of the transaction date. The results of the conversion of monetary assets and liabilities denominated in currencies other than dollars are recognized in the result of the year in which they arise.

(Amounts expressed in thousands of Argentine Pesos, except as otherwise indicated)

In addition, under the provisions of CNV General Resolution No. 562, the Company is required to present its financial statements in Argentine pesos, and therefore, the amounts resulting from the aforementioned process are to be converted into pesos, according to the criteria specified in IAS 21. Under IAS 21, assets and liabilities should be converted at the applicable closing exchange rate, and results at the exchange rate of the date of each transaction (or, for convenience purposes, and when exchange rates do not vary significantly, at the average exchange rate of each month) and the resulting exchange differences should be recognized in Other Comprehensive Income.

Results reported in Other Comprehensive Income related to the conversion of the financial statements of the Company into its presentation currency (pesos), have no effect on the income tax or the deferred tax, since, at the time of they were generated, such transactions had no impact in the accounting and taxable income.

Assets and liabilities in functional currency have been converted into the presentation currency using the following exchange rates, respectively.

	12.31.2018	12.31.2017	01.01.2017
Argentine Peso (ARS)	37.60	18.60	15.84

2.3.2. Foreign Currency

In preparing the consolidated financial statements, transactions in currencies other than the functional currency (foreign currencies) are booked at the exchange rates prevailing at the date of each transaction. At the closing date of each year, monetary items denominated in foreign currency are converted at exchange rates for the functional currency prevailing on the closing dates of the financial statements. Exchange differences are recognized in the income statement of the year in which they originated.

2.3.3. Classification of items as current and non-current

The Group classifies assets and liabilities in the consolidated statement of financial position as current and non-current. An entity shall classify an asset as current when:

- it expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- it holds the asset primarily for the purpose of trading;
- it expects to realize the asset within twelve months after the reporting period; or
- the asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

An entity shall classify a liability as current when:

- it is expected to be settled in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities, in all cases.

2.3.4. Fair value measurement

The Group measures certain financial instruments at their fair value at each reporting date. Fair values of financial instruments measured at amortized cost are disclosed in Note 6.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in a transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 input data: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2 input data: valuation techniques with input data other than quoted prices included in Level 1, but that are observable for the asset or liability, either directly or indirectly.
- Level 3 input data: valuation techniques for which input data are not observable for the asset or liability.

2.3.5. Revenue recognition

2.3.5.1. Revenues

IFRS 15 presents a detailed five-step model to explain revenue from contracts with customers. Its main principle is that an entity must recognize revenue to represent the transfer of goods or services promised to customers, in an amount that reflects the consideration that the entity expects to receive in exchange for those goods or services, at the time of satisfying a performance obligation.

An asset is transferred when (or as) the client obtains control of that asset, defined as the ability to direct the use and obtain substantially all the remaining benefits of the asset. IFRS 15 requires analyzing:

- If the contract (or the combination of contracts) contains more than one promised good or service, when and how the goods or services should be granted.

- If the transaction price distributed to each performance obligation should be recognized as revenue over time or at a specific time. Under IFRS 15, an entity recognizes revenue when the obligation is satisfied, that is, when control of the goods and services that have a particular obligation is transferred to the customer. The new model does not include separate guidelines for the "sale of goods" and the "provision of services". Instead, it requires entities to assess whether revenue should be recognized over time or at a specific time, regardless of whether the income includes "sale of goods" or "provision of services".

- When the transaction price includes an item for estimating variable payments, how will the amount and time for revenue recognition affect. The concept of variable payment estimation is broad. A transaction price is considered variable due to discounts, reimbursements, credits, price concessions, incentives, performance bonuses, penalties and contingency agreements. The new model introduces a great condition for a variable consideration to be recognized as revenue: only until it is very unlikely that a significant change in the amount of accumulated income will occur and when the uncertainties inherent in the variable payment estimate have been resolved.

- When the costs incurred to finalize a contract and the costs to fulfill it can be recognized as an asset.

The Company recognizes revenue based on the availability of effective capacity of its plants, of the energy delivered and of the steam delivered, and an account receivable is also recognized. This receivable represents the unconditional right of the Company to receive the consideration owed by the customer. The billing of the service is performed on a monthly basis and the consideration is usually received in less than 90 days (except in the case of additional remuneration and non-recurring maintenance). The opportunity to satisfy the performance obligation occurs over time because the client receives and simultaneously consumes the benefits provided by the performance of the obligation by the entity.

Revenue from the sale of energy and steam and power made available capacity and steam (including additional remuneration and non-recurring maintenance receivables) is calculated at the prices set in the relevant agreements or at the prices prevailing in the electricity market, pursuant to current regulations. It includes revenue from energy, steam and capacity made available and/or delivered and not billed until the end of the year, valued at the prices set in agreements or in the relevant regulations.

Revenues from sales of crude oil and natural gas are recognized at the time property and risks are transferred to the customer, depending on the prices of current contracts with customers or based on the best estimate of the price to be obtained for these deliveries (discontinued activities, see Note 3.a)).

Additionally, the requirements requested to provide information disclosures are included in Note 15.

2.3.5.2. Net financial results

For all financial assets and liabilities measured at amortized cost and at fair value through profit and loss, interest income or expense is recorded using the effective interest rate method, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, as appropriate, with respect to the net carrying amount of the financial asset or liability. Interest income and expense is included in “net financial results” in the consolidated statement of comprehensive income.

2.3.6. Taxes

2.3.6.1. Current income tax and minimum presumed income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to calculate those amounts are those that are enacted or substantively enacted at the end of the year. The statutory tax rate for the Group for the fiscal year 2018 is 30% (see Note 25).

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of comprehensive income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and recognizes provisions where appropriate.

Minimum presumed income tax is supplementary to the income tax since while the latter is calculated on taxable income as of the end of each year, minimum presumed income tax is a minimum levy determined by applying the current 1% rate to the potential income of certain productive assets. Therefore, the Company’s tax obligation shall be the higher of these two taxes. However, should minimum presumed income tax exceed current income tax in a given tax year, such excess may be carried forward as an advanced payment of any income tax in excess of the minimum presumed income tax that could occur in any of the ten subsequent fiscal years.

Minimum presumed income tax credit is measured at non-discounted nominal value, as it is similar to a deferred income tax asset.

On May 18, 2017, the AFIP (Argentine Tax Authority) issued General Instruction No. 2/2017 whereby the criteria laid down in the rulings of the Argentine Supreme Court of Justice in the cases “Hermitage S.A.” and “Diario Perfil” is adopted. Based on these rulings, where losses in the financial statements for a given period can be proved, and the income tax return records tax loss carry-forwards for that same period, this is enough to demonstrate that the minimum income presumed by the law has not existed, and therefore, the payment of the minimum presumed income tax does not apply.

The carrying amount of minimum presumed income tax is reviewed as of the end of each year and an impairment provision is recorded in the statement of comprehensive income under income tax charge to the extent that its use as an advance payment of income tax in future fiscal years is no longer probable. Minimum presumed income tax credit not recognized or previously derecognized is reviewed as of the end of each year, and it is recognized as an asset and a gain in the statement of comprehensive income for the year under income tax expense to the extent that it is likely to be used as an advance payment of income tax payable in future years.

On July 22, 2016, Law No. 27,260 was published, which, among other aspects, repealed the minimum presumed income tax for fiscal years beginning on or after January 1, 2019.

2.3.6.2. Deferred income tax

Deferred income tax is provided for using the liability method on temporary differences at the end of the year between the tax basis of assets and liabilities and their related carrying amounts.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and;
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences and tax loss carry forwards losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and/or the tax losses carry forward can be utilized, except:

- where the deferred income tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and;
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future and taxable profit will be available against which those differences can be utilized.

The carrying amount of deferred income tax assets is reviewed as of the end of each year and reduced through the comprehensive income or other comprehensive income, to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized (recovered). Unrecognized deferred income tax assets are reassessed as of the end of each year and are recognized through the income statement or other comprehensive income for the year, as the case may be, to the extent that it has become probable that future taxable profits will allow the deferred income tax asset not previously recognized to be recovered.

Deferred income tax assets and liabilities are measured at undiscounted nominal value at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the year (see Note 25).

Deferred income tax items are recognized in correlation to the underlying transactions either in the statement of other comprehensive income or directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current income tax assets and liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

2.3.6.3. Other taxes related to sales and to bank account transactions

Revenues from recurring activities, expenses incurred and assets are recognized excluding the amount of any sales tax, as in the case of value-added tax or turnover tax, or the tax on bank account transactions, except:

- where the tax incurred on a sale or on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as the case may be and;

- trade receivables and payables are stated including value-added tax.

Turnover taxes and the tax on bank account transactions charge is included in Administrative and selling expenses within the consolidated statement of comprehensive income.

The net amount of the tax related to sales and to bank account transactions recoverable from, or payable to, the tax authority is included as a non-financial asset or liability, as the case may be.

2.3.7. Property, plant and equipment

2.3.7.1. Generation and selling of electric energy

Property, plant and equipment is carried at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Cost includes all expenses directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating.

Borrowing costs from third parties directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the asset.

When major maintenance is performed that recovers the capacity of the asset, its cost is capitalized if the conditions for the recognition thereof as an asset are met and are depreciated separately based on their specific useful life.

The costs of renewals, improvements and enhancements that extend the useful life of properties and/or improve their service capacity are capitalized. As property, plant and equipment are retired, the related cost and accumulated depreciation are derecognized.

All other regular repair and maintenance costs are recognized in the consolidated statement of comprehensive income as incurred.

Property, plant and equipment, net of its recoverable residual value are depreciated composing such item by distributing linearly the cost of the different elements that compose it between the years of estimated useful life of each asset as follows:

	Useful life in years
Buildings	50
Production facilities, machinery, equipment of power plants	15-25
Transportation equipment	5
Furniture, fixtures and computer and communication equipment	3

The residual values, useful lives and methods of depreciation are reviewed as of the end of each year and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

2.3.7.2. Oil and gas production

The Company used the successful effort method to account for transactions related to oil and gas exploration and production activities. Therefore, exploration costs, excluding costs from exploration wells, have been charged to the statement of comprehensive income when incurred. Drilling costs for exploration wells, including stratigraphic test wells, are capitalized until it is determined if there are proven reserves to justify their commercial development. If such reserves are not found, those drilling costs are charged to the statement of comprehensive income. Occasionally, upon completion of the exploration well drilling, the existence of reserves that cannot yet be classified as proven reserves may be determined. In those cases, if a volume of reserves justifying its development as a production well has been discovered, and if the Company is achieving substantial progress in the assessment of reserves and the economic and operating viability of the project, the cost of the exploration well is maintained as an asset. If any of those conditions is not met, the related costs are charged to the statement of comprehensive income.

Drilling costs applicable to production wells and to development dry wells and the costs of equipment related to the development of oil and gas reserves have been capitalized.

Costs capitalized related to production activities have been depreciated using the production units method, through application of the relation between the oil and gas produced and the proven and developed oil and gas reserves that are estimated to be recovered.

Costs capitalized related to acquisition of properties and extension of concessions with proven reserves, have been depreciated using the production units method, through application of the relation between the oil and gas produced and the total proven and developed oil and gas reserves.

Depreciation is reviewed as a consequence of changes in estimates of the proven reserves of crude oil and gas after the date when such changes are disclosed. The Company reviews reserves estimates at least once a year.

Costs for obligations for the abandonment of hydrocarbon wells are recorded at the present value, together with the assets that originated them and are depreciated using the production units method. A liability is also recognized for that concept at the present value of the amounts to be paid. Changes in estimates of the discounted amounts to be paid are carried out taking into consideration current costs incurred for the abandonment of wells or other external information available, if the obligations for the abandonment of wells were not carried out. Those costs are the best estimate of the liability for the abandonment of wells.

During the year ended December 31, 2018 the Company discontinued this activity (see Note 3.a)).

2.3.8. Impairment of property, plant and equipment

The Group assesses as of the end of each period or year whether there is an indication that an individual component or a group of property, plant and equipment may be impaired. If any indication exists, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of the fair value less costs to sell that asset, and its value-in-use. That amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the cash flows of the group of assets that form part of the cash-generating unit ("CGU") to which they belong are taken. To this end, the Group defined each generation plant as an independent CGU.

When the carrying amount of an individual asset or CGU exceeds its recoverable amount, the individual asset or CGU, as the case may be, is considered impaired and is written down to its recoverable amount.

In assessing value in use of an individual asset or CGU, the estimated future cash flows are discounted to their present value using a discount rate that reflects the weighted average capital cost employed for the Group.

In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are verified by valuation multiples, quoted values for similar assets on active markets and other available fair value indicators, if any.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's CGU to which the individual assets are allocated. These detailed budgets and forecast calculations generally cover the useful life of the asset.

Impairment losses of continuing operations are recognized in the consolidated statement of comprehensive income.

In addition, for the assets for which an impairment loss had been booked, as of the end of each period or year, an assessment is made whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased.

If any indication exists, the Group estimates the individual asset's or CGU recoverable amount, as applicable.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the individual assets or CGU's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset or CGU does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of the related depreciation or amortization, had no impairment loss been recognized for the asset or CGU in prior periods. Such reversal is recognized in the statement of income in the same line in which the related impairment charge was previously recognized, unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

As of December 31, 2018, 2017 and January 1st, 2017, no impairment charge or reversal of impairment charges was recognized.

2.3.9. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

2.3.9.1. Financial assets

Classification

In accordance with IFRS 9 "Financial instruments", the Group classifies its financial assets into three categories:

– Financial assets at amortized cost

Financial assets are measured at amortized cost if both of the following criteria are met: (i) the objective of the Group's business model is to hold the assets to collect the contractual cash flow, and (ii) the contractual terms only represent payment of principal and interest (SPPI criterion).

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

As of the closing date of these consolidated financial statements, the Group's financial assets at amortized cost include certain elements of cash and cash equivalents, trade receivables , other receivables and other financial assets (Y-GEN and Y-GEN II reserve account, in connection with the Citibank N.A. loan taken – See Note 13).

– Financial assets at fair value with changes through other comprehensive income

The financial assets are measured at fair value with changes through other comprehensive income if the financial assets are held in a business model whose objective is achieved by obtaining contractual cash flows and selling financial assets.

As of the closing date of these consolidated financial statements, the Group's financial assets at fair value with changes in other comprehensive incomes include derivatives financial instruments, which are included in the "Investment on financial assets" line item.

– Financial assets at fair value through profit or loss

The financial assets at fair value through profit or loss correspond to a residual category that includes financial instruments that are not held under one of the two business models indicated above, including those held for trading and those designated at fair value.

As of December 31, 2017, and during the fiscal year ended at December 31, 2018, the Group's financial assets at fair value through profit or loss include mutual funds, which are included in the "Cash and cash equivalents" line item.

Recognition and measurement

Purchases and sales of financial assets are recognized on the date the Group commits to purchase or sell the assets.

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

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

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

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

Derecognition of financial assets

A financial asset (or, if applicable, part of a financial asset or part of a group of similar financial assets) is derecognized from the statement of financial position when:

- The contractual rights to receive the cash flows generated by the asset have expired or;
- Contractual rights over the cash flows generated by the asset have been transferred, or an obligation to pay a third party all of these cash flows without a significant delay has been assumed, through a transfer agreement (pass-through arrangement), and (a) substantially all the risks and benefits inherent to ownership of the asset have been transferred; or (b) substantially all the risks and rewards of ownership of the asset have not been transferred or retained, but control over the asset has been transferred.

When the contractual rights to receive the cash flows generated by the asset have been transferred, or a transfer agreement has been entered into, but neither all the risks and benefits inherent to ownership of the asset have been substantially transferred or retained, nor have been transferred control over it, that asset will continue to be recognized to the extent of the Group's continued involvement in the asset. In that case, the Group will also recognize the related liability. The transferred asset and the related liability will be measured in a manner that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

IFRS 9 introduces an "expected credit loss" ("ECL") model. This requires considerable judgment regarding how changes in economic factors affect ECLs, which are determined on a weighted average basis. The ECLs arise from the difference between the contractual cash flows and the cash flows at present value that the Group expects to receive.

The new impairment model is applicable to financial assets measured at amortized cost or at fair value with changes through other comprehensive income, except for investments in equity instruments, and to the assets from contracts recognized under IFRS 15.

Under IFRS 9, allowances for losses will be measured using one of the following bases:

- 12-month ECL: These are ECLs that result from possible default events within 12 months after the reporting date;
- ECL during the life of the asset: These are ECLs that result from possible events of default during the expected life of a financial instrument.

Given the nature of the clients with which the Group operates and based on the above-mentioned criteria, the Group did not identify significant expected credit losses, during the asset lifetime.

In the case of financial investments and, in accordance with the current investment policies, the Group monitors the credit rating and the credit risk that these instruments have. Based on the analysis made, the Group did not identify that an impairment should be recorded in this type of instrument.

2.3.9.2. Financial liabilities - Recognition and measurement

Financial liabilities are initially recognized at their fair value less the transaction costs incurred. Because the Group does not have financial liabilities whose characteristics require the recognition at their fair value, according to IFRS, after their initial recognition, financial liabilities are measured at amortized cost. Any difference between the financing received (net of transaction costs) and the repayment value is recognized in the consolidated statement of comprehensive income over the life of the related debt instrument, using the effective interest rate method.

At the closing date of these consolidated financial statements, the Group’s financial liabilities at amortized cost include Accounts payable, Other liabilities and Loans.

Derecognition of financial liabilities

The Group derecognizes a financial liability when the obligation specified in the corresponding contract has been paid or canceled, or has expired.

When one financial liability is replaced with another one with the same counterparty with substantially different conditions, or if the conditions of an existing liability change substantially, that exchange or modification is treated by derecognizing the original financial liability and recognizing a new financial liability, and the difference is recognized as financial income or expense in the statement of comprehensive income.

2.3.9.3. Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

2.3.9.4. Financial assets and liabilities with related parties

Assets and liabilities with related parties are recognized initially at fair value plus directly attributable transaction costs. As long as those transactions have not been performed at arms' length principle, any difference arising at initial recognition between fair value and the consideration given or received in return shall be considered as an equity transaction (capital contribution or payment of dividends, which will depend on whether it is positive or negative).

Following initial recognition, these receivables and payables are measured at their amortized cost through the effective interest rate method. The amortization is included in finance income or costs in the comprehensive income statement of income.

2.3.9.5. Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The derivative financial instruments used by the Group are initially recognized at fair value on the date on which a derivatives contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The method to recognize the loss or gain resulting from the change in fair value depends on whether the derivative has been designated as a hedging instrument and, if so, on the nature of the item being hedged. The Company may designate certain derivatives as:

- fair value hedges;
- cash flow hedges.

At inception date, the Group documents the relationship between the hedging instruments and the hedged items, as well as their objectives for risk management and the strategy to carry out various hedging transactions. It also documents its evaluation, both at the beginning and on an ongoing basis, of whether the derivatives used in hedging transactions are highly effective in offsetting changes in the fair value or in the cash flows of the hedged items.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of comprehensive income, along with any change in the fair value of the hedged asset or liability that is attributable to the hedged risk.

Cash flow hedge

The effective portion of changes in the fair value of the derivatives that are designated and qualify as cash flow hedges are recognized in Other Comprehensive Income. The loss or gain relating to the non-effective part is recognized immediately in the statement of comprehensive income under "Net financial results".

The amounts accumulated in Other Comprehensive Income are taken to the statement of comprehensive income in the years in which the hedged item affects the result of the year. In the case of interest rate hedges, this means that the amounts recognized in the equity are reclassified to results in "Net financial results", as the interest on the associated debts accrues.

As of December 31, 2018, the Group maintains derivative hedging instruments in order to reduce the risk arising from variation in interest rates.

Interest rate swaps or hedge contracts are measured at their current value at the end of each year and are exposed as assets or liabilities depending on the rights and obligations arising from the respective contracts. Interest rate swaps contracts have been classified as effective cash flow hedges. Changes in the accounting measurement of swap contracts are recognized in the shareholders' equity in "Other comprehensive income". These recognized changes in shareholders' equity are reclassified to the result of the year in which the interests of the loan with variable rate object of coverage are recognized in the statement of comprehensive income.

If the hedging instrument expires or is sold, resolved or terminated or exercised without successive replacement or renewal (as part of the hedging strategy), or if its designation as a hedge is revoked, or if the hedge no longer meets the requirements to apply hedge accounting, any accumulated gain or loss previously recognized in the other comprehensive income remains separate in equity until the expected transaction takes place.

2.3.10. Inventories

Inventories are valued at the lower of acquisition cost and net realizable value. In the estimation of the net realizable value, the destination of the assets to be measured and the movements of the items of slow moving are taken into account.

Inventories correspond to Consortium Ramos discontinued operation (Note 3.a)).

Inventories balance is not higher than its net realizable value at the corresponding dates.

2.3.11. Cash and cash equivalents

Cash is deemed to include both cash on hand and bank deposits on demand. Cash equivalents are deemed to include short-term investments with significant liquidity and free availability that, subject to no previous notice or material cost, may be easily converted into a specific cash amount that is known with a high degree of certainty upon the acquisition, are subject to an insignificant risk of changes in value, maturing up to three months after the date of the related acquisitions, and whose main purpose is not investment or any other similar purpose, but settling short-term commitments.

For the purpose of the consolidated statement of financial position and the consolidated statement of cash flows, cash and cash equivalents comprise cash in hand, deposit held at call with banks and on other short-term highly liquidity investments with original maturities of three months or less.

They do not include bank overdrafts.

2.3.12. Provisions

Provisions are recognized when the Group has a present obligation (legal or implied) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income under the item that better reflects the nature of the provision net of any reimbursement to the extent that the latter is virtually certain.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax market rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost in the statement of comprehensive income under the caption “Net financial results”.

– *Provision for lawsuits and claims*

In the ordinary course of business, the Group is exposed to claims of different natures (e.g., commercial, labor, tax, social security, foreign exchange or customs claims) and other contingent situations derived from the interpretation of current legislation, which could result in a loss, the materialization of which depends on whether one more events occur or not. In assessing these situations, Management uses its own judgment and advice from its legal counsel, both internal and external, as well as the evidence available as of those dates. If the assessment of the contingency reveals the likelihood of the materialization of a loss and the amount can be reliably estimated, a provision for lawsuits and claims is recorded as of the end of each year .

– *Provision for well abandonment obligations*

Costs related to hydrocarbon well abandonment obligations are capitalized at their discounted value along with the related assets, and are depreciated using the unit-of-production method, and a liability for the same amount is recognized. Re-estimations of the payable amounts are performed upon consideration of the current costs incurred in abandonment obligations on a field-by-field basis or other external available information if abandonment obligations were not performed. Due to the number of wells in operation and/or not yet abandoned, as well as the complexity with respect to different geographic areas where the wells are located, actual costs incurred in abandonment activities, weighted by the complexity level of the wells, are used for estimating the costs of the wells pending abandonment. Current costs incurred are the best source of information in order to make the best estimate of asset retirement obligations. Future changes in the costs mentioned above, the useful life of the wells and the estimate of abandonment obligations, as well as changes in regulations, which are not possible to be predicted at the date of issuance of these consolidated financial statements, could affect the value of the abandonment obligations and, consequently, the related asset, affecting the results of future operations. During the year ended December 31, 2018 the Company discontinued this activity (Note 3.a)).

2.3.13. Contingent liabilities

A contingent liability is: (i) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or (ii) a present obligation that arises from past events but is not recognized because: (a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or (b) the amount of the obligation cannot be measured with sufficient reliability.

A contingent liability is not recognized in the financial statements; it is reported in notes, unless the possibility of an outflow of resources to settle such liability is remote. For each type of contingent liability as of the end of each year , the Group shall disclose (i) a brief description of the nature of the obligation and, if possible, (ii) an estimate of its financial impact; (iii) an indication of the uncertainties about the amount or timing of those outflows; and (iv) the possibility of obtaining potential reimbursements.

2.3.14. Contingent assets

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

A contingent asset is not recognized in the financial statements; it is reported in notes only where an inflow of economic benefits is probable. For each type of contingent asset as of the end of each year, the Group shall disclose (i) a brief description of the nature thereof and, if possible, (ii) an estimate of its financial impact.

2.3.15. Employee benefits

The Group recognizes short-term benefits to employees, such as salary, vacation pay, bonuses, among others, on an accrued basis and includes the benefits arising from collective bargaining agreements. All these benefits are included in “Salaries and social security”.

The Group also awards bonus for objectives and performance. These programs reach certain Group employees. They are based on the fulfillment of corporate objectives, business unit and individual performance. They are determined based on the annual remuneration of each employee, the calculation of certain indicators related to compliance with the aforementioned objectives and the performance evaluation, and are paid in cash.

2.3.16. Investment in associates and joint ventures

The Group’s investments in associates and joint ventures are accounted for using the equity method. An associate is an entity over which the Group has significant influence or joint control. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is neither control nor joint control.

According to the equity method, investments in associates are originally recognized in the statement of financial position at cost, plus (less) the changes in the Group’s ownership interests in the associates’ net assets subsequent to the acquisition date. If any, goodwill relating to the associate is included in the carrying amount of the investment and it is neither amortized nor individually tested for impairment.

If the cost of the investments is lower than the proportional share on the on the fair value associate’s assets and liabilities as of the date of acquisition, a gain is recognized in the year in which the investment was acquired.

The statement of comprehensive income reflects the share of the results of operations of the associates and joint ventures adjusted on the basis of the fair values estimated as of the date on which the investment was recognized. When there has been a change recognized directly in the equity of the associates, the Group recognizes its share of any changes and includes them, when applicable, in the statement of changes in shareholders’ equity.

The Group’s share of profit in the associates and joint ventures is shown in a single line on the statement of comprehensive income. This share of profit includes income or loss after taxes of the associates and joint ventures.

The financial information of the associates and joint ventures is prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies of the associates and joint ventures in line with those of the Group.

After the application of the equity method, the Group determines whether it is necessary to recognize impairment losses on its investment in its associates and joint ventures. As of the end of each year, the Group determines whether there is objective evidence that the value of the investment in the associates has been impaired. If such was the case, the Group estimates the impairment loss as the difference between the recoverable amount of the investment in the associates and its carrying value, and recognizes the loss as “Income from equity interest in associates ” in the statement of comprehensive income.

Upon loss of significant influence over an associate, and joint ventures the Group measures and recognizes any retained investment at its fair value. If such was the case, any difference between the carrying amount of the investment in the associate and the fair value on any retained investment, as well as the disposal proceeds, are recognized in the statement of comprehensive income.

The information related to associates and joint ventures is included in Note 8.

2.3.17. Discontinued operations

The Group classifies non-current assets and groups of assets as held for sale if their carrying amounts will be recovered principally through a sale transaction or its distribution to the shareholders rather than through continuing use. Such assets are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal, excluding finance costs and income tax expense.

The criteria to classify as held for sale is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the transaction will be made or that the decision to sale will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment are not depreciated nor amortized once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately in the consolidated statement of financial position.

A disposal group qualifies as discontinued operation if:

- It is a component of the Group that represents a CGU or a group of CGU;
- It is classified as held for sale or as for distribution to equity holders, or it has already been disposed as such, and;
- It represents a separate major line of business or geographical area of operations or it is a subsidiary acquired exclusively with a view to resale it.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as income or loss after tax from discontinued operations in the consolidated statement of comprehensive income.

Additional disclosures are provided in Note 18. All other notes to the consolidated financial statements include amounts for continuing operations, unless otherwise indicated.

2.3.18. Leases

The decision whether an agreement is or contains a lease is based on the substance of the agreement, whether compliance with the agreement depends on the use of an asset or of specific assets, or whether the agreement transfers the right to use the asset.

- **Operating leases**

Leases are classified as operating leases when the lessor retains substantially all the risks and benefits inherent in the property of the leased assets. Operating lease costs are recognized by the straight-line method in the statement of comprehensive and are related to real estate and equipment leases that are included in “Production costs” and “Administrative and selling expenses” in the consolidated statement of comprehensive income.

- **Finance leases**

Leases are classified as finance leases when the lessor transfers substantially all the risks and benefits inherent in the property of the leased assets.

In finance leases, an asset and a liability are recognized at inception in the statement of financial position at their fair value or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognized as expenses in the periods in which they are incurred.

2.3.19. Shareholders' equity

Shareholders' equity items were valued pursuant to the professional accounting standards effective as of the date of transition. The movements in this account were recognized according to the decisions reached by shareholders' meetings, legislation or regulations.

Capital stock and capital adjustment

It includes the contributions made by the shareholders represented by shares and includes the shares outstanding at their face value. The adjustment required under previous Generally Accepted Accounting Principles to state this account in constant Argentine pesos is disclosed in the "Capital adjustment" account in 2017 and was transferred to "Subscribed capital" account during such year.

Share premium

It is related to the difference between the capital increases subscribed and the related face value of the shares issued.

Other shareholders contributions

Includes the effects of the transactions made with entities under the Group´s common control (Note 3.a).

Legal reserve

According to the provisions of General Business Associations Law, the Company is required to set up a legal reserve of at least 5% of the income arising, from the profit for the year, prior-year adjustments, the transfers of other comprehensive income to retained earnings and accumulated losses of prior years until it reaches 20% of the subscribed capital.

Voluntary reserve

Corresponds to the allocation made by the Shareholders' Meeting of the Company, by which a specific amount is destined to constitute a reserve for future investments.

Reserve for future dividends

Corresponds to the allocation made by the Shareholders' Meeting of the Company, by which a specific amount is destined to constitute a reserve for future dividends.

Other comprehensive income

Includes income and expenses recognized directly in shareholders' equity accounts and the transfer of such items from equity accounts to the income statement of the year or to retained earnings, as defined by IFRS.

(Amounts expressed in thousands of Argentine Pesos, except as otherwise indicated)

The evolution of the item is detailed below.

	Other comprehensive income		
	Currency adjustment translation	**Changes in derivative instruments' fair value (1)**	**Total**
Balance as of January 1, 2017	-	-	-
Currency adjustment translation	542,191	-	542,191
Net variation of the year	542,191	-	542,191
Balance as of December 31, 2017	**542,191**	**-**	**542,191**
Currency adjustment translation	11,170,660	-	11,170,660
Income from hedging instruments	-	49,483	49,483
Less: Income reclassification for valuation of hedging instruments charged to results of the year	-	(10,325)	(10,325)
Income tax related to components of other comprehensive results for the year	-	(12,767)	(12,767)
Net variation of the year	11,170,660	26,391	11,197,051
Balance as of December 31, 2018	**11,712,851**	**26,391**	**11,739,242**

(1) Will be reclassified to net income in subsequent years.

In addition, as established by CNV regulations, when the other comprehensive income balance is positive it should not be distributed, converted into equity or used to compensate accumulated losses, and when the balance is negative, a restriction to the distribution of retained earnings to the shareholders for up to that amount applies.

Retained earnings

Includes retained earnings with no specific allocation that may be distributed by a decision reached by the Shareholders' Meeting, provided that there are no legal restrictions.

Moreover, it comprises retained earnings from prior years, the amounts transferred from other comprehensive income and adjustment to prior-year results due to the application of professional accounting policy.

On September 13, 2012, the CNV issued General Resolution No. 609 relative to the positive difference resulting from the opening balance of the retained earnings disclosed in the financial statements for the first fiscal year-end in which IFRS are applied and the closing balance of retained earnings at the last fiscal year-end under the previous accounting principles. Under this resolution, an entity filing its financial statements under the IFRS for the first time should re-allocate the positive difference arising from the application of the IFRS to a special reserve, which may only be used for capitalization purposes or to absorb negative balances of the "Retained Earnings" account, and not to make distributions in cash or in kind among the entity's shareholders or owners. The Shareholders' Meeting at which the financial statements ended December 31, 2018, will be considered will have to make a decision regarding the application of the said resolution.

2.3.20. Information by operating segment

For management purposes, the Group is organized as a single business segment to generate and sell electric energy. The Group discloses only the information about this activity in "Operating income (loss)" on the consolidated statement of comprehensive income.

2.3.21. Business combination

Business combinations are accounted for by applying the acquisition method when the Group takes effective control over the acquired company.

The Group recognizes in its financial statements the identifiable assets acquired, the liabilities assumed, any non-controlling interest and goodwill, if any, in accordance with IFRS 3.

The acquisition cost is measured as the sum of the consideration transferred, measured at fair value at its acquisition date and the amount of any non-controlling interest in the acquired entity. The Group will measure the non-controlling interest in the acquired entity at fair value or at the non-controlling interest's proportionate share of the acquired entity's identifiable net assets.

If the business combination is achieved in stages, the Group will remeasure its previously held equity interest in the acquired entity at its acquisition date fair value and recognize a gain or loss in the consolidated statement of comprehensive income.

The goodwill cost is measured as the excess of the consideration transferred over the identifiable assets acquired and liabilities assumed net by the Group. If this consideration is lower than the fair value of the assets identifiable and liabilities assumed, the difference is recognized in the consolidated statement of comprehensive income.

2.4. Judgements, significant accounting estimates and assumptions

The preparation of the Group's consolidated financial statements requires Management to make significant estimates and assumptions that affect the recorded amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent assets and liabilities as of the end of each year . In this sense, the uncertainties related to the estimates and assumptions adopted could give rise in the future to final results that could differ from those estimates and require significant adjustments to the amounts of the assets and liabilities affected.

The key assumptions concerning the future and other key sources of estimation as of the end of each year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its accounting assumptions and significant estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

The significant estimates used by management are mentioned below:

- *Recoverability of property, plant and equipment:*

At each reporting date the Group assess if there is an indicator that Property, Plant and Equipment may be impaired. Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The value in use calculation is based on a Discounted Cash Flow (DCF) method. The cash flows cover the useful life of the assets. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows.

- *Income tax and deferred income tax*

The proper assessment of income tax expenses depends on several factors, including interpretations related to tax treatment for transactions and/or events that are not expressly provided for by current tax law, as well as estimates of the timing and realization of deferred income taxes. The actual collection and payment of income tax expenses may differ from these estimates due to, among others, changes in applicable tax regulations and/or their interpretations, as well as unanticipated future transactions affecting the Group's tax balances.

- *Business combination*

The application of the acquisition method involves the measurement at fair value of the identifiable assets acquired and the liabilities assumed in the business combination at the acquisition date.

For the determination of the fair value of the identifiable assets and liabilities, the Group uses the valuation approach considered most representative for each element. Among them are: i) the income approach, which through valuation techniques converts future amounts into a single present amount (discounted) ii) the market approach through the methodology of comparable transactions and iii) cost approach through the use of depreciated replacement values.

In the selection of the approach to be used and the estimation of future cash flows, critical judgment is required by Management. The actual cash flows and values can vary significantly from the expected future cash flows and the related values obtained through the aforementioned valuation techniques.

- *Functional Currency*

The Company's Management applies its professional judgment to determine its functional currency and that of its subsidiaries. The judgment is made mainly with respect to the currency which influences and determines the sales prices, the generating costs, material, investment and other costs, as well as the financing and collections resulting from their operating activities.

- *Probability of occurrence and the amount of liabilities related to lawsuits and claims:*

The Group based its estimates on the opinions of its legal counsel available when the consolidated financial statements were prepared. Existing circumstances and assumptions, however, may change due to changes in circumstances arising beyond the control of the Group.

2.5. First-time adoption of IFRS

2.5.1. Information required for the year ended December 31, 2018

As mentioned in Note 2.1, the Group adopted IFRS, as issued by the IASB, in its entirety from the year beginning on January 1, 2018.

The adoption of these standards originated changes in the accounting policies applied by the Group and were included in the financial statements for the year ended December 31, 2018. Additionally, the presentation of the financial statements was restated as of December 31, and January 1st, 2017, for comparative purposes, due to IFRS's adoption.

The accounting policies applied as of the transition date comply with the current IFRS in the year ended December 31, 2018, in accordance with the requirements of IFRS 1.

In accordance with the requirements of IFRS 1, the main adjustments and the reclassifications of the transition to IFRS are explained below, and the following reconciliations related to the transition are presented:

a) Between the equity determined in accordance with the PAS and the equity determined in accordance with IFRS, as of January 1, 2017, (date of transition to IFRS), and December 31, 2017;

b) Between the net profit in accordance with the PAS for the year ended December 31, 2017, and the total comprehensive income in accordance with the IFRS for the same years.

In the preparation of these reconciliations, the Company's Management has considered those IFRS that are applicable in the preparation of the first financial statements presented in accordance with IFRS for the fiscal year ending on December 31, 2018.

2.5.2. Mandatory exceptions to the retroactive application of certain IFRS

2.5.2.1. Estimates

The judgments, estimates and significant accounting assumptions made by the Company's Management to determine the amounts according to IFRS as of January 1, 2017 (date of transition to IFRS) and as of December 31, 2017, were consistent with those made at those dates according to PAS, as described in Note 2.4. and reflect the existing conditions at the respective dates.

2.5.3. Exemptions used in the application of certain IFRS

2.5.3.1. Deemed cost of Property, plant and equipment:

Property, plant and equipment have been measured at the transition date in the functional currency defined by each company of the Group according to the following:

Property, plant and equipment of the Company, as of January 1, 2017, measured according to PAS, have been adopted as deemed cost and remeasured into U.S. dollars using the exchange rate in effect on that date. This is a consequence of the fact that, on February 1, 2017, entered into force Resolution SEE 19/2017, which determined the remuneration of generators in US dollars. Considering that the Company only prepare financial information at the end of each quarter, for the remeasurement to the functional dollar currency, assets, liabilities and results have been considered as of January 1, 2017, the date of transition to IFRS. Had the property, plant and equipment been measured as of February 1, 2017, they would not have deferred significantly, because the variation of exchange rates between both dates has remained stable.

(Amounts expressed in thousands of Argentine Pesos, except as otherwise indicated)

2.5.4. Explanation of adjustments and reclassifications at the transition date to IFRS

2.5.4.1. Equity reconciliation as of January 1, 2017 (transition date), and December 31, 2017

	01.01.2017	12.31.2017
Equity as per PAS	1,735,873	3,440,991
Transition adjustments		
A – Property, plant and equipment and related advances to suppliers	-	370,522
B - Investment in associates and joint ventures	11,532	197,082
C - Income tax effect	-	(95,208)
Equity as per IFRS	**1,747,405**	**3,913,387**

Effect of the application of the functional and presentation currency

Under previous PAS, the financial statements are presented in pesos (reporting currency) recognizing the effects of variations in the purchasing power of money in a comprehensive manner by applying the method of restatement in constant currency established by Technical Resolution No. 6 and No. 17, as amended by Technical Resolution No. 39 and by Interpretation No. 8, rules issued by the Argentine Federation of Professional Councils in Economic Sciences(FACPCE) and approved by the Professional Council of Economic Sciences of the City of Buenos Aires. Foreign currency transactions are recorded in pesos at the exchange rate prevailing at the date of each transaction. Exchange differences arising on monetary items in foreign currencies are recognized in statement of comprehensive income in the year in which they arise.

Under IFRS, companies should determine their functional currency according to the criteria established by IAS 21, "The Effects of Changes in Foreign Exchange Rates", which may differ from their reporting currency. According to the provisions of that standard, the management has defined the U.S. dollar as the functional currency of the Group. Accordingly, the shareholders' equity as of January 1, December 31, 2017, prepared under previous PAS, have been remeasured into U.S. dollars according to the procedure set out in IAS 21 and IFRS 1, with the objective of generating the same accounting information that would have been reported if the accounting records were kept in the functional currency.

According to the established procedures, monetary assets and liabilities as of January 1st and December 31, 2017, are remeasured at the closing exchange rates. Non-monetary items, which are measured in terms of historical cost, as well as income and expenses, are remeasured using the exchange rate at the date of the relevant transaction. The results of the remeasurement into U.S. dollars of monetary assets and liabilities in currencies different from U.S. dollar are recognized as income (expense) in the year in which they arise.

Additionally, according to General Resolution No. 562 of the CNV, the Company must file its financial statements in pesos. Therefore, the amounts obtained from the process above mentioned, need to be converted into pesos, following the criteria set forth in IAS 21. As a result, assets and liabilities have been translated to the reporting currency, at the closing exchange rate, income and expenses have been translated at the exchange rate at the date of each transaction (or, for practical reasons and when exchange rates do not fluctuate significantly, the average exchange rate for each month) and the exchange differences resulting from this process have been reported in Other Comprehensive Income for the year.

a. Property, plant and equipment and advances to suppliers related

According to the methodology mentioned above, the Company has valued its properties, plant and equipment, in its functional currency, taking into consideration the exception mentioned in the section 2.5.3.1 above and has subsequently converted them into pesos. Based on that valuation, Property, plant and equipment of the Company have been increased in the amounts of 370,522 as of December 31, 2017.

b. Investments in associates and joint ventures

Corresponds to the effect of the valuation in functional currency dollar, to investments in which the Company has joint control. Based on that valuation, Investments in associates and joint ventures of the Company have been increased in the amounts of 11,532, and 197,082 as of January 1st and December 31, 2017, respectively

c. Income tax

Corresponds to the income tax of the valuation differences referred to in previous section.

Under previous PAS, when there were timing differences between the accounting value of the assets and liabilities and their tax basis, deferred income tax assets or liabilities were recognized.

(Amounts expressed in thousands of Argentine Pesos, except as otherwise indicated)

Under IFRS, according to the provisions of IAS 12, “Income Taxes”, a deferred tax asset or liability exists when there are tax deferred earnings to be recovered or settled in future periods related to deductible or taxable temporary differences, which are generated when there is a difference between the carrying amount of an asset or liability in the statement of financial position and its tax base. Taxable temporary differences are temporary differences that give rise to taxable amounts in determining taxable profit (tax loss) of future periods when the asset's carrying amount is recovered or the liability is settled, and deductible temporary differences are temporary differences that give rise to amounts that are deductible in determining taxable profit (tax loss) of future periods when the asset's carrying amount is recovered or the liability is settled.

The effect of applying the current tax rate on the difference generated between the tax basis of Property, plant and equipment and their book value under IFRS, measured in its functional currency and converted into pesos as described in previous section, with respect to the book value under PAS, resulted in a decrease in Shareholders' equity of 95,208 as of December 31, 2017.

2.5.4.2. Net profit and comprehensive income reconciliation for year ended December 31, 2017

	12.31.2017 (12 months)	
Net profit as per PAS	928,085	
Transition adjustments		
A - Exchange difference	124,188	
B - Depreciation of property, plant and equipment	(3,188)	
C - Investment in associates and joint ventures	(107,120)	
D - Income tax effects	(95,208)	
Income for the year/year as per IFRS (1)	**846,757**	(2)
E – Currency adjustment translation	542,191	
Other comprehensive income for the year/ year as per IFRS (1)	**1,388,948**	

(1) Includes incomes from discontinued operations of 193,987 for the fiscal year ended December 31, 2017.
(2) Earnings per share for the year ended December 31, 2017 was 0.559. The weighted average number of ordinary shares was 1,515,936.

a) Exchange differences

Corresponds to the elimination of exchange differences recorded under PAS originated by monetary assets and liabilities denominated in currencies other than the peso, and the recognition of the exchange differences corresponding to the measurement of monetary assets and liabilities denominated in currencies other than U.S. dollar, as a result of the application of the functional currency concept previously mentioned in note 2.5.4.1.

b) Depreciation of fixed assets:

Corresponds to the difference in depreciations charged to expense in the year, derived from the valuation of property, plant and equipment, as a result of the application of the concept of functional currency.

c) Investment in associates and joint ventures

Corresponds to the effect of the valuation in functional currency dollar, to investments in which the Company has joint control.

d) Income tax effects

Corresponds to the income tax as a result of the valuation differences of fixed assets.

e) Translation adjustment

Includes the adjustment effect of the conversion process from the Company's functional currency (U.S. dollar) into the Company's reporting currency (peso), according to the methodology provided by IAS 21.

(Amounts expressed in thousands of Argentine Pesos, except as otherwise indicated)

2.5.4.3. Consolidated statement of cash flow

The cash and equivalents at the beginning and end of year ended December 31, 2017 remeasured into U.S. dollar and translated into Argentine pesos under IFRS are presented below.

	For the year ended December 31, 2017
Net cash flows from operating activities	901,168
Net cash flows used in investing activities	(3,004,469)
Net cash flows from financing activities	1,522,203
Decrease in cash and cash equivalents	(581,098)
Cash and cash equivalents at the beginning of the year	651,447
Effect of exchange difference variations on cash and cash equivalents	68,733
Cash and cash equivalent at the end of the year	**139,082**

The statements of cash flow for year ended December 31, 2017 have been modified mainly due to the proportional deconsolidation of investments in joint ventures, which generates a decrease in cash and cash equivalents at the beginning of the year 2017 of 142,002 and a decrease in cash and cash equivalents as of the end of the year of 431,486. Additionally, it has produced an increase in net cash flows from operating activities of 234,523, a decrease in net cash flows used in investing activities of 1,831,851 and a decrease in net cash flows from financing activities of 2,424,592 for the year ended December 31, 2017.

2.5.4.5. Main reclassifications

a) Investment in associates and joint ventures

Under PAS, investments in joint ventures were consolidated using the proportional consolidation. Under IFRS, these investments are recorded using the equity method.

b) Advances for purchases of property, plant and equipment

Under PAS, advances for purchases of property, plant and equipment were classified in “Property, plant and equipment”. Under IFRS, those advances are classified as “Other non-current receivables”.

2.6. IFRS issued not yet effective

The following is a list of the new and / or amended standards and interpretations issued but not in effect as of the date of issuance of these consolidated financial statements. In this regard, only the new and / or modified standards and interpretations that the Group reasonably foresees that will be applicable in the future are indicated. In general, the Group intends to adopt these standards when they become effective.

2.6.1. Leases - IFRS 16

Nature of modification

IFRS 16 was issued in January 2016. Under this standard all leases will be recognized in the statement of financial position by lessees, since the distinction between finance and operating leases is eliminated. The new standard recognizes a financial asset (the right to use the leased item) and a financial liability to pay the lease. The only exceptions are short-term and low value leases.

Description of IFRS 16 requirements

IFRS 16 is in effect for reporting periods beginning on January 1, 2019 and its implementation in advance is permitted for entities that use IFRS 15 “Revenue from ordinary activities from contracts entered into with customers”.

It will replace IAS 17 “Leases” and its interpretations after the effective date thereof.

IFRS 16 sets out the principles required for the recognition, measurement, presentation and disclosure of leases. The purpose thereof is to ensure that lessees and lessors provide relevant information in a way that faithfully represents those transactions. The changes incorporated by such standard mainly impact the accounting of tenants.

This standard applies to all leases, including leases of rights-of-use assets in a sublease, with the exception of specific leases covered by other standards:

- Leases to explore or use minerals, oil, natural gas and similar non-renewable resources;
- Leases of biological assets within the scope of IAS 41 "Agriculture" kept by a lessee;
- Contracts included in the scope of application of IFRIC 12 "Service Concession Agreements";
- Intellectual property licenses granted by a lessor within the scope of IFRS 15 "Revenue from contracts with customers"; and
- Rights enjoyed by a lessee under license agreements that are within the scope of IAS 38 "Intangible assets" for items such as movies, videos, games, manuscripts, patents and copyrights.

The model introduced by this standard is based on the definition of the term "lease", which is mainly related to the concept of control. IFRS 16 makes a difference between lease contracts and service contracts on the basis of whether an identified asset is under the customer's control, which is deemed to exist if the customer has the right to: i) substantially obtain all the economic benefits from the use of the asset; and ii) control the use of the asset.

Lessor's accounting:

IFRS 16 requires the lessor to classify the lease as operational or financial. A finance lease is a lease in which substantially all the risks and benefits derived from ownership of the asset are transferred. A lease will be classified as operating if it does not transfer substantially all the risks and benefits derived from the ownership of an underlying asset.

The classification of the lease is made on the effective date of the agreement and is evaluated again only if there is an amendment to the lease. Changes in estimates (e.g., changes in the economic life or in the residual value of the underlying asset) or changes in circumstances (e.g., non-compliance by the lessee) will not result in a new classification of the lease for accounting purposes.

Lessee's accounting:

The standard establishes that once the lease is identified, an entity should recognize the following items:

- Right-of-use asset, whose cost includes:

  (a) the amount of the initial measurement of the lease liability (as described below);

  (b) any rent paid to the lessor prior to the commencement date or on the same date, after discounting any incentive received for the lease;

  (c) the initial direct costs incurred by the lessee; and

  (d) an estimate of the costs to be incurred by the lessee in dismantling and eliminating the underlying asset, restoring the place where the underlying asset is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless such costs are incurred at the time of making of the inventories. The lessee could incur certain obligations because of such costs either on the date of commencement of the term of the lease, or because of having used the underlying asset during a specified period.

  Subsequently, the valuation of the right to use the assets will be based on the cost model or the revaluation model under IAS 16 "Property, Plant and Equipment" (recognizing therefore the amortization and impairment in the profit and loss account and, if applicable the revaluation model, revaluations in equity). However, the IFRS 16 requires that the right to use a leased property investment be valued at its fair value under the provisions set forth in IAS 40 "Investment properties" for the investment property it holds.

- Lease liability, measured at the present value of the lease payments that have not been paid on that date. Lease payments will be discounted using the interest rate implied in the lease, if that rate could be easily determined. If that rate cannot be easily determined, the lessee will use the incremental rate for the lessee's loans.

  Lease liabilities must include the following items:

  (a) fixed payments (including essentially fixed payments), less any lease incentive receivable;

  (b) variable payments, which depend on an index or a rate, initially measured by using the index or rate (e.g., payments related to the consumer price index, prices related to a benchmark interest rate such as LIBOR, or payments that vary to reflect changes in market rental prices) on the effective date of the contract;

  (c) amounts that the lessee expects to pay as residual value guarantees;

  (d) the exercise price of a call option if the lessee is reasonably certain to exercise that option; and

(e) payment of penalties for terminating the lease, if the lease period reflects that the lessee will exercise an option to terminate it (i.e., because there is a reasonable certainty thereon).

Subsequently, the lessee will be increasing the liability for the lease to reflect the accrued interest (and recognized in the profit and loss account), deduct the installments that are being paid from such liability and recalculate the book value to reflect any review, amendment to the lease or review of the so-called "in-substance" installments.

The lessee must review the lease liability in the following cases:

(a) when there is a change in the amount expected to be paid under a residual value guarantee;

(b) when there is a change in future rental payments to reflect the variation of an index or an interest rate used to determine such rental payments (including, for example, a market rent review);

(c) when there is a change in the term of duration of the lease as a result of a change in the non-cancellable period of the lease (for example, if the lessee does not exercise an option previously included in the determination of the lease period); or

(d) when there is a change in the evaluation of the call option of the underlying asset.

Preliminary assessment

During fiscal year 2018, the Group has developed the IFRS 16 implementation project to evaluate the application effects of this standard, including the impacts on the consolidated financial statements, key performance indicators and financial metrics, as well as the development of accounting policies. Additionally, an evaluation of the necessary changes in the systems and processes has been carried out. For these purposes, the Group has reviewed substantially all of the group's leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16.

Based on such analysis, it was preliminary concluded that the new definition of lease does not significantly change the scope of the contracts deemed as leases.

The Group expects to recognize in the balance sheet right-of-use assets and lease liabilities of about 206,005, on January 1, 2019, measured at the present value of future lease payments.

Regarding the comprehensive statement of income, the Group expects that the net fiscal year result will decrease by about 46,440 for fiscal year 2019, as a result of recognizing depreciations of right-of-use assets and the accrual of interest of lease liabilities.

On the other hand, as the repayment of the principal portion of lease liabilities will be classified as cash flows from financing activities, the Group expects a decrease thereof and that cash flows from operating activities will increase in about 19,320 for 2019.

The application of this standard will have no effect on the retained earnings since the Group intends to apply the simplified model without restating any comparative figures, recognizing a right-of-use asset equivalent to the lease liability on the initial date of transition (January 1, 2019). There are no adjustments to be made due to impairment arising from the provision for onerous contracts related to these right-of-use assets.

With regard to short-term leases, and leases of low-value assets, the Group intends to continue recognizing them as straight-line expense over the effective term of the lease, unless another systematic basis is more representative, in accordance with the option indicated by the standard.

Moreover, the Group intends to apply the practical solution of the standard whereby leases expiring within the term of 12 months from the date of the initial application, regardless of the original date, and which comply with the conditions to be classified as short term leases, follow the treatment described in the previous paragraph.

The group's activities as a lessor are not material and hence the Group does not expect any significant impact on the consolidated financial statements.

Additionally, see Note 2.3.18.

2.6.2. Uncertainty about income tax treatment - IFRIC 23

In June 2017, the IASB issued the interpretation IFRIC 23 - Uncertainty about income tax treatment. The interpretation clarifies the application of recognition and measurement requirements in IAS 12 "Income Tax" when there is uncertainty about the treatment of income tax. The interpretation specifically addresses the following: (a) if an entity considers uncertain tax treatments separately, (b) the assumptions of an entity made in the examination of tax treatments by the tax authorities, (c) how an entity determines the tax profit (or tax loss), tax bases, unused tax losses, unused tax credits and tax rates and (d) how an entity considers changes in facts and circumstances. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted.

The Group estimates that the application of the aforementioned amendment will not have a significant effect on the financial statements of the Company.

2.6.3. Amendments to IAS 28 - Long-term Investments in associates and joint ventures

In October 2017, the IASB issued amendments to IAS 28, which are applicable to the fiscal years beginning on or after January 1, 2019, allowing early application.

The amendment defines that the long-term investments in associates and joint ventures, which are not accounted for using the equity method, will be accounted for in accordance with IFRS 9.

The Group estimates that the application of the aforementioned amendment will not have a significant effect on the financial statements of the Company.

2.6.4. Amendments to IFRS 10 and IAS 28 – Sale or contribution of assets between an investor and its associate or joint venture

In September 2014, the IASB amended IFRS 10 and IAS 28 to clarify that in transactions involving a controlled company, the extent of the gain or loss to be recognized in the financial statements depends on whether the sold or contributed controlled company is considered a business in accordance with IFRS 3.

On August 10, 2015, the IASB issued a proposal to postpone the effective date of these changes indefinitely depending on the outcome of its research project on accounting by the equity method, which was approved on December 17, 2015.

2.6.5. Amendments to IAS 19 – Employee benefits

In February 2018, the IASB issued amendments to this standard guidance, in relation to the accounting for the Plan amendment, curtailment and settlement.

An entity shall determine the cost of services for the current period and the net interest for the remainder of the annual period, using actuarial assumptions determined at the beginning of the annual reporting period. However, if an entity remeasures the liability (asset) for net defined benefits, it will determine the current cost of the service and the net interest for the remainder of the annual period, using actuarial assumptions updated after the plan change.

Another modification consists in recognizing in results any reduction in the surplus, even if that surplus was not previously recognized due to the impact of the asset ceiling.

The Group estimates that the application of this amendment, effective as of January 1, 2019, allowing early application, will not have any significant effects on its financial statements.

2.6.6. Amendments to IFRS 3 – Business combinations

In October 2018, the IASB has issued 'Definition of a Business (Amendments to IFRS 3)' aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. Early application is allowed.

The amendments:

- clarify that to be considered a business, an acquired set of activities and assets must include, at least, an input and a substantive process that together significantly contribute to the ability to create outputs;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The Company has applied in advance the amendments to IFRS 3.

(Amounts expressed in thousands of Argentine Pesos, except as otherwise indicated)

2.6.7. Amendments to IAS 1 "Presentation of financial statements" and IAS 8 "Accounting policies, changes in accounting estimates and errors" – Definition of material

In October 2018, the IASB issued amendments that are applicable to fiscal years beginning on or from January 1, 2020, allowing for its anticipated application.

The amendments to the definitions of "material" or "with relative importance" seek to unify the definition of such concepts to the definitions of Conceptual Framework, also amended in 2018.

The Group estimates that the implementation of these amendments will not affect its financial statements.

2.6.8. Amendments to References to the Conceptual Framework for Financial Reporting

In March 2018, the IASB issued the revised Conceptual Framework applicable to annual periods beginning on or after January 1, 2020. This revision process did not imply a substantial change in the set of definitions, concepts and guidelines used as a basis for preparing financial information.

2.6.9. Annual improvements to IFRS - 2015-2017 cycle

In December 2017, the IASB issued the 2015-2017 cycle of annual improvements that are applicable for the years beginning on or after January 1, 2019.

A summary of the main modified standards and their purpose follows:

Standard	Amended Subject	Detail
IFRS 3 "Business Combinations" and IFRS 11 "Joint arrangements"	Holdings previously held in a joint operation	The amendment to IFRS 3 establishes that when obtaining control of a business that was a joint operation, the acquirer will apply the requirements for a business combination carried out in stages, including the remeasurement of its previously held share in the joint operation at the reasonable value on the acquisition date. On the other hand, the amendment to IFRS 11 establishes that when obtaining joint control of a business that was a joint operation, it does not measure again its previous holdings.
IAS 12 "Income Tax"	Exposure of the effect of dividends on Income Tax	The amendment clarifies that the entity will recognize the consequences of the dividends on the income tax where it has recognized the transactions or events that gave rise to those distributable profits.
IAS 23 "Loan Costs"	Capitalization of generic loans	The amendment to this standard clarifies that, for the capitalization of costs from generic loans, it must necessarily consider all outstanding loans when determining the capitalization rate, except those taken specifically to finance an eligible asset that is not yet ready for its intended use or sale; i.e., if any specific loan remains unpaid after the related eligible asset is ready for its intended use or for sale, that loan becomes part of the funds that the entity took as generic loans.

The Group does not anticipate that the application of the amendments to the mentioned standards will have a significant effect on its financial statements.

(Amounts expressed in thousands of Argentine Pesos, except as otherwise indicated)

3. ACQUISITIONS AND DISPOSITIONS

3.a) Sale of interest in "Ramos Consortium" and CDS

On February 2, 2018, the Company transferred to YPF its share of 27% in Area Ramos Consortium in Salta province. The consideration payment was 40,143 and it was cancelled by YPF through the compensation of certain amounts that the Company owed to YPF under a loan agreement between the parties and other outstanding balances.

In addition, on March 1, 2018, the Company's directors approved the sale of its direct share in CDS to YPF. The transferred share corresponds to 11,869,046,207 ordinary Class B shares, with a face value of 0.01 and one vote per share, representing 9.64% of the share capital and votes of CDS. The consideration paid by YPF amounted to 283,247.

The disposition of these interests was booked following the accounting criteria for transactions under common control, adjusting directly in equity the difference between the book value and the fair value of the consideration received.

3.b) Acquisition of Y-GEN and Y-GEN II

On March 20, 2018, the Company acquired from GE a 33.33% ownership interest in Y-GEN and Y-GEN II. As a result, the Company achieved 100% interest and have taken control over such entities as from such date.

The acquisitions were recognized using the accounting criteria for business combinations achieved in stages as detailed in Note 2.3.21.

Consideration transferred

The fair value of the consideration transferred was to US$ 80,208,965 (equivalent to 1,626,154 at the acquisition date).

Identifiable assets acquired and identifiable liabilities assumed

The following table summarizes the fair values recognized for assets acquired and liabilities assumed in connection with the acquisitions:

Identifiable net assets acquired, net (at 100%)	Fair value
Cash and cash equivalents	172,612
Investments in financial assets	50,154
Trade receivables and other receivables	1,446,928
Property, plant and equipment	8,664,782
Accounts payable	(349,557)
Loans	(4,176,661)
Net deferred income tax liabilities	(952,166)
Others	(5,214)
Total	**4,850,878**

Considering that the companies only prepare monthly financial information at the end of each month, the identifiable assets and liabilities as of March 31, 2018, have been taken into account. If the purchase price allocation would have been carried out as of March 20, 2018, it would not have differed significantly.

Given the nature of Y-GEN and Y-GEN II business and assets, the fair value of the assets acquired and the liabilities assumed was measured using the income approach, which using valuation techniques converts future amounts (such as cash flows or income and expenses) into a single current amount (that is, discounted). The fair value measurement reflects current market expectations for those future amounts.

Remeasurement of pre-existing interest

The remeasurement of the fair value of the Company's pre-existing 66.67% equity interest in Y-GEN and Y-GEN II resulted in a gain from continued operations of 1,785,033. The gain recognized was the positive difference between the acquisition-date fair value of the pre-existing equity interest of 3,224,724, and the carrying amount of the investment accounted for using the equity method at the acquisition date of 1,439,691.

If the business combination had been made as of January 1, 2018, the Group's revenues and the net profit for the year before income tax would have been 7,471,951 and 4,948,568, respectively.

3.c) Acquisition of Central La Plata Cogeneración

On February 8, 2018, the acquisition of the La Plata Cogeneration plant was made by YPF EE to Central Puerto S.A. with effects as of January 5, 2018 (the acquisition date) in the amount of US$ 31,500,000 (equivalent to 620,393 at the acquisition date) plus value added tax. The plant is located within the La Plata Industrial Complex and has a power generating capacity of 128 MW. Following our evaluation, it was concluded that as the assets acquired are concentrated in the co-generation power plant, the acquisition does not constitute a business (Note 2.6.6).

Since the acquisition date, La Plata cogeneration plant contributed with revenues of 832 million.

3.d) Acquisition of Luz del Cerro S.A.

On May 10, 2018, the Company acquired 100% of the shares of Luz del Cerro S.A., a company whose single asset is the development of the wind farm project known as “Parque Eólico Los Teros” (Los Teros Wind Farm) located in the town of Azul, Province of Buenos Aires. The wind farm will have a 122.5MW capacity. The purchase price of the shares amounted to 98,497 million.

The acquired asset is an intangible asset consisting of the acquired wind project, which comprises irrevocable option contracts for the constitution of usufructs in four plots of land in the town of Azul, province of Buenos Aires, where the Project is located, previous feasibility studies (electric, environmental, etc.) and permits, licenses and authorizations that are being processed corresponding to the Wind Farm.

3.e) Acquisition of Luz del Valle S.A.

On November 21, 2018, the Company acquired 100% of the shares of Luz del Valle S.A., a company whose single asset is the development of the wind farm project known as “Parque Eólico Los Teros II” (Los Teros II Wind Farm) located in the town of Azul, Province of Buenos Aires. The wind farm will have a 49.8MW capacity. The purchase price of the shares amounted to 44,888.

The acquired asset is an intangible asset consisting of the acquired wind project, which comprises irrevocable option contracts for the constitution of usufructs in a plot of land in the town of Azul, province of Buenos Aires, where the project is located, previous feasibility studies (electric, environmental, etc.) and permits, licenses and authorizations that are being processed corresponding to the Wind Farm.

All the dates included in this note, correspond to the dates of acquisitions and sale in accordance with the provisions of IFRS 3.

4. FINANCIAL RISK MANAGEMENT

The Group’s activities involve various types of financial risks: market risk (including exchange rate risk, interest rate risk and price risk), credit risk and liquidity risk. The Group maintains an organizational structure and systems that allow the identification, measurement and control of the risks to which it is exposed.

4.1. Market risk

The market risk to which the Group is exposed is the possibility that the valuation of the Group’s financial assets or financial liabilities as well as certain expected cash flows may be adversely affected by changes in interest rates, exchange rates or certain other price variables.

The following is a description of these risks as well as a detail of the extent to which the Group is exposed and a sensitivity analysis of possible changes in each of the relevant market variables.

(Amounts expressed in thousands of Argentine Pesos, except as otherwise indicated)

– **Exchange rate risk**

The value of financial assets and liabilities denominated in a currency different from the Group's functional currency is subject to variations resulting from fluctuations in exchange rates. Since YPF's functional currency is the U.S. dollar, the currency that generates the greatest exposure is the Argentine peso, the Argentine legal currency. The Group does not use derivatives as a hedge against exchange rate fluctuations.

Balances of financial assets and liabilities denominated in Argentine pesos, are as follows:

	December 31, 2018
Assets	2,421,605
Liabilities	(5,169,566)
Exchange rate exposure, net	**(2,747,961)**

Exchange rate sensitivity

The following table shows the sensitivity of the net income before tax, as of December 31, 2018, in face of a devaluation of the Argentine peso with respect to its functional currency, considering that all other variables will remain constant (due to changes in the fair value of the monetary assets and liabilities).

Depreciation (-) / Appreciation (+) of exchange rate of Argentine peso against U.S. dollar	**Net Income before tax, for the year ended December 31, 2018 (losses) / Gains**
+10%	(274,796)
-10%	274,796

– **Interest rate risk**

The Group is exposed to risks associated with fluctuations in interest rates on loans and investments. Changes in interest rates may affect the interest income or expenses derived from financial assets and liabilities tied to a variable interest rate. Additionally, the fair value of financial assets and liabilities that accrue interests based on fixed interest rates may also be affected.

The table below provides information about the financial liabilities as of December 31, 2018, that accrues interest considering the applicable rate:

	Financial Liabilities (1)
Fixed interest rate	5,502,366
Variable interest rate	19,268,612
Total (2)	**24,770,978**

(1) Includes only financial loans. Does not include accounts payable, which mostly do not accrue interest.
(2) Includes principal and interest.

The fixed and variable rate financial loans represent 22% and 78%, respectively, of the total loans as of December 31, 2018, and include, financial loans with local and international entities. The portion of the loan, which accrues variable interest rate, is mainly exposed to the fluctuations in LIBOR.

Financial assets mainly include, in addition to trade receivables, which have low exposure to interest rate risk, bank deposits, fixed-interest deposits and investments in mutual funds such as "money market" or short-term fixed interest rate instruments.

The Group's strategy to hedge interest rate risk is based on placing funds at a variable interest rate, which partially offset financial loans at a variable interest rate, as well as using cash flow hedging .

In June 2017, Y-GEN and Y-GEN II entered into a five years interest rate swap contract with Citibank N.A., London Branch to hedge its variable interest rate cash flows, with approximately US$ 156,000,000 declining notional amount (see Note 13). The Group receives a variable interest rate and pays a fixed rate of interest of 1.947% for approximately loan's 75% .

The table below shows the estimated impact on the consolidated net income (loss) before tax of an increase or decrease of 100 basis points in the interest rate.

(Amounts expressed in thousands of Argentine Pesos, except as otherwise indicated)

	Increase (+) / decrease (-) in the interest rates (basis points)	Income (loss) for the year ended December 31, 2018
Impact on net income (loss) before tax	+100	(137,687)
	-100	137,687

– **Price risk**

The Group is not exposed to price risks due to our sales under Resolution SEE No.19/2017 are made at fixed prices in U.S. dollars, converted to Argentine pesos and the PPA signed with CAMMESA, YPF and others related parties, also made at fixed prices in US dollar provides stability in operating cash flows.

4.2 Liquidity risk

Liquidity risk is associated with the possibility of a mismatch between the need of funds to meet short, medium or long-term obligations.

As mentioned in previous paragraphs, the Group intends to align the maturity profile of its financial debt to be related to its ability to generate enough cash flows for its cancellation, as well as to finance the projected expenditures for each year. As of December 31, 2018, the cash and cash equivalents reached 6,190 million, considering cash and cash equivalents of 4,701 and other financial assets for 1,489 million.

The following table sets forth the maturity dates of the Group's financial liabilities as of December 31, 2018:

As of December 31, 2018	Less than 3 month	3 to 12 months	1 to 5 years	More than 5 years	Total
Loans	1,548,364	4,966,044	17,007,680	1,248,890	24,770,978
Accounts payable and other liabilities	4,565,529	99,359	-	-	4,664,888
	6,113,893	**5,065,403**	**17,007,680**	**1,248,890**	**29,435,866**

Most of the Group's loans contain usual clauses of financial commitments (covenants) associated with leverage ratio and debt coverage ratio. See Note 13.

Under the terms of the loan agreements, if the Group breached a covenant or if it could not remedy it within the stipulated period, it would default, a situation that would limit its liquidity and, given that the majority of its loans contain cross default provisions, it could result in an early enforceability of its obligations.

4.3 Credit risk

Credit risk is defined as the possibility of a third party not complying with its contractual obligations, thus negatively affecting results of operations of the Group.

Credit risk in the Group is measured and controlled on an individual customer basis. The Group has its own systems to conduct a permanent evaluation of credit performance of all of its debtors, and the determination of risk limits with respect to third parties, in line with best practices using for such end internal customer records and external data sources.

Financial instruments that potentially expose the Group to a credit concentration risk consist primarily of cash and cash equivalents, trade receivables and other receivables. The Group invests excess cash primarily in high liquid investments with financial institutions with a strong credit rating both in Argentina and abroad. In the normal course of business and based on ongoing credit evaluations to its customers, the Group provides credit to its customers and certain related parties. Likewise, the Group accounts for doubtful trade losses in the Statement of Comprehensive Income, based on specific information regarding its clients.

The provisions for doubtful accounts are measured by the criteria expressed in Note 2.3.9.1.

The maximum exposure to credit risk of the Group of December 31, 2018, based on the type of its financial instruments and without excluding the amounts covered by guarantees and other arrangements mentioned below is set forth below:

(Amounts expressed in thousands of Argentine Pesos, except as otherwise indicated)

	Maximum exposure as of December 31, 2018
Cash and cash equivalents	4,701,336
Trade receivables	3,724,234
Other receivables	8,080,431
Other financial assets	1,489,031
Investment in financial assets	69,901
	18,064,933

Considering the maximum exposure to the risk, trade receivables and other receivables related to CAMMESA accounts for approximately 20% of these receivables.

Financial assets past due as of December 31, 2018 are not material.

At such date, the provision for doubtful other receivables is not significant and includes certain tax credits.

5. FINANCIAL INSTRUMENTS BY CATEGORY

The following tables show the financial assets and liabilities by category of financial instrument and a reconciliation with the corresponding accounts in the financial statement, as appropriate. Since the accounts “Trade receivables”, “Other receivables”, “Trade payables” and “Other liabilities” contain financial instruments, as well as non-financial assets and liabilities (such as taxes and advances to property, plant and equipment), the reconciliation is shown within the “Non-financial assets” and “Non-financial liabilities” columns.

Financial Assets

	12.31.2018			
	Financial Assets at amortized cost	**Financial Assets at fair value through comprehensive income**	**Non-financial Assets**	**Total**
Other receivables	5,861,037	-	2,219,394	8,080,431
Other financial assets (See Note 13)	1,489,031	-	-	1,489,031
Investment in financial assets	-	69,901	-	69,901
Trade receivables	3,724,234	-	-	3,724,234
Cash and cash equivalents	4,701,336	-	-	4,701,336
	15,775,638	**69,901**	**2,219,394**	**18,064,933**

	12.31.2017			
	Financial Assets at amortized cost	**Financial Assets at fair value through profit or loss**	**Non-financial Assets**	**Total**
Other receivables	621,782	-	257,284	879,066
Trade receivables	707,855	-	-	707,855
Cash and cash equivalents	60,854	78,228	-	139,082
	1,390,491	**78,228**	**257,284**	**1,726,003**

	01.01.2017			
	Financial Assets at amortized cost	**Financial Assets at fair value through profit or loss**	**Non-financial Assets**	**Total**
Other receivables	708,773	-	306,538	1,015,311
Trade receivables	372,205	-	-	372,205
Cash and cash equivalents	633,067	18,380	-	651,447
	1,714,045	**18,380**	**306,538**	**2,038,963**

(Amounts expressed in thousands of Argentine Pesos, except as otherwise indicated)

Financial Liabilities

	12.31.2018	
	Financial Liabilities at amortized cost	Total
Loans	24,770,978	24,770,978
Other liabilities	99,359	99,359
Accounts payable	4,565,529	4,565,529
	29,435,866	**29,435,866**

	12.31.2017	
	Financial Liabilities at amortized cost	Total
Loans	4,080,979	4,080,979
Other liabilities	200	200
Accounts payable	879,428	879,428
	4,960,607	**4,960,607**

	01.01.2017	
	Financial Liabilities at amortized cost	Total
Loans	1,688,545	1,688,545
Other liabilities	200	200
Accounts payable	639,388	639,388
	2,328,133	**2,328,133**

Gains and losses on financial instruments are allocated to the following categories:

	12.31.2018			
	Financial Assets / Liabilities at amortized cost	Financial Assets at fair value through profit or loss	Non-financial Assets / Liabilities	Total
Interest income and other	97,570	103,301	-	200,871
Interest loss	(606,025)	-	-	(606,025)
Net exchange differences	(358,713)	(313,394)	(245,261)	(917,368)
	(867,168)	**(210,093)**	**(245,261)**	**(1,322,522)**

	12.31.2017			
	Financial Assets / Liabilities at amortized cost	Financial Assets at fair value through profit or loss	Non-financial Assets / Liabilities	Total
Interest income and other	86,915	42,056	-	128,971
Interest loss	(78,185)	-	-	(78,185)
Net exchange differences	(49,076)	(6,487)	16,356	(39,207)
	(40,346)	**35,569**	**16,356**	**11,579**

6. QUANTITATIVE AND QUALITATIVE INFORMATION ON FAIR VALUES

6.1. Information on the fair value of financial assets and liabilities by category

The book values of the financial assets and liabilities at amortized cost identified in note 5 do not significantly differ from their fair values as of December 31, 2018, December 31, 2017, and January 1, 2017.

6.2. Valuation techniques

The fair value reported in connection with the abovementioned financial assets and liabilities is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Management assessed that the fair values of current trade receivables, other financial assets and other current receivables and accounts payable, other liabilities and variable rate loans, approximates the carrying amounts mainly due to the short-term maturities of these instruments and to the fact that the loans mainly have variable interest rates.
- Fair value of fixed rate loans is calculated by the appropriated valuation technics that use observable market data.
- Fair value of mutual funds is based on price quotations as of the end of each year .

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– Fair value of the investments in financial assets (hedge instruments) is calculated using appropriate valuation techniques that don't use observable market data. The valuation model estimates the present value of the swap through a forecast of the flow of certain and estimated future funds using a forward rate curve and discounting those future cash flows using a discount rate curve. The forward rate curve is built from information available and published in the market for specific terms and currencies, using in turn the interpolation methodology for years in which there is no information available in the market in order to obtain a continuous curve.

6.3. Fair value hierarchy

6.3.1. Assets at fair value

As of December 31, 2018, December 31, 2017, and January 1, 2017, the Group maintained the following financial assets measured at fair value in its consolidated statement of financial position:

	12.31.2018		12.31.2017		01.01.2017	
	Level 1	**Level 3**	**Level 1**	**Level 3**	**Level 1**	**Level 3**
Mutual funds	-	-	78,228	-	18,380	-
Hedging instruments	-	69,901	-	-	-	-
	-	**69,901**	**78,228**	**-**	**18,380**	**-**

There have been no transfers of financial assets between different fair value hierarchies during the year ended December 31, 2018 and 2017.

6.3.2. Conciliation of measures at fair value of Level 3

The following is an evolution of the financial assets measured at fair value:

	12.31.2018	12.31.2017
Amount at the beginning of the year	-	-
From a business combination (Note 3.b)	50,154	-
Change in fair value	19,747	-
Amount at the end of the year	**69,901**	**-**

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7. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Mineral property, wells and related equipment (3)	Production facilities, machinery, equipment and spare parts of power plants	Transportation equipment	Materials and equipment in ware house	Work in progress	Furniture, fixtures, computer and communication equipment	Total
Cost or deemed cost:								
At January 1, 2017	**5,796**	**316,310**	**1,479,592**	**4,814**	**112,419**	**1,512,563**	**4,920**	**3,436,414**
Additions (2)	-	10,662	174,864	4,544	100,335	2,445,162	144	2,735,711
Decreases	-	(9)	(4)	(132)	(37,053)	(377)	-	(37,575)
Transfers	21,861	13,374	2,026,671	-	-	(2,066,269)	4,363	-
Translation effect	1,010	55,139	369,940	1,220	29,391	497,136	868	954,704
At December 31, 2017	**28,667**	**395,476**	**4,051,063**	**10,446**	**205,092**	**2,388,215**	**10,295**	**7,089,254**
Additions (2)	-	-	708,481	8,090	736,145	8,410,746	14,548	9,878,010
Business Combination (Note 3.b)	-	-	8,664,782	-	-	-	-	8,664,782
Disposals	(764)	(398,059)	-	(1,662)	(49,572)	(19,316)	(1,350)	(470,723)
Transfers	220	2,583	8,219,391	-	-	(8,222,194)	-	-
Translation effect	30,011	-	11,777,620	9,601	321,773	4,972,124	9,505	17,120,634
At December 31, 2018	**58,134**	**-**	**33,421,337**	**26,475**	**1,213,438**	**7,529,575**	**32,998**	**42,281,957**
Depreciation and impairment								
At January 1, 2017	**2,502**	**274,876**	**1,210,532**	**2,885**	**-**	**-**	**4,561**	**1,495,356**
Depreciation for the year	678	12,262 (1)	74,223	1,152	-	-	500	88,815
Decreases	-	-	-	(125)	-	-	-	(125)
Transfers	-	-	-	-	-	-	-	-
Translation effect	521	49,438	218,883	786	-	-	857	270,485
At December 31, 2017	**3,701**	**336,576**	**1,503,638**	**4,698**	**-**	**-**	**5,918**	**1,854,531**
Depreciation for the year	1,054	3,407 (1)	1,275,173	2,424	-	-	1,216	1,283,274
Decreases	(636)	(339,983)	-	(1,320)	-	-	(664)	(342,603)
Translation effect	3,474	-	1,822,951	4,219	-	-	5,646	1,836,290
At December 31, 2018	**7,593**	**-**	**4,601,762**	**10,021**	**-**	**-**	**12,116**	**4,631,492**
Net book value								
At December 31, 2018	**50,541**	**-**	**28,819,575**	**16,454**	**1,213,438**	**7,529,575**	**20,882**	**37,650,465**
At December 31, 2017	**24,966**	**58,900**	**2,547,425**	**5,748**	**205,092**	**2,388,215**	**4,377**	**5,234,723**
At January 1, 2017	**3,294**	**41,434**	**269,060**	**1,929**	**112,419**	**1,512,563**	**359**	**1,941,058**

(1) Depreciation has been calculated using the unit-of-production method (Note 2.3.7.2.). Corresponds to discontinued operations.
(2) Includes 517,606 and 151,896 of financial cost related to financing from third parties for extended works in progress for years ended December 31, 2018 and 2017, respectively.
(3) Discontinued operation (See Note 3.a)).

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8. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

The following table shows the value of the investments in associates and joint ventures at an aggregate level, as of December 31, 2018, December 31, 2017, and January 1, 2017:

	12.31.2018	12.31.2017	01.01.2017
Amount of investments in associates and joint ventures	1,948,492	2,424,677	459,326
Total	**1,948,492**	**2,424,677**	**459,326**

The main movements during the year ended December 31, 2018 and 2017, which affected the value of the aforementioned investments, correspond to:

	12.31.2018	12.31.2017
Amount at the beginning of year	2,424,677	459,326
Income on investments in associates	292,825	67,503
Decrease due to acquisition of control (Note 3.b))	(1,439,691)	-
Dispositions/Acquisitions	(305,648)	777,034
Dividends distribution	(53,996)	-
Exposed in Accounts payable	102	-
Shareholders' contributions	4,076	828,144
Translation differences	1,026,147	292,670
Amount at the end of the year	**1,948,492**	**2,424,677**

The following table shows the principal amounts of the results of the investments in associates and joint ventures of the Group, calculated according to the equity method therein, for the years ended December 31, 2018 and 2017. The Group has adjusted, if applicable, the figures reported by these companies to adapt them to the accounting principles used by the Group for the calculation of the equity method as of such dates:

	Associates and joint ventures	
	12.31.2018	12.31.2017
Net income for the year	268,015	67,503
Other comprehensive income for the year	24,810	-
Comprehensive income for the year	**292,825**	**67,503**

Inversora Dock Sud S.A.

The following table presents summary financial information for investments in IDS as of December 31, 2018, and 2017:

	12.31.2018	12.31.2017
Current assets	15,901	14,781
Non-current assets	4,529,672	1,951,122
Current liabilities	162	35,270
Shareholders' equity	**4,545,411**	**1,930,633**
Investment book value	**1,948,163**	**827,469**

	12.31.2018	12.31.2017
Net income for the year (1)	622,397	309,266
Share interest in net income of joint ventures	**266,759**	**132,551**

(1) Investment acquired in May 2017.

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The following table shows information of investment in subsidiaries and joint ventures as of December 31, 2018, December 31, 2017 and January 1, 2017:

	12.31.2018					12.31.2017	01.01.2017
	Class						
Name and issuer	**Class**	**Face value**	**Amount**	**Book value**	**Cost**	**Book value**	**Book value**
Investments under common control:							
Central Dock Sud S.A. (2)	Common	-	-	-	-	276,263	-
Inversora Dock Sud S.A.	Common	1	355,270,372	1,948,163	538,065	827,469	-
Subsidiaries:							
YPF - EE Comercializadora S.A.U. (3)	Common	1	86,000	-	100	100	100
Y-GEN Eléctrica S.A.U. (1)	Common		-	-	-	389,946	189,294
Y-GEN Eléctrica II S.A.U. (1)	Common		-	-	-	930,765	269,798
Other companies:							
Others (4)				329	329	134	134
				1,948,492	**538,494**	**2,424,677**	**459,326**

	Information of the issuers						
			Last available financial statements				
Name and issuer	**Registered address**	**Main business**	**Date**	**Capital stock**	**Net profit / (loss)**	**Shareholders' equity**	**Holding in capital stock**
Investments under common control							
Inversora Dock Sud S.A.	San Martín 140, P.2°, Buenos Aires.	Financial and investment operations.	12.31.2018	828,942	944,223	5,426,786	42.86%
Subsidiaries:							
YPF - EE Comercializadora S.A.U	Av. Córdoba 111, CABA	Wholesale purchase and sale of electric power and energy	12.31.2017	86	(145)	(102) (3)	100.00%
Y-GEN Eléctrica S.A.U. (1)	Av. Córdoba 111, CABA	Generation, transport and commercialization of electricity.	12.31.2018	70,253	220,340	1,413,165	100.00%
Y-GEN Eléctrica II S.A.U. (1)	Av. Córdoba 111, CABA	Generation, transport and commercialization of electricity.	12.31.2018	603,766	589,672	7,340,736	100.00%

(1) As of December 31, 2018, 100% of the shares in these companies are owned by YPF EE, whereas of December 31, 2017, 66.67% of the shares were owned by YPF EE and the remaining 33.33% by GE Capital Global energy Investment B.V. of the GE Group.
(2) See Note 3.a).
(3) The negative amount of (102) calculated under equity method is disclosed in Accounts payable.
(4) Includes Y-GEN Eléctrica III S.R.L., Y-GEN Eléctrica IV S.R.L., Y-Luz Inversora S.A.U. and Luz del León S.A.

YPF LUZ

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9. OTHER RECEIVABLES

	12.31.2018	12.31.2017	01.01.2017
Non-current:			
Loans and advances to employees	-	347	183
Advances to suppliers to property, plant and equipment	1,231,559	170,410	288,671
Minimum presumed income tax	161,687	-	-
Related parties (Note 26)	452,881	452,881	513,854
	1,846,127	**623,638**	**802,708**

	12.31.2018	12.31.2017	01.01.2017
Current:			
Tax credits	736,536	72,797	6,716
Advances to suppliers	4,179	16,456	10,752
Loans and advances to employees	6,309	5,245	3,223
Trust	27,116	-	-
Related parties (Note 26)	5,374,731	158,675	138,988
Ramos Consortium	-	4,634	3,714
Prepaid insurance	5,526	-	-
Recovery of insurance claims receivables	-	-	48,811
Prepaid expenses	71,490	-	-
Miscellaneous	11,473	677	3,455
	6,237,360	**258,484**	**215,659**
Provision for doubtful receivables	(3,056)	(3,056)	(3,056)
	6,234,304	**255,428**	**212,603**

10. TRADE RECEIVABLES

	12.31.2018	12.31.2017	01.01.2017
Current:			
Trade receivables	71,305	174,360	41,046
Related parties (Note 26)	3,652,929	533,495	331,159
	3,724,234	**707,855**	**372,205**

11. CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of financial position and the consolidated statement of cash flow, cash and cash equivalents comprise the following items:

	12.31.2018	12.31.2017	01.01.2017
Cash and cash equivalents			
Mutual funds	-	78,228	18,380
Fixed interest deposits	4,209,240	-	-
Cash and banks	492,096	60,854	633,067
	4,701,336	**139,082**	**651,447**

Bank balances accrue interest at variable rates based on the bank deposits daily rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash needs of the Group and bear interest at the respective fixed rates for short-term deposits.

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12. INCOME TAX

The calculation of the income tax expense for the years ended December 31, 2018 and 2017 is as follows:

	For the year ended December 31,	
	2018	**2017**
Current income tax	-	(176,577)
Special tax – tax revaluation under Law No. 27,430 (see Note 25)	(130,809)	-
Deferred income tax	(288,256)	(189,402)
Income Tax	**(419,065)**	**(365,979)**

	For the year ended December 31,	
	2018	**2017**
Income tax from continued operations	(416,984)	(269,105)
Income tax from discontinued operations (Note 18)	(2,081)	(96,874)
Income Tax	**(419,065)**	**(365,979)**

The reconciliation between the charge to income tax expense for the years ended December 31, 2018 and 2017 and the one that would result from applying the prevailing tax rate on income before income tax arising from the consolidated statements of comprehensive income for those years is as follows:

	12.31.2018	**12.31.2017**
Income before income tax from continued operations	4,909,100	921,875
Income before income tax from discontinued operations (Note 18)	15,377	290,861
Profit for the year before income tax	4,924,477	1,212,736
Statutory tax rate	30%	35%
At statutory tax rate	(1,477,343)	(424,458)
Effect by change of tax rate (1)	(152,965)	74,253
Income on investments in associates	80,405	23,626
Remeasure of pre-existing equity interest	535,510	-
Exchange differences	2,263,780	176,206
Effects of the valuation of non-monetary assets in its functional currency	(1,478,889)	(180,912)
Special tax – tax revaluation under Law No. 27,430 (see Note 25)	(130,809)	-
Other	(58,754)	(34,694)
Income tax for the year	**(419,065)**	**(365,979)**

(1) Effect of applying the changes in the enacted tax rate established by Law No. 27,430 as described in Note 25 to the deferred assets and liabilities, according to its expected term of realization and settlement, respectively.

Deferred income tax

Breakdown of deferred income tax is as follows:

	Consolidated statement of financial position		
	12.31.2018	**12.31.2017**	**01.01.2017**
Deferred tax assets			
Provisions for doubtful receivables	764	764	1,070
Asset retirement obligation	-	27,222	25,114
Tax Losses carryforward	1,465,492	-	-
Miscellaneous	9,386	531	296
Total deferred tax assets	**1,475,642**	**28,517**	**26,480**
Deferred tax liabilities			
Receivables from deferred income	(43,412)	(52,033)	(68,098)
Property, plant and equipment	(3,790,713)	(323,772)	(116,268)
Subsidiaries hedging instruments	(17,987)	-	-
Total deferred tax liabilities	**(3,852,112)**	**(375,805)**	**(184,366)**
Total net deferred tax	**(2,376,470)**	**(347,288)**	**(157,886)**

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As of December 31, 2018, the Group recorded deferred assets of 54,153 and deferred liabilities of 2,430,623. As of December 31, and January 1, 2017, the Group recorded net deferred liabilities of 347,288 and 157,886, respectively.

Deferred tax assets and liabilities are disclosed net when: a) a legal right to compensate asset and liabilities exists and; b) when tax assets and liabilities are against the same tax authority.

As of December 31, 2018, the Group estimated a tax loss carryforward of 1,465,492 at the tax rate. Deferred income tax assets are recognized for tax loss carryforwards to the extent their set off through future taxable profits is probable. Tax loss carryforwards in Argentina expire within 5 years.

In order to fully realize the deferred income tax asset, the Group will need to generate taxable income. Based upon the level of historical taxable income and projections for future over the years in which the deferred income tax are deductible, Management of the Company believes that as of December 31, 2018 it is probable that the Group will realize all of the deferred income tax assets.

As of December 31, 2018, Group's tax loss carryforwards at the expected recovery rate were as follows:

Date of generation	Date of expiration	Amount
2016	2021	7,183
2017	2022	226,721
2018	2023	1,231,588
		1,465,492

As described in Note 2.3.6.1 to these financial statements, as of December 31, 2018 YPF Energía Eléctrica recorded a tax loss carry-forward and a gain accounting net income. Therefore, it has recognized a credit for the Minimum Presumed Income Tax of 161,687.

The evolution of net deferred tax as of December 31, 2018 and 2017 is as follows:

	12.31.2018	12.31.2017
Amount at the beginning of year	**(347,288)**	**(157,886)**
Other Comprehensive Income	(5,047)	-
Business combination (Note 3.b)	(952,166)	-
Conversion effect on business combination assets	(783,713)	-
Charge to net income of the year	(288,256)	(189,402)
Amount at the end of the year	**(2,376,470)**	**(347,288)**

13. LOANS

	Interest rate (2)	12.31.2018		12.31.2017		01.01.2017	
		Current	Non-current	Current	Non-current	Current	Non-current
Loans with third parties	4.1856% - 9.297%	6,463,984	18,096,828	27,325	2,984,497	1,742	939,880
Loans with related parties (Note 26)	8.35%	-	-	942,293	-	7,243	739,680
Financial leases	(1)	50,424	159,742	22,757	104,107	-	-
		6,514,408	**18,256,570**	**992,375**	**3,088,604**	**8,985**	**1,679,560**

(1) See Note 23.j).
(2) Applicable rate as of December 31, 2018.

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The breakdown of the Group's borrowings as the years ended on December 31, 2018 and 2017 is as follows:

	12.31.2018	12.31.2017
Balance at beginning of the year	4,080,979	1,688,545
Proceed from loans	9,877,729	2,065,429
Payments of loans	(2,355,833)	(366,489)
Payments of interest	(949,923)	(176,737)
Accrued interest	1,114,414	215,356
Non – cash transactions	(352,971)	124,114
Incorporation by business combinations	4,176,661	-
Translation differences	9,179,922	530,761
Balance at the end of the year	**24,770,978**	**4,080,979**

The "Non-cash transactions" column includes the loans capitalization with YPF and the offsetting effect of the loan with YPF related to disposal of the interest in the Ramos Consortium. The group classifies interest paid as cash flows from financing activities.

Main loans of the Group

- Program for the Issuance of Negotiable Obligations

On March 16, 2018, the Shareholders' Meeting approved the general terms and conditions of the Program (the "Program") for the issuance of Simple Negotiable Obligations (not convertible into shares) in accordance with the Negotiable Obligations Law (Ley de Obligaciones Negociables) as amended, for an aggregate nominal value of up to US$ 1,500,000,000 (or its equivalent in other currencies).

The Company expects to enter the CNV public offering regime during the 2019 fiscal year.

Inter-American Investment Corporation Loan

In December 2016, the Company and the Inter-American Investment Corporation (IIC), on behalf of the Inter-American Development Bank (IDB), signed an agreement to fund the construction of a wind farm. The aggregate loan amount is US$ 200,000,000 and is structured in two tranches of US$ 100,000,000, maturing in 7 and 9 years, respectively, and is destined to fund exclusively the project of constructions "Parque Eólico Manantiales Behr". The capital amortization will be performed in two quarterly payments beginning in February 2020. The loan was structured in two tranches, with the following detail:

Tranche	Amount in US$	Rate
A	31,075,076	3 month Libor + 5.125%
A	12,539,359	7.16%
A	18,000,032	7.05%
A	19,506,895	7.27%
A	18,878,638	7.87%
B	100,000,000	3 month Libor + 4.8%
Total	200,000,000	

- Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC and Export Development Canada Loan

On June 14, 2017, Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC and Export Development Canada, approved the granting of a loan for Y-GEN to carry out a construction project of Loma Campana II thermal power plant with an installed power of 107 MW in the Province of Neuquén; and for Y-GEN II to undertake a construction project of El Bracho thermal power plant with an installed capacity of 267 MW in the Province of Tucumán.

The committed amount of the aforementioned loan is US$ 219,500,000 (US$ 70,000,000 destined to Y-GEN and the remaining amount of US$ 149,500,000 to Y-GEN II). However, as of December 31, 2018, disbursements actually made totaled US$ 211,973,875 (US$ 70,000,000 for Y-GEN and US$ 141,973,875 for Y-GEN II).

The agreed interest rate is 3-month LIBOR + 4.00% until the construction completion date and, thereafter, 3-month LIBOR + 5.75% until maturity and the term for principal repayment is 5 years (includes a 15-month grace period) with repayment of approximately 44% of principal in 15 quarterly installments commencing on December 31, 2018, and one installment for the remaining balance of approximately 56% of principal at the end of a 5-year term on June 30, 2022.

In connection with the loan, Y-GEN and Y-GEN II have agreed, among other things, to contract hedging instruments as a means of protection against LIBOR fluctuations. As a result, in June 2017, the said companies executed an interest rate hedge agreement with Citibank N.A., London Branch for a 5-year term, coverage that started to apply since December 31, 2017, over an initial notional amount of approximately US$ 156,000,000 (US$ 106,000,000 corresponding to Y-GEN II, and the remaining amount of US$ 50,000,000 to Y-GEN). The interest rate hedge provides that the companies will pay fixed amounts at a rate set at 1.947% and they will receive variable amounts subject to 3-months LIBOR.

At December 31, 2017, the changes in the accounting measurement regarding the swap contract were not significant. At December 31, 2018, the Company had booked a result of 26,391 as Other Comprehensive Income, included in the Statement of Comprehensive Income, generated by the measurement of the mentioned coverage instruments at fair value.

The loan contract also includes certain restrictive covenants (usually named “covenants”); the Companies have to maintain a 70% - 30% ratio between the amounts obtained under the loan and the capital contributions made prior to each disbursement period, both measured in dollars at the time they were respectively made, and also, from the date of the first principal installment repayment, they must meet a principal repayment coverage ratio measured on the basis of certain cash flows generated during the year ended at each measurement date and the principal repayments for such period, which may not be below 1.05.

As to the guarantees which are standard for this type of financing, the following may be mentioned:

- Construction guarantee until the construction completion date by GE.
- Guarantee of Members' capital contributions (today, the single shareholder).
- Foreign reserve accounts after the construction completion date, which as of December 31, 2018 amounts 1,489,031.
- Guarantee from the partners regarding the reserves until the latter reach the minimum required.
- Pledge of equipment installed in both plants.
- Pledge of the units of the Members of Y-GEN and of the Members of Y-GEN II (currently on the shares of the single shareholder).
- Pledge of the offshore bank accounts of Y-GEN and Y-GEN II.
- Assignment in trust as guarantee of all the rights of Y-GEN and Y-GEN II.

On October 18, 2018, the aforementioned partners guarantee on the reserve account was released upon reaching the minimum required funds.

- Loans with YPF and Bajo del Toro II S.R.L. (related companies)

In November 2015, YPF granted a loan to the Company, for the total amount of US$ 40,000,000 with on original maturity date of February 19, 2018. The total amount regarding this loan, accrued a Libor interest rate, in a range between 6.75% and 9.5%. After the subscription of several amendments regarding the original agreement, the amount of the loan reached in April 2017 a total amount of US$ 50,000,000, subject to the original terms and conditions regarding interest rate and due dates.

During October of 2017, YPF granted the collection right of US$ 30,000,000 related to the aforementioned loans regarding Bajo del Toro II S.R.L. The maturity date is August 9, 2018, and the applicable rate is Libor 3M+ 6.00%. At the maturity date, the loan balance was canceled.

Moreover, the Company capitalized 303,747 related to a loan from YPF, and offset 49,224 for the sale price of its share in Area Ramos Consortium (Nota 3.a)).

- Citi NY Loans

In March 2018, the Company took out a loan from Citibank NY for a total amount of US$ 30,000,000 with quarterly interest at 3-month LIBOR rate + 1.6%, and principal bullet repayment at maturity, on August 28, 2018. After such date, the Company extended the maturity of the loan through February 28, 2019, at 3-month LIBOR rate + 2.25%.

On June 28, 2018, the Company took out a second loan with the same bank in the amount of US$ 30,000,000 with quarterly interest at 3-month LIBOR rate + 1.85%, and principal bullet repayment at maturity, on June 28, 2019.

The proceeds of both loans are used to finance working capital.

- **Loans with Banco de Galicia y Buenos Aires S.A.**

On August 17, 2018, the Company took out a loan from Banco de Galicia y Buenos Aires S.A. for a total amount of US$ 20,000,000 with annual interest at a fixed rate of 5.00% and bullet repayment of principal at maturity, on August 17, 2019.

In addition, on September 3, 2018, the Company took out a second loan from the same bank in the amount of US$ 20,000,000 with quarterly interest at a fixed rate of 8.35% maturing on September 3, 2021.The principal amount of the loan is payable in nine quarterly installments as from month 12.

The proceeds of both loans will be used to finance investment projects, including working capital.

The agreements related to said loans have financial commitment clauses (covenants) throughout the terms of the loans, which include leverage ratio and debt coverage ratio.

- **Loan with BBVA Banco Francés S.A.**

On August 17, 2018, the Company obtained a loan from BBVA Banco Francés S.A. for an aggregate amount of US$ 30,000,000 with biannual interest at an 8.40% fixed rate and final maturity on August 17, 2021. The principal of the loan is repayable in three annual installments.

The proceeds of such loan will be used to finance working capital and investments, and capital assets.

The agreements related to said loans have financial commitment clauses (covenants) throughout the terms of the loans, which include leverage ratio and debt coverage ratio

- **Loan with Itaú Unibanco S.A., Nassau Branch**

On September 24, 2018, the Company obtained a loan from Itaú Unibanco S.A., Nassau Branch, for an aggregate amount of US$ 50,000,000 with quarterly interest at 3-month LIBOR rate + 5.00% and bullet repayment of principal at maturity, on September 24, 2019.

The proceeds of this loan will be used to cover general financing needs.

The agreements related to said loans have financial commitment clauses (covenants) throughout the terms of the loans, which include leverage ratio and debt coverage ratio.

- **Syndicated loan granted by Banco Latinoamericano de Comercio Exterior, S.A. and Industrial and Commercial Bank of China (Argentina) S.A.**

On November 29, 2018, the Company obtained a syndicated loan from Banco Latinoamericano de Comercio Exterior S.A. and Industrial and Commercial Bank of China S.A. (Argentina) as placement agents. The aggregate loan amount is US$ 75,000,000 with quarterly interest at a 3 month Libor rate + 5.75% and final maturity on November 23, 2021. The principal amount of this loan is repayable in four equal monthly installments in months 29, 24, 30 and 36.

The funds of this loan will be used to finance capital investments and other general funding needs.

The agreements related to said loans have financial commitment clauses (covenants) throughout the terms of the loans, which include leverage ratio and debt coverage ratio.

Banco Latinoamericano de Comercio Exterior S.A. acts as administrative agent of this syndicated loan.

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14. ACCOUNTS PAYABLE

	12.31.2018	12.31.2017	01.01.2017
Trade	934,147	611,219	538,294
Related parties (Note 26)	3,631,382	268,209	101,094
	4,565,529	**879,428**	**639,388**

Accounts payables are non-interest bearing and are normally settled on 90-day terms.

15. REVENUES

	For the year ended December 31,	
Type of good or services	**2018**	**2017**
Energía Base [1]	3,268,971	1,363,882
Revenues under PPAs	3,448,667	31,165
Steam sales	386,509	-
Other services income	20,758	75,623
	7,124,905	**1,470,670**

	For the year ended December 31,	
By Customer	**2018**	**2017**
CAMMESA[2]	5,881,414	1,363,882
YPF[2]	1,119,111	19,448
Y-GEN [2] [3]	10,209	37,325
Y-GEN II [2] [3]	10,549	38,298
UT Loma Campana[2]	69,922	11,717
Profertil S.A. [2]	8,979	-
Coca- Cola FEMSA de Buenos Aires S.A.	9,222	-
Toyota Argentina S.A.	9,114	-
Other	6,385	-
	7,124,905	**1,470,670**

(1) Power generation from Res. SEE 19/2017 and earlier..
(2) Related companies (See Note 26).
(3) Companies controlled since March 31, 2018

16. EXPENSES BY NATURE

The Group presents the statement of comprehensive income by classifying expenses according to their functon as part of the "Production costs" and "Administrative and selling expenses" lines. The following additional information is disclosed as required, on the nature of the expenses and their relation to the function within the Group for the years ended December 31, 2018 and 2017:

	For the year ended December 31, 2018		
	Production costs [1]	**Administrative and selling expenses [1]**	**Total**
Depreciation of property, plant and equipment	1,279,867	-	1,279,867
Consumable materials and supplies	50,153	1,564	51,717
Banking expenses	4	2,742	2,746
Rentals	3,865	13,433	17,298
Fees and compensation for services	17,539	63,056	80,595
Other personnel expenses	26,072	55,506	81,578
Preservation, repair and maintenance	148,733	5,682	154,415
Insurance	89,596	305	89,901
Salaries and social security taxes	422,069	108,151	530,220
Operation services and other contracts	121,960	-	121,960
Transportation, products and charges	153,312	-	153,312
Fuel, gas, energy and miscellaneous	44,363	-	44,363
Taxes, rates and contributions	6,779	272,924	279,703
Publicity and advertising expenses	-	1,806	1,806
Research and development	6,343	-	6,343
Miscellaneous	30,970	19,245	50,215
Total 2018	**2,401,625**	**544,414**	**2,946,039**

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	For the year ended December 31, 2017		
	Production costs (1)	**Administrative and selling expenses (1)**	**Total**
Depreciation of property, plant and equipment	76,840	-	76,840
Consumable materials and supplies	40,950	1,242	42,192
Banking expenses	-	512	512
Rentals	432	11	443
Fees and compensation for services	5,259	71,428	76,687
Other personnel expenses	17,599	7,639	25,238
Preservation, repair and maintenance	57,777	-	57,777
Insurance	17,944	827	18,771
Salaries and social security taxes	125,284	31,321	156,605
Operation services and other contacts	22,307	-	22,307
Transportation, products and charges	72,417	-	72,417
Fuel, gas, energy and miscellaneous	1,748	-	1,748
Taxes, rates and contributions	-	50,829	50,829
Publicity and advertising expenses	-	8	8
Miscellaneous	5,089	19,691	24,780
Total 2017	**443,646**	**183,508**	**627,154**

(1) Net of discontinued operations (Note 18).

17. NET FINANCIAL RESULTS

Financial income	For the year ended December 31,	
	2018	**2017**
Interest income and other	200,871	128,971
Exchange difference on liabilities	1,084,570	79,798
Total financial income	**1,285,441**	**208,769**

Financial loss	For the year ended December 31,	
	2018	**2017**
Interest loss	(606,025)	(78,185)
Exchange difference on assets	(2,001,938)	(119,005)
Total financial loss	**(2,607,963)**	**(197,190)**
Total net financial results	**(1,322,522)**	**11,579**

18. DISCONTINUED OPERATIONS – RAMOS CONSORTIUM

	For the year ended December 31,	
	2018	**2017**
Revenues	41,502	449,901
Production costs	(22,048)	(131,986)
Gross profit	**19,454**	317,915
Administrative expenses and selling expenses	(4,077)	(27,054)
Net profit for the year before income tax from discontinued operations	**15,377**	**290,861**
Income tax for the year	(2,081)	(96,874)
Net profit for the year from discontinued operations	**13,296**	**193,987**

The total net income for the participation of the Company in the Ramos Consortium for the year ended December 31, 2017, amounted to 193,987.

Net cash flow from operating activities of the Ramos Consortium is as follows:

	For the year ended December 31,	
	2018	**2017**
Operating activities	18,784	303,333

Earnings per share (Note 20)

	For the year ended December 31,	
	2018	**2017**
Basic and diluted earnings per share from discontinuing operations	0.004	0.128

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19. SHAREHOLDERS' EQUITY

As of December 31, 2017, the Company's capital stock amounts to 2,506,555,895 represented by book entry ordinary shares, with a par value of 1, with the right to one vote per share, which is subscribed, paid in, issued and registered.

On January 12, 2018, the Extraordinary General Shareholders' Meeting decided to approve a debt capitalization and capital increase in the amount of 303,747 represented by 303,747,096 book entry ordinary shares, with a par value 1 and with the right to one vote per share, fully subscribed by the shareholder YPF.

On March 20, 2018, the Ordinary and Extraordinary General Shareholders' Meeting resolved to increase the capital stock by 936,767 from 2,810,303 to 3,747,070, setting a share premium of US$ 0.243934955 per share. This increase was represented by 936,767,364 Class B book entry ordinary shares, with a par value 1 with the right to one vote per share. The total subscription price of the new shares amounts to US$ 275,000,000 comprised as follows: a) US$ 135,000,000 paid by GE EFS Power Investment B.V. on that date and b) US$ 140,000,000 on the day it is one calendar year from, and including, the day of the Shareholders' Meeting. On March 20, 2019, this contribution was integrated.

In this way, as of December 31, 2018 the shareholders of YPF EE after the issuance of shares is as follows:

Shareholder	Number of Shares	Participation in the capital stock	Class of Share
YPF	2,723,826,879	72.69218%	A
OPESSA	86,476,112	2.30783%	A
GE	936,767,364	24.99999%	B
Total	**3,747,070,355**	**100.00000%**	

On April 26, 2018, the Ordinary Shareholder's Meeting approved the financial statements of YPF EE for fiscal year ended December 31, 2017, and resolved as follows regarding allocation of profits: a) to allocate the amount of 46,404 to set up a Legal Reserve pursuant to section 70, first paragraph of the LGS, b) to allocate the amount of 881,681 to set up a Voluntary Reserve pursuant to section 70, third paragraph of the LGS.

20. EARNINGS PER SHARE

Earnings per share amounts are calculated by dividing net income for the year attributable to equity holders of the parent by the weighted average number of ordinary shares during the period. There are no transactions or items generating a dilution effect.

The following reflects information on income and the number of shares used in the earnings per share computations:

	For the year ended December 31,	
	2018	**2017**
Net profit for the year attributable to holders of the parent company:		
Continuing operations	4,492,116	652,770
Discontinuing operations	13,296	193,987
	4,505,412	846,757
Weighted average per share	**3,534,332**	**1,515,936**
Basic and diluted earnings (loss) per share from continued and discontinued operations:		
- Basic and diluted	1.275	0.559
Basic and diluted earnings (loss) per share from continued operations		
- Basic and diluted	1.271	0.431

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of issuance of these consolidated financial statements that may produce a dilution effect.

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21. RESTRICTION ON RETAINED EARNINGS

Pursuant to the Argentine Companies Act and the corporate bylaw, 5% of the net profit for the year must be allocated to the legal reserve until such reserve reaches 20% of the capital stock.

22. INFORMATION REQUIRED BY ARTICLE No. 63 OF LAW No. 19,550 - ASSETS AND LIABILITIES IN CURRENCY IN CURRENCIES OTHER THAN THE PESO

The following table provides the assets and liabilities in currencies other than the peso for the financial statement as of December 31, 2018, December 31, 2017 and January 1, 2017.:

	12.31.2018				12.31.2017			01.01.2017		
Account	**Class and amount of currencies other than peso**		**Exchange rate [1]**	**Booked amount in pesos**	**Class and amount of currencies other than peso**		**Booked amount in pesos**	**Class and amount of currencies other than peso**		**Booked amount in pesos**
NON-CURRENT ASSETS										
Investment in financial assets	US$	1,864	37.5	69,901		-	-		-	-
Total of Non-Current Assets				**69,901**			**-**			**-**
CURRENT ASSETS										
Other receivables	US$	140,751	37.5	5,278,163	US$	37	683	US$	3,094	48,847
Trade receivables	US$	95,756	37.5	3,590,856	US$	11,277	209,192	US$	4,908	77,499
Other financials assets	US$	39,707	37.5	1,489,032	US$	-	-	US$		-
Cash and cash equivalents	US$	107,679	37.5	4,037,970	US$	3,166	58,737	US$	40,093	633,066
Total of Current Assets				**14,396,021**			**268,613**			**759,412**
Total of Assets				**14,465,922**			**268,613**			**759,412**
NON-CURRENT LIABILITIES										
Loans	US$	487,868	37.7	18,392,637 [2]	US$	167,816	3,129,772 [2]	US$	105,699	1,679,560
Provision	-				US$	4,893	91,261	US$	3,993	63,447
Total of Non-Current Liabilities				**18,392,637**	**US$**		**3,221,033** [2]	**US$**		**1,743,007**
CURRENT LIABILITIES										
Trade payables	US$	51,076	37.7	1,925,556	US$	11,400	212,606	US$	10,921	173,537
	EUR	5,986	43.16	258,375	EUR	1,965	44,109	EUR	1,467	24,604
Loans	US$	173,694	37.7	6,548,279 [3]	US$	53,210	992,375 [3]	US$	565	8,985
Provisions	-		37.7		US$	783	14,594	US$	769	12,219
Other Liabilities	US$	2,631	37.7	99,189	-		-	-	-	-
Total of Current Liabilities				**8,831,399**			**1,263,684**			**219,345**
Total of Liabilities				**27,224,036**			**4,484,717**			**1,962,352**

US$: U.S. Dollar.
EUR: Euro.

(1) At the Banco de la Nación Argentina exchange rate prevailing as of December 31, 2018.
(2) Correspond to the nominal amount owed, which are disclosed in the caption "Loans" for the amount of 18,256,570 and 3,088,604 as of December 31, 2018, and 2017, respectively, net of transaction fees and cost.
(3) Corresponds to the nominal amount owed, which is exposed in Loans in the amount of 6,514,408 and 992,375 as of December 31, 2018, and 2017, respectively, net of commissions and transaction fees.

23. MAIN CONTRACTUAL COMMITMENTS AND GUARANTEES GRANTED

The main contractual commitments assumed and guarantees granted by the Group are disclosed below:

a) Agreements entered into with CAMMESA - Loma Campana generation project

On October 28, 2015, a financing and receivables assignment agreement was entered into between the Company and CAMMESA to settle the payables to the Company under the 2008-2011 "Agreement to ensure generation availability and project technical operation, increase thermal generation availability and adjust the compensation for generation".

The purpose of the agreement signed with CAMMESA is to install a turbo gas generating unit in a new plant located in Loma Campana, in the Loma Campana field, Añelo, Province of Neuquén (hereinafter, the "Project").

By virtue of this agreement, CAMMESA provided the Company with financing equal to the receivables pursuant to SE Resolution No. 406/2003 due as of the date of the agreement plus the receivables under SE Resolution No. 95/2013 accumulated through December 2015, plus the related interest (jointly, the "receivables"). The Company undertook to use them solely and exclusively to implement the project.

As of December 31, 2017, the Company received an advance payment of the agreed-upon financing for approximately 747 million, which was used to implement the project and by virtue of which CAMMESA, after verifying that the amounts were used as defined in the agreement, issued the definitive settlements of sales related to the unpaid receivables in order to apply them for settling the financing in proportion to the amounts transferred as partial advances. As of December 31, 2018, the receivables accrued in November and December 2015, and the receivables added to the loan-for-consumption agreement accrued from January 2016 to January 2017 approximately 110 million are pending of collection.

b) Manantiales Behr Wind Farm

In 2016, the Company designed and started to build the Group's first wind farm. The wind farm was built in YPF's field called "Manantiales Behr", which is located 20 kilometers away of the City of Comodoro Rivadavia, Province of Chubut. The wind farm consist of 30 V112 3.3 MW Vestas mills.

The work began in September 2016 and was divided into two stages. The first stage of the wind farm obtained the commercial operation permit on July 25, 2018 and the second stage obtained the commercial operation permit on December 22, 2018.

The energy generated is mainly made available to YPF through a power supply contract denominated in US dollars, for a 15-year term which will allow YPF to meet its regulatory obligations regarding the percentage of renewable energy required under Law No 27,191. The remaining generation will be sold on the MATER to specific industries.

c) Loma Campana II and El Bracho Projects

On May 13, 2016, the companies Y-GEN and Y-GEN II were organized to make a tender in the bidding process published by the Resolution 21/2016 of Ministry of Energy and Mining, which called for bids to generate thermal energy and power, which, if awarded, would sign a power sales agreement with CAMMESA for a 10-year term each, as offered, and with a price stated in US dollars. The companies organized made bids to build new thermal generation plants in Neuquén (Loma Campana, Añelo) and in Tucumán (El Bracho), which were finally awarded.

As of December 31, 2018, 100% of both companies' capital stock is related to the Company, while as of December 31, 2017, 66.67% of both companies' capital stock was related to the Company ("Managing Shareholder") and the remaining 33.33% was related to GE Capital Global Energy Investments B.V. (formerly, Guayama PR Holdings) ("Non Managing Shareholder") of the General Electric Group, maintaining until that date joins control of these companies.

In agreement with Resolution No. 21/2016 issued by the Ministry of Energy, Y-GEN and Y-GEN II provided CAMMESA with performance bonds for US$ 51,723,732, to secure compliance with its obligations under the power purchase agreements signed in August and July 2016, respectively.

The Loma Campana II thermal plant located in the Province of Neuquén and operated by Y-GEN with an installed power of 107 MW, was authorized to operate on November 30, 2017.

Moreover, on January 27, 2018, the thermal plant El Bracho located in the Province of Tucumán and operated by Y-GEN II with an installed power of 267 MW, was authorized to operate.
These projects were funded as a "project financing" without recourse against the Company (today the single shareholder of Y-GEN and Y-GEN II). The loan is secured by:

- A pledge on each company's financed assets, and;
- A pledge on membership interests, today shares, of Y-GEN and Y-GEN II.

In the bidding process launched by Resolution SEE No. 287/2017, Y-GEN II was awarded a new PPA for 15 years with CAMMESA, for the closing of the gas turbine cycle resulting from the previous bidding process called under SEE Resolution No. 21/2016, which will add 198 MW of installed capacity to the already operative 267 MW. A remunerative price denominated in US Dollars is fixed for the generated power and energy. The construction of this work is underway and the estimated commercial operation date will occur in the second quarter of 2020. In order to secure the committed commercial operation date Y-GEN II has granted to CAMMESA a surety bond in the amount of US$ 26,373,600.

d) La Plata Co-generation I

With the purchase from Central Puerto S.A. of the 128-MW co-generation plant located in La Plata Industrial Complex, owned by YPF , the Company is committed under a 15-year steam supply contract to deliver 200 tons per hour. The electric power generated by this plant will be delivered to the MEM and its price is established in accordance with SEE Resolution No. 19/2017.

e) La Plata Co-generation II

Also, under the bidding process decided by SEE Resolution No. 287/2017, YPF EE was awarded a 15-year PPA with CAMMESA through the construction project of a new 85-MW co-generation power plant in La Plata Refinery, owned by YPF The price for the generated power and energy is stated in US Dollars. The work construction is underway and its commercial operation date is expected to occur in the second quarter of 2020. With the purpose of ensuring the committed commercial operation date, the Company has granted to CAMMESA a surety bond in the amount of USD 8,352,144. Besides, negotiations are still being held regarding the agreement for the sale of steam to YPF .

f) The Cañadón León wind farm

In the second bidding process known as “RenovAR 2.0”, the Company was awarded a 20-year PPA with CAMMESA through the construction of Cañadón León Wind Farm with an installed capacity of 99 MW, that will be located in the Province of Santa Cruz, 25 kilometers away from the City of Caleta Olivia and about 100 kilometers away from the Manantiales Behr Wind Farm. Likewise, the Company has furnished a bid bond for an amount of US$ 3,465,000 by means of surety bond.

g) Los Teros wind farm

The Company is currently building Los Teros Wind Farm, which was developed by Luz del Cerro S.A., today wholly owned by the Company. This wind farm will have an installed capacity of 122.55 MW and has obtained priority dispatch in the MATER for its whole capacity. The Wind Farm will be built in two stages, and the installation of 72.2 MW is expected to take place in the first stage. With the purpose of ensuring dispatch priority of the energy generated by such MWs, a surety bond has been furnished in the amount of US$ 18,050,000. The second stage will comprise 50.35 MW. In order to ensure the commercial operation of this stage on the committed date a surety bond has been granted in the amount of US$ 12,587,500. The commercial operation of both stage is expected during 2020.

As of the date hereof, contracts have been signed with industries for 18% of the wind farm capacity, whereas the rest of the energy to be produced is in undergoing contract negotiations.

h) Los Teros II wind farm

The Company is in the previous phases of analysis of the construction project of the Los Teros II Wind Farm, which was developed by Luz del Cerro S.A., today wholly owned by the Company. This wind farm will have an installed capacity of 49.5 MW and has obtained priority dispatch in the MATER for its whole capacity. In order to secure the dispatch priority for that MWs, it has granted a surety bond in the amount of US$ 12,500,000. The commercial operation of both stage is expected during 2020.

i) Operating leases commitments

As of December 31, 2018, the main contracts in which the Group is the lessee correspond to property lease and land lease in which power plants and equipment are installed of the subsidiary Y-GEN with YPF and the usufruct contracts with the owners of the land where the Los Teros wind farm will be located.

(Amounts expressed in thousands of Argentine Pesos, except as otherwise indicated)

As of December 31, 2018, the future payments of these contracts are as follows:

	Up to one year	Between 1 and 5 years	More than 6 years
Estimate future payments	39,203	120,860	339,860

j) Finance leases commitments

During the year 2017, the Company entered into 6 finance lease contracts with Banco Supervielle S.A. to acquire motor generators. Three of these agreements accrue interest at an 8.35% annual rate will be paid as of April 30, 2022; two agreements accrue interest at a 7.75% annual rate will be paid as of December 31, 2022, and another agreement accrue interest at a 7.75% annual rate will be paid as of January 31, 2023. All the agreements are payed in a monthly basis.

The due dates of the finance lease payables as of December 31, 2018, are as follows:

Terms	Finance leases (1)
Up to 1 year	50,424
1 to 4 years	159,742
	210,166

(1) Net of interest to be accrued for 15,048 and 18,732 up to 1 year and over 1 year, respectively.

24. REGULATORY FRAMEWORK

24.1. Regulatory framework for the electric industry

Law No. 24,065, passed in 1992 and regulated by Executive Order No. 1,398/92, has established the current basic regulatory framework for the electricity sector (the "Regulatory Framework"). This Regulatory Framework is supplemented by the SE's regulations for the generation and commercialization of electric power, including the former SEE Resolution No. 61/1992 "Procedures for Operations Scheduling, Load Dispatch and Price Calculation", as amended and supplemented.

The ENRE is the agency that regulates, oversees and controls the electric power industry and, in such capacity, it is responsible for the enforcement of Law No. 24,065.

CAMMESA is responsible for the technical dispatch, planning and economic organization of the SADI and the MEM that also acts as a collection agency for all MEM agents.

By the end of 2015, Decree 134/2015 was enacted, in which, given the current situation of the Argentine electricity system, the PEN declared the Emergency of the National Electricity Sector until December 31, 2017. This Decree instructs the MEM to prepare and put into effect an action plan in relation to the segments of generation, transport and distribution of electrical energy in order to adapt the quality and safety of the electricity supply and guarantee the provision of the service public of electricity in adequate technical and economic conditions.

Among the main amending and supplementing regulations governing the sector, the following resolutions are noteworthy, with regard to the electric power generation business:

- **SE Resolution No. 95/2013**: established a new remuneration scheme based on: a) remuneration of fixed costs, b) remuneration of variable non-fuel costs, c) direct additional remuneration and d) indirect additional remuneration, which would be destined to create a trust for the development of electric power infrastructure works. To access these remunerations it was necessary to accept the terms and conditions established by the regulation. The Company accepted this regime on October 17, 2013 and retroactively as of February 1, 2013. The resolution also suspended, until the SE states otherwise, the signing of new contracts and / or the renewal of existing contracts between generators and large users (with the exception of the contracts framed in Resolution SE No. 1281 / 2006 "Energía Plus" and Resolution SE No. 220/2007, among others). It also provided that, from the date of expiration of existing contracts, large users should make their energy purchases through CAMMESA.

- **Resolution SE No. 529/2014**: this resolution replaced the compensation scheme contemplated in Resolution SE No. 95/2013, increasing the rate schedule of the four remuneration concepts established therein. Regarding to fixed costs remuneration, it established an increase related to the availability of each Generating Agent. It also incorporated a new remuneration scheme for non-recurring maintenance whose objective was the financing of major maintenance subject to approval by the SE. This resolution was retroactively applied from the economic transactions corresponding to the month of February 2014 for those generators that have adhered to Resolution SE No. 95/2013, as is the case of the Company.

- **Resolution SE No. 482/2015**: this resolution defined adjustments in the compensation scheme contemplated in Resolution SE No. 529/2014, increasing the rate schedule of the five remunerative concepts established therein. It also incorporated a new specific contribution scheme called "Resources for Investments of FONINVEMEM 2015-2018" to be assigned to those generators participating in the investment projects approved or to be approved by the SE and established a new incentive scheme for the Production of Energy and Operational Efficiency for the generating agents included. This resolution is retroactively applied from the economic transactions corresponding to the month of February 2015 for those generators that have adhered to Resolution SE No. 95/2013, as is the case of the Company.

- **Resolution of the SEE No. 22/2016 date**: the SEE modified Resolution SE No. 482/2015 and adjusted the components of the remuneration received by the generating agents that have adhered to Resolution SE No. 95/2013, 529/14 and 482/2015. The resolution modified the remunerative components of the economic transactions retroactive to February 2016.

- **SEE Resolution 19/2017**: dated February 2, 2017, established that the Agents of the MEM may declare Guaranteed Availability Offers to subscribe Guaranteed Availability Commitments (CoDiG), for the power and energy of the installed generating units, in accordance with the provisions of this Resolution. The power that may be subject to Guaranteed Availability Offers will be remunerated based on a payment for monthly available power subdivided into a real available power, a guaranteed power offered, and an assigned power; and another for energy generated and operated. The remunerations will be calculated in US dollars convertible to Argentine pesos at the exchange rate corresponding to the last business day of the month to which the operation corresponds, and the Sale Liquidations will have an expiration date. In addition, in reference to the payment of economic transactions, the Secretariat of Electric Energy later established that the commercial document contemplating the exchange rate of the date prior to the expiration date should be attached thereto. Likewise, a mechanism of Incentives for Operating Efficiency is established for thermal power plants based on compliance with fuel consumption targets.

- **SEE Resolution No. 21/2016**: calls Generators, Self-Generators and Co-Generators to bid for the provision of additional thermal generation and associated electric power production capacity, with the commitment to make it available at the MEM in summer (2016/2017 and 2017/2018) and winter 2017.

- **SEE Resolution No. 287 -E/2017:** under this resolution an open call for tenders was launched to incorporate new efficient electric energy generation through the Closing of Open Cycles and Co-Generation, where 40 offers were received for more than 3,300 MWs of power.

- **SEE Resolution No 820 -E/2017:** under this resolution, 3 co-generation projects were awarded for 506 MWs corresponding to the first round. Subsequently, in October, by Resolution No. 926/17, 9 additional projects were awarded (1 Co-generation + 8 Closing of Cycles) for a total of 1,304 MWs corresponding to the second round.

- **Resolution 1-E/2018:** in January 2018, that introduces changes in the dispatch priority allocation mechanism and determines that projects where purchase orders have already been issued for all the electromechanical items of equipment —prior to issuance of Resolution No. 281/2017— will be given priority for dispatch.

- **Resolution No. 46-E/2018**: establishes the new prices at the entry point into the transportation system for natural gas, for each basin of origin, which will be related to natural gas purchases used for to the power generation to be commercialized within the MEM or, in general, used for the power distribution public service. Average maximum price 4.2US$/MMBtu.

- **Resolution 70-SGE/2018**: This resolution issued in November 2018, allows generators to purchase their own fuel on an optional basis. The request to declare the production variable cost (PVC) is voluntary and renewable on each fortnight for the authorized groups. The costs of generation with their own fuels will be valued according to the recognition of the variable production costs recognized by CAMMESA. Besides, CAMMESA will continue with the commercial management and the dispatch of fuel for those agents which decide not to use to this option.

- **Resolution 25-SGE/2018:** Through this Resolution IEASA is instructed to sell to CAMMESA the fuels required by the latter to supply the demand, at the acquisition and commercialization cost of such fuels, declaring to CAMMESA such costs on the same dates on which generators have to declare the Production Variable Costs.

- **Resolution No. 1,085-E/2017:** issued in November 2017, sets forth that as from December 2017, Transmission System-related costs will be distributed according to demand, deducting costs allocated to Generators:

Connection and Transformation Costs. Transmission prices are stabilized and payable by Distributors and calculated in the Seasonal Tariff Schedules and Quarterly Tariff Reschedules. Each Distributor will have a stabilized price for Transmission by Extra-High Voltage Lines and for Transmission by Trunk Distribution.

- **Resolution 1-SRRyME/2019:** On February 28, 2019, with the purpose of securing sustainability of the wholesale electricity market, the Secretariat of Renewable Resources and Electricity Market issued Resolution No. 1-SRRyME/2019, pursuant to which the remuneration criteria established in Resolution 19/2017 of the former Secretary of Electric Energy were adjusted to economically reasonable and efficient conditions, which may be assigned and/or transferred to the demand.

  Like Resolution No. 19/2017, Resolution No. 1 will be provisionally applied until gradual definition and implementation of the regulatory mechanisms to achieve the autonomous, competitive and sustainable operation of the electricity market that will allow for the free interaction of supply and demand, and a technical, economic and operating functioning towards the integration of the different generation technologies to ensure a reliable system at a minimum cost.

  The remuneration to authorized thermal generators is composed of a payment for the monthly available power, a payment for generated power and another for operated power.

  a. Remuneration for available power

     Power availability remuneration is subdivided into a base price associated to Actual Power Availability (DRP, by its acronym in Spanish) and a price for guaranteed power in compliance with the Offered Guaranteed Power (DIGO, by its acronym in Spanish). Power remuneration will be adjusted depending on the actual usage factor of generation equipment.

     The DRP remuneration will range from 3,050 to 5,200 U$S/MW-month, according to the technology made available for the system and the DIGO remuneration will be 7,000 U$S/MW-month for winter and summer periods and 5,500 U$S/MW for the rest of the year.

  b. Remuneration for Generated Energy

     The remuneration for conventional thermal generation will contemplate as a maximum, per type of fuel consumed by each generation unit, the non-fuel variable costs, which are 4 U$S/MW hour for equipment consuming Natural Gas, 7 U$S/MW hour for Fuel Oil or Gasoil, 10 U$S/MW hour for Biofuels and12 U$S/MW hour for mineral coal.

  c. Remuneration for Operated Energy

     Additionally, generators will receive a monthly remuneration for Operated Energy, represented by the integration of hourly power capacities for the period, valued at 1.4 U$S/MWh for any type of fuel. The hourly volume of Operated Energy must correspond to the optimum dispatch in order to comply with the energy and reserves assigned.

  A generation plant that has declared the option to purchase fuels for the generation of energy, which upon request does not have sufficient fuel for the delivery, will lose its delivery order until, if necessary, CAMMESA shall assign fuel to it for its operation, and the remuneration concepts mentioned above will be reduced by 50% of their value.

  Remuneration is denominated in US Dollars and is payable at the reference exchange rate of the date prior to maturity date.

Renewable energy sources

- In 2006, Law No. 26,190 was enacted, which established a National Promotion Regime for the use of renewable energy sources for the production of electricity, complementary to the regime established by Law No. 25,019 and its regulatory standards, which had already declared of national interest wind and solar power generation.

- In October 2015, Law No. 27,191 was enacted, which amended Law No. 26,190, " National Scheme for Promotion of the Use of Renewable Energy Sources for Electric Power Production ". Amendments to this law seek to establish a legal framework encouraging investments in renewable energies and promoting the diversification of the national energy matrix, increasing the share of renewable sources in the Argentine electricity market. Additionally, this law that, among other measures, requires Large Users to reach a minimum 8% of their electricity energy consumption with energy from renewable sources in 2018 and 20% in 2025. The laws are regulated in 2016 by a PEN Executive Order No. 53 establishing that, those who elect to comply by purchasing or by through self-generation or cogeneration, must expressly express their decision before the Application Authority in terms the latest determines. Otherwise, they will automatically be included in the joint purchase mechanism that CAMMESA will carry out.

Among the main provisions of Law No. 27,191 and its regulations, the following can be highlighted:

- Projects entitled, including self-generators and co-generators (non-fossil), will be able to access the promotion scheme.

- A public trust fund called the Fund for the Development of Renewable Energies will be created, which will be constituted, among other trust assets, by resources from the National Treasury (not less than 50% of the savings in fossil fuels due to the incorporation of renewable sources).

- A specific charge will be applied to the users to guarantee the fulfillment of the contracts, in $ / MWh, being excepted those Large Users (GU) that acquire the renewable energy by means of contracts with a generator, marketer or distributor (not CAMMESA) or by own generation.

- Those users that have one or multiple electric power demand points with independent meters are all registered, all registered with the same CUIT in the MEM or with the distributors, if in the sum of all the demand points they reach or exceed 300 kW of average power contracted in the calendar year, even if, in all or some of the demand points considered individually, they do not reach this value. The obligation governs as a percentage (%) of the total sum of their consumption.

- Only security and quality charges will be incorporated to the renewable´s energy price. The price will not incorporate transitory cost of dispatch (STD), additional transitory cost of dispatch (ad STD), cost of fuel (SC), etc.

- Can be met through: Individual contracting, self-generation or Cogeneration of renewable sources.

- Prior to December 31, 2017, users must certify the subscription of the auto / cogeneration contracts or projects. At the moment of the verification of the fulfillment of the objectives of the Law, there will be penalties for missing energy, but no further details are established.

- The price will be established by CAMMESA as prorated by the total amount of the contracts and is reached by the price limit set in the Law (113 US$ / MWh).

– **Resolution 281-E/2017:** this Resolution issued in August 2017 regulates the Renewable Energy Term Market (MATER) for MEM Large Users, setting forth the guidelines for self-generation and the agreements for the purchase of electric energy from renewable sources; the Resolution applies to Large Users with an average annual demand per connection point above 300 kW, and to generators, co-generators and self-generators entering the MEM as from January 2017.

The Forward Market regulation sets forth the following noteworthy provisions:

- It establishes dispatch priorities and an allocation mechanism.

- It creates commercialization and administration positions for Large Users intending to participate in CAMMESA's joint purchase scheme.

- It sets forth that Large Users opting out of CAMMESA's joint purchase scheme:

    - shall be subject to monitoring of their compliance with Law No. 27,191.
    - shall no longer pay for the renewable source generation acquired by CAMMESA.
    - shall no longer pay for Commercialization and Administration charges.
    - shall be entitled to discounts in capacity charges.

- No reserve power capacity is required for power purchase agreements executed within this scheme.

- It defines that the exclusion of joint purchases will have a minimum term of 5 years from the date the exclusion was declared.

- Allows the entitlement of renewable contracts to base or surplus demand.

- Defines that transport charges and those of primary frequency regulation will be recognized and absorbed by CAMMESA.

- It establishes the methodology for monitoring compliance and the imposition of penalties for breach, based on Gas Oil generation costs.

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24.2. Regulatory framework of the Oil and Gas industry in Argentina

Oil & gas exploration, exploitation and production activities in the Ramos area are regulated by the general framework of Law No. 17,319 (modified by Law No. 26,197) which establishes, among other matters, that oil deposits hydrocarbons located in the territory of the Argentine Republic belong to the provinces while those located on its continental shelf belong to the Federal government. This regulatory framework has been modified by Law No. 27,007 promulgated on October 30, 2014, which, among other modifications, established new terms for concessions for unconventional exploitation of hydrocarbons and for exploitation concessions on the continental shelf and in the territorial sea; new guidelines for the extension of exploitation concessions and a new Investment Promotion Regime for the Exploitation of Hydrocarbons aimed at projects that involve the realization of a direct investment in foreign currency of not less than US$ 250 million.

In addition, this general legal framework is complemented by several resolutions and regulations from different jurisdictions that significantly affect the aforementioned oil and gas production operation.

On February 2, 2018, the Group sold to YPF its Oil & Gas business assets. Additionally see Note 3.a.

24.3. Other Regulations

– **CNV Regulatory Framework (N.T. 2013)**

By Resolution No. 622/2013 issued on September 5, 2013, the CNV approved the RULES (N.T. 2013) applicable to companies that are subject to CNV's control, pursuant to the provisions of the Capital Markets Law No. 26,831, and Regulatory Decree No. 1,023 dated August 1, 2013. This Resolution overrides previous CNV rules (N.T. 2001 as amended) and General Resolutions No. 615/2013 and No. 621/2013, as from the effective date of the RULES (N.T. 2013).
In accordance with section 1, Chapter III, Title IV of the General Resolution, the notes to the consolidated financial statements For the year ended December, 2018, disclosing the information required by the Resolution in the form of Exhibits, are detailed below.

Exhibit A – Fixed Assets	Note 7 Property, plant and equipment
Exhibit C – Investments in shares	Note 8 Investments in associates and joint ventures
Exhibit D – Other Investments	Note 5 Financial instruments by category
Exhibit E - Provisions	Note 9 Other receivables
Exhibit G – Assets and liabilities in foreign currency	Note 22 Information required by article 63 of Law No. 19,550 - Assets and liabilities in currencies other than peso

25. TAX REFORM

Laws No. 27,430 and 27,432 were published in the Official Gazette on December 29, 2017, and significantly modified several taxes. The main modifications are the following:

- **Income Tax**

- **Corporate tax rate and withholdings on dividends**

The general income tax rate applicable to corporations is reduced from 35% to 30% for fiscal years on or after beginning January 1, 2018 and ending December 31, 2019 inclusive, and to 25% for those fiscal years beginning on or after January 1, 2020 onwards.

Moreover, a new withholding on dividends is established for foreign individuals and beneficiaries, which will be 7% for those fiscal years beginning on or after January 1, 2018 and ending on December 31, 2019, and 13% for those fiscal years beginning on or after January 1, 2020 onwards.

Finally, the tax equalization (a 35% withholding is applicable when dividends exceed the amount of the taxable income) is no longer applied on the income accrued as of January 1, 2018.

- **Special tax – Tax Revaluation under Law No. 27,430**

Law No. 27,430 establishes that a tax revaluation of property, plant and equipment, may be made according to the mechanisms provided therein.

Decree No. 353/2018, published in the Official Gazette on April 23, 2018, regulated Title X of Law No. 27,430 and established that the option referred to in article 281 of such Law could be exercised until the last business day of the sixth calendar month immediately following December 31, 2017.

Later, maturity dates were extended by Decree No. 613/2018 and Resolution No. 4249/2018, which established the last business day of the thirteenth month following the closing of fiscal year 2017 as the new deadline to exercise such option. Under this context, the new maturity date applicable to the Company is March 31, 2019.

The Company implemented the tax revaluation in the financial statements for fiscal year ended December 31, 2018, and recorded the cost of such option in the item "Special tax – Tax revaluation under Law No. 27,430" of the income tax charge for the fiscal year.

- **Capital gains for foreign beneficiaries**

The new law establishes a 15% withholding on capital gains derived from the sale of shares or other similar securities (calculated on the actual or presumed gains equivalent to 90% of the sale price). The law establishes an exemption applicable to foreign beneficiaries who sell listed shares under the supervision of the CNV. Furthermore, an exemption is established for the interest and sale results of government bonds, NO and ADRs. These exemptions will only apply to non-resident foreign beneficiaries whose funds do not derive from non-cooperating jurisdictions. Finally, such exemption does not apply to those benefits derived from the securities known as Lebacs.

In the case of ADRs, the law defines that the source thereof is given by the residence of the issuer of the respective shares.

- **Indirect transfers made by the Foreign Beneficiaries**

The law establishes a tax on the indirect sale of assets located in Argentina. In particular, such tax will be levied on sales or transfers made by foreigners who own a company also abroad who owns assets in the country, when such assets are significant, i.e., when the following conditions are met: (i) at least 30% of the value of the shares in the foreign company derives from assets located in Argentina; and (ii) the transferred shares represent at least 10% of the assets of the foreign company.

The applicable rate will be 15% (calculated on real net profit or presumed net profit equivalent to 90% of the sale price) in the proportion corresponding to Argentine assets.

- **Other modifications**

It replaces the tax transparency rules contemplating broader situations and introduces the presumed dividend concept.

Moreover, it ratifies the taxability of the sales of shares of Argentine companies made by non-residents as of the effectiveness of Law No. 26,983, although it establishes the taxation of results in the cases of sales made through stock exchanges or similar markets, when the stockbroker did not withhold the tax.

- **Tax on bank debit and credits**

The PEN may fix the tax percentage to be computed as payment on account of the income tax, which will be progressively increased by up to 20% per year as of January 1, 2018, and it may also establish that this tax will be fully computed as payment on account of the income tax in 2022.

- **Value added tax**

A system of refund of tax paid for investments in property, plant and equipment is established, subject to the future generation of tax debits, in order to reduce the financial cost generated by the accumulation of tax credits of new investments.

- **Social Security**

There will be a minimum monthly salary exempt from employer contributions, while the rate of the same will be unified around 19.5%, although VAT tax credits will be eliminated for employment in secondary areas. These changes will occur by 2022, gradually converging from the current situation.

Other than as mentioned in Note 12 with respect to income tax, the mentioned modifications do not have a significant effect on the financial statements of the Group.

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26. INFORMATION ON RELATED PARTIES

The following table provides the accounts payable to/receivable from related parties as of December 31, 2018 and 2017 and January 1, 2017:

		Trade receivables	Other current receivables	Other non-current receivables	Accounts payable	Current loans	Non-current loans	Other current liabilities	Other non-current liabilities
Joint controlling shareholder:									
YPF S.A.	12.31.2018	1,758,720	-	-	1,819,452	-	-	-	-
	12.31.2017	43,449	-	-	267,069	377,087	-	-	-
	01.01.2017	19,917	-	-	92,879	7,243	739,680	-	-
GE EFS Power Investment B.V.	12.31.2018	-	5,250,000	-	-	-	-	-	-
	12.31.2017	-	-	-	-	-	-	-	-
	01.01.2017	-	-	-	-	-	-	-	-
Associates:									
Y-GEN Eléctrica III S.R.L.	12.31.2018	-	-	-	-	-	-	-	-
	12.31.2017	-	-	-	-	-	-	50	-
	01.01.2017	-	-	-	-	-	-	-	50
Y-GEN Eléctrica IV S.R.L.	12.31.2018	-	-	-	-	-	-	-	-
	12.31.2017	-	-	-	-	-	-	50	-
	01.01.2017	-	-	-	-	-	-	-	50
Refinería del Norte S.A.	12.31.2018	25,558	-	-	-	-	-	-	-
	12.31.2017	41,963	-	-	-	-	-	-	-
	01.01.2017	39,158	-	-	-	-	-	-	-
Metroenergía S.A.	12.31.2018	2,892	-	-	-	-	-	-	-
	12.31.2017	7,072	-	-	-	-	-	-	-
	01.01.2017	21,953	-	-	-	-	-	-	-
A-Evangelista S.A.	12.31.2018	-	-	-	342,895	-	-	-	-
	12.31.2017	-	-	-	1,140	-	-	-	-
	01.01.2017	-	-	-	8,216	-	-	-	-
Bajo del Toro II S.R.L.	12.31.2018	-	-	-	-	-	-	-	-
	12.31.2017	-	-	-	-	565,206	-	-	-
	01.01.2017	-	-	-	-	-	-	-	-
U.T. Loma Campana	12.31.2018	38,290	-	-	-	-	-	-	-
	12.31.2017	14,178	-	-	-	-	-	-	-
	01.01.2017	-	-	-	-	-	-	-	-
General Electric International INC.	12.31.2018	-	-	-	3,067	-	-	-	-
	12.31.2017	-	-	-	-	-	-	-	-
	01.01.2017	-	-	-	-	-	-	-	-
GE Global Parts and Products GmbH	12.31.2018	-	-	-	822,572	-	-	-	-
	12.31.2017	-	-	-	-	-	-	-	-
	01.01.2017	-	-	-	-	-	-	-	-
Profertil S.A.	12.31.2018	11,138	-	-	-	-	-	-	-
	12.31.2017	-	-	-	-	-	-	-	-
	01.01.2017	-	-	-	-	-	-	-	-

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		Trade receivables	Other current receivables	Other non-current receivables	Accounts payable	Current loans	Non-current loans	Other current liabilities	Other non-current liabilities
GE Water & Process Technologies SC	12.31.2018	-	-	-	6,502	-	-	-	-
	12.31.2017	-	-	-	-	-	-	-	-
	01.01.2017	-	-	-	-	-	-	-	-
GE Sensing & Inspection Technologies	12.31.2018	-	-	-	397	-	-	-	-
	12.31.2017	-	-	-	-	-	-	-	-
	01.01.2017	-	-	-	-	-	-	-	-
GE Energy Parts Inc.	12.31.2018	-	-	-	753	-	-	-	-
	12.31.2017	-	-	-	-	-	-	-	-
	01.01.2017	-	-	-	-	-	-	-	-
GE Packaged Power Inc.	12.31.2018	-	-	-	18,750	-	-	-	-
	12.31.2017	-	-	-	-	-	-	-	-
	01.01.2017	-	-	-	-	-	-	-	-
GE International Inc. Sucursal Argentina	12.31.2018	-	-	-	615,538	-	-	-	-
	12.31.2017	-	-	-	-	-	-	-	-
	01.01.2017	-	-	-	-	-	-	-	-
GE Intelligent Platforms	12.31.2018	-	-	-	367	-	-	-	-
	12.31.2017	-	-	-	-	-	-	-	-
	01.01.2017	-	-	-	-	-	-	-	-
GE Jenbacher GMBH & CO OG	12.31.2018	-	-	-	683	-	-	-	-
	12.31.2017	-	-	-	-	-	-	-	-
	01.01.2017	-	-	-	-	-	-	-	-
YPF Tecnología S.A.	12.31.2018	-	-	-	406	-	-	-	-
	12.31.2017	-	-	-	-	-	-	-	-
	01.01.2017	-	-	-	-	-	-	-	-
Argentine federal government controlled entities:									
CAMMESA	12.31.2018	1,816,331	124,731	452,881	-	-	-	-	-
	12.31.2017	426,833	90,345	452,881	-	-	-	-	-
	01.01.2017	250,131	128,913	513,854	-	-	-	-	-
Subsidiaries:									
Y-GEN Eléctrica S.A.U.(1)	12.31.2018	-	-	-	-	-	-	-	-
	12.31.2017	-	51,366	-	-	-	-	50	-
	01.01.2017	-	-	-	-	-	-	-	50
Y-GEN II Eléctrica S.A.U. (1)	12.31.2018	-	-	-	-	-	-	-	-
	12.31.2017	-	16,964	-	-	-	-	50	-
	01.01.2017	-	10,075	-	-	-	-	-	50
Total	12.31.2018	**3,652,929**	**5,374,731**	**452,881**	**3,631,382**	**-**	**-**	**-**	**-**
	12.31.2017	**533,495**	**158,675**	**452,881**	**268,209**	**942,293**	**-**	**200**	**-**
	01.01.2017	**331,159**	**138,988**	**513,854**	**101,095**	**7,243**	**739,680**	**-**	**200**

(1) Companies consolidated since March 31, 2018, see Note 3.b).

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The following table provides the transactions performed for the years ended December 31, 2018, and 2017 with related parties:

		Sales	Purchases	Interest gain (loss)
Joint controlling shareholders of the group:				
YPF S.A.	12.31.2018	1,119,111 (2)	174,271 (2) (3)	(8,896)
	12.31.2017	19,448	139,420	(49,001)
Associates:				
A-Evangelista S.A.	12.31.2018	-	893,579	-
	12.31.2017	-	5,351	-
U.T. Loma Campana	12.31.2018	69,922	-	-
	12.31.2017	11,717	-	-
General Electric International Inc. Sucursal Argentina	12.31.2018	-	1,648	-
	12.31.2017	-	-	-
GE Global Parts and Products Gmbh	12.31.2018	-	3,108,319	-
	12.31.2017	-	-	-
GE Packaged Power Inc.	12.31.2018	-	185,783	-
	12.31.2017	-	-	-
GE Sengsing & Inspection Technologies	12.31.2018	-	1,756	-
	12.31.2017	-	-	-
GE Water & Process Technologies SC	12.31.2018	-	20,950	-
	12.31.2017	-	-	-
General Electric International Inc. Suc. Argentina	12.31.2018	-	1,135,369	-
	12.31.2017	-	-	-
YPF Tecnología S.A.	12.31.2018	-	417	-
	12.31.2017	-	-	-
GE Intelligent Platforms	12.31.2018	-	367	-
	12.31.2017	-	-	-
GE Wind Energy Equipment	12.31.2018	-	558,074	-
	12.31.2017	-	-	-
GE Energy Parts Inc.	12.31.2018	-	753	-
	12.31.2017	-	-	-
GE Jenbacher GMBH & CO OG	12.31.2018	-	683	-
	12.31.2017	-	-	-
Profertil S.A.	12.31.2018	8,979	-	-
	12.31.2017	-	-	-
Bajo del Toro II S.R.L.	12.31.2018	-	-	(37,262)
	12.31.2017	-	-	(15,472)
Argentine federal government controlled entities:				
CAMMESA	12.31.2018	5,881,414	128,426	37,028
	12.31.2017	1,363,882	54,696	88,520
Subsidiaries:				
Y-GEN Eléctrica S.A.U. (1)	12.31.2018	10,209 (4)	-	-
	12.31.2017	37,325	-	-
Y-GEN Eléctrica II S.A.U. (1)	12.31.2018	10,549 (5)	-	-
	12.31.2017	38,298	-	-
Total	12.31.2018	**7,100,184**	**6,210,395**	**(9,130)**
	12.31.2017	**1,470,670**	**199,467**	**24,047**

(1) Companies controlled since March 31, 2018 (Note 3.b)).
(2) Does not include 438,799 and 1,580,664 related to re-sale of gas purchases, respectively.
(3) Includes 27,899 related to reimbursement of personnel costs.
(4) Does not include 4,117 and 34,720 for re-invoicing by contracted personnel for the years 2018, and 2017, respectively.
(5) Does not include 2,576 and 1,692 for re-invoicing by contracted personnel for the years 2018, and 2017, respectively.

Regarding the business of generation and sale of electricity, the Company's main customer is CAMMESA, an entity controlled by National Government. Taking into consideration that National Government is also YPF's controlling shareholder, CAMMESA is considered a related party.
For the year ended December 31, 2018, the Company performed transactions from discontinued operations with Refinería del Norte S.A. and CAMMESA for 5,617 and 35,885 respectively.

For the year ended December 31, 2017, the Company performed transactions from discontinued operations with Refinería del Norte S.A., Metroenergía S.A. and CAMMESA for 54,356, 26,400 and 143,755, respectively.

Remuneration of the Administration

During the year ended December 31, 2018, the Director's fees and the remuneration to key executives amounted to 88,404, being the same short-term benefits and the only benefits granted to directors and key executives.

27. SUBSEQUENT EVENTS

Last March 20, 2019, GE Global Parts and Products GmbH informed the Company that the vessel in which part of the equipment that was being transported for the project to close the cycle of El Bracho thermal power plant, located in the province of Tucumán, suffered an incident and subsequent sinking, and as a consequence thereof the equipment that was being transported was lost. This event is being analyzed by the Company to determine the implications that may have with respect to the fulfilment of its obligations and the measures that can be adopted to minimize any negative impact. These assets were insured under an insurance policy contracted by our supplier and the claim was already reported to the insurer.

As of the date of issuance of these consolidated financial statements, there have not been other subsequent events whose effect on the financial position or results of operations as of December 31, 2018, or its exposure in a note to these consolidated financial statements, if corresponds, have not been considered in them according to IFRS.