YPF ENERGÍA ELÉCTRICA S.A.

DIRECTORS' ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018

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English translation of the separated financial statements originally filed in Spanish with the Argentine Securities Commission ("CNV"). In case of discrepancy, the separated financial statements filed with the CNV prevail over this translation

YPF ENERGÍA ELÉCTRICA SOCIEDAD ANÓNIMA

CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2019 AND 2018

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
BNR	BNR Infrastructure Co-Investment Limited
CAEE	Electric Energy Supply contract
CAMMESA	Compañía Administradora del Mercado Mayorista Eléctrico S.A.
CDS	Related Party Central Dock Sud S.A.
CGU	Cash Generation Unit
CNV	Argentine Securities Commission
COD	Respect to a thermal Power Plant, the commercial operation date
Energía Base	Power generation from SEE Resolution 01/2019 and earlier, and SGE Resolution 70/2018
EUR	Euro
FACPCE	Argentine Federation of Professional Councils of Economic Sciences
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
IGMP	Minimum presumed income tax
CPI	Consumer Price Index ("IPC" for its acronym in Spanish)
Joint Venture	Company jointly owned by YPF EE as provided for in IFRS 11
Luz del León	Subsidiary Luz del León S.A.
LGS	Argentine General Corporations Act 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 forward market
MW	Megawatts
MWh	Megawatts per hour
NO	Negotiable Obligations
OPESSA	Related party and non controlling interest Operadora de Estaciones de Servicios S.A.
PPA	Capacity and/or power purchase agreements
SADI	Argentine Interconnection System
SE	Secretariat of Energy
SEE	Secretariat of Energy Electric
SGE	Government Secretary of Energy
SIC	Standing Interpretation Committee
Subsidiary	Company controlled by YPF EE in accordance with the provisions of IFRS 10.
US$	US dollars
VAT	Value added tax
Y-GEN	Subsidiary Y-GEN Eléctrica S.A.U. (previously Y-GEN ELÉCTRICA S.R.L.)
Y-GEN II	Subsidiary Y-GEN Eléctrica II S.A.U. (previously Y-GEN ELÉCTRICA II S.R.L.)
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 or the Company	YPF Energía Eléctrica S.A.
YPF EE Comercializadora	Subsidiary YPF EE Comercializadora S.A.U.
WPI	Whosale internal Price index ("IPIM" for its acronym in Spanish)

YPF ENERGÍA ELÉCTRICA SOCIEDAD ANÓNIMA

CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2019 AND 2018

LEGAL INFORMATION

Legal address

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

Fiscal year

N° 7 beginning on January 1, 2019.

Main 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 4.a).

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

Registration date with the Public Commerce Registry:

– Of the social contract: 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 23)

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

MARCOS MIGUEL BROWNE
President

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YPF ENERGÍA ELÉCTRICA SOCIEDAD ANÓNIMA
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019 AND 2018
(Amounts expressed in thousands of Argentine Pesos)

	Notes	December 31, 2019	December 31, 2018
ASSETS			
Non-current assets			
Property, plant and equipment	9	82,019,814	37,650,465
Intangible assets	8	312,999	196,835
Right of use assets	10	749,123	-
Investments in associates and joint ventures	11	4,064,410	1,948,492
Other receivables	12	1,531,942	1,846,127
Investments in financial assets	7	-	69,901
Deferred income tax assets, net	15	-	54,153
Assets held for disposal	4.f	7,540,543	-
Total non-current assets		**96,218,831**	**41,765,973**
Current assets			
Other receivables	12	2,616,130	6,234,304
Trade receivables	13	6,857,677	3,724,234
Other financial assets	17	2,448,153	1,489,031
Cash and cash equivalents	14	14,700,487	4,701,336
Total current assets		**26,622,447**	**16,148,905**
TOTAL ASSETS		**122,841,278**	**57,914,878**
SHAREHOLDERS' EQUITY			
Shareholders' contributions		8,411,982	8,411,982
Reserves, other comprehensive income and non-retained earnings		37,126,778	17,109,294
TOTAL SHAREHOLDERS' EQUITY		**45,538,760**	**25,521,276**
LIABILITIES			
Non-current liabilities			
Provisions		58,700	35,421
Deferred income tax liability, net	15	5,687,365	2,430,623
Leases liabilities	16	465,322	-
Loans	17	50,735,033	18,256,570
Other financial liabilities	7	10,430	-
Liabilities associated with assets held for disposal	4.f	842,191	**-**
Total non-current liabilities		**57,799,041**	**20,722,614**
Current liabilities			
Taxes payable		78,209	340,436
Salaries and social security		267,461	151,256
Leases liabilities	16	148,946	-
Loans	17	9,770,245	6,514,408
Other financial liabilities	7	9,824	-
Other liabilities		-	99,359
Trade payables	18	9,228,792	4,565,529
Total current liabilities		**19,503,477**	**11,670,988**
TOTAL LIABILITIES		**77,302,518**	**32,393,602**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**122,841,278**	**57,914,878**

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

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President

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YPF ENERGÍA ELÉCTRICA SOCIEDAD ANÓNIMA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2019 AND 2018
(Amounts expressed in thousands of Argentine Pesos)

	Notes	For the years ended December 31, 2019	2018
Revenues	19	16,113,915	7,124,905
Production costs	20	(7,705,884)	(2,401,625)
Gross profit		**8,408,031**	**4,723,280**
Administrative and selling expenses	20	(1,324,649)	(544,414)
Remeasurement of pre-existing equity interest	4.b	-	1,785,033
Regularization of receivables	28	611,025	-
Other net operating results		101,789	(292)
Operating profit		**7,796,196**	**5,963,607**
Income from equity interest in associates	11	778,173	268,015
Net financial results			
- Financial income	21	3,478,041	1,285,441
- Financial costs	21	(5,466,865)	(2,607,963)
Net financial results	21	(1,988,824)	(1,322,522)
Profit before income tax from continuing operations		**6,585,545**	**4,909,100**
Income tax	15	(2,358,969)	(416,984)
Net profit for the fiscal year from continuing operations		**4,226,576**	**4,492,116**
Profit after income tax for the fiscal year from discontinued operations	22	-	13,296
Net profit for the fiscal year		**4,226,576**	**4,505,412**
Other comprehensive income for the fiscal year			
Items that may not be reclassified to net income in subsequent fiscal *years*			
Translation differences from assets and liabilities held for disposal	2.3.18	341,812	-
Translation differences	2.3.18	15,527,668	11,170,660
Items that may be reclassified to net income in subsequent fiscal years			
Fair value changes on derivatives instruments, net of tax effect [(1)]	2.3.18	(78,572)	26,391
Net variation of other comprehensive income for the fiscal year		15,790,908	11,197,051
Total comprehensive income for the fiscal year		**20,017,484**	**15,702,463**
Net income for the fiscal year attributable to shareholders			
Continuing operations		4,226,576	4,492,116
Discontinued operations		-	13,296
		4,226,576	**4,505,412**
Total comprehensive income for the fiscal year attributable to shareholders			
Continuing operations		20,017,484	15,689,167
Discontinued operations		-	13,296
		20,017,484	**15,702,463**
Basic and diluted earnings per share from continuing and discontinued operations:			
- Basic and diluted (ARS)	24	1.128	1.275
Basic and diluted earnings per share from continuing operations			
- Basic and diluted (ARS)	24	1.128	1.271

(1) Net of income tax charges for the fiscal years ended December 31, 2019 and 2018 by 23,261 and (12,767), respectively.

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

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President

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YPF ENERGÍA ELÉCTRICA SOCIEDAD ANÓNIMA

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2019 AND 2018 (Cont.)
(Amounts expressed in thousands of Argentine Pesos)

	For the fiscal year ended December 31, 2019								
	Shareholders' contributions			Reserves					
	Subscribed capital	Share premium	Other shareholders' contributions	Legal reserve	Special reserve RG No. 609 (1)	Reserve for future investments	Other comprehensive income	Retained earnings	Total
As of January 1, 2019	3,747,070	4,604,483	60,429	52,755	-	881,681	11,739,242	4,435,616	25,521,276
As decided by the General Ordinary Shareholders' Meeting on May 7, 2019:									
- Appropriation to RG No. 609 CNV special reserve	-	-	-	-	11,532	-	-	(11,532)	-
- Appropriation to legal reserve	-	-	-	225,271	-	-	-	(225,271)	-
- Appropriation to reserve for future investments	-	-	-	-	-	4,198,813	-	(4,198,813)	-
Other comprehensive income for the fiscal year	-	-	-	-	-	-	15,790,908 (2)	-	15,790,908
Net profit for the fiscal year	-	-	-	-	-	-	-	4,226,576	4,226,576
As of December 31, 2019	**3,747,070**	**4,604,483**	**60,429**	**278,026**	**11,532**	**5,080,494**	**27,530,150** (2)	**4,226,576**	**45,538,760**

(1) Corresponds to the initial adjustment arising from the IFRS implementation. See Note 2.3.18.
(2) Includes 341,812 from assets held for disposal.

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President

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YPF ENERGÍA ELÉCTRICA SOCIEDAD ANÓNIMA

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2019 AND 2018 (Cont.)
(Amounts expressed in thousands of Argentine Pesos)

	For the fiscal year ended December 31, 2018							
	Shareholders' contributions			Reserves				
	Subscribed capital	Share Premium	Others shareholders' contributions	Legal reserve	Reserve for future investments	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 23):								
- Capital increase	303,747	-	-	-	-	-	-	303,747
As decided by the General Ordinary and Extraordinary Shareholders' Meeting of March 20, 2018 (Note 23):								
- 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 4.a))	-	-	60,429	-	-	-	-	60,429
As decided by the Shareholders' Meeting of April 26, 2018:								
- Legal reserve	-	-	-	46,404	-	-	(46,404)	-
- Specifically prescribed reserve for future investments	-	-	-	-	881,681	-	(881,681)	-
Others comprehensive income for the fiscal year	-	-	-	-	-	11,197,051	-	11,197,051
Net profit for the fiscal 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 2.3.18.

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

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President

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YPF LUZ

YPF ENERGÍA ELÉCTRICA SOCIEDAD ANONIMA

CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2019 AND 2018
(Amounts expressed in thousands of Argentine Pesos)

	12.31.2019	12.31.2018
OPERATING ACTIVITIES		
Net profit for the fiscal year from continuing operations	4,226,576	4,492,116
Net profit for the fiscal year from discontinued operations	-	13,296
Net profit for the fiscal year	4,226,576	4,505,412
Adjustments to reconcile net profit to net cash flows from operating activities:		
Income from equity interest in associates and joint ventures	(778,173)	(268,015)
Remeasurement of pre - existing equity interest	-	(1,785,033)
Depreciation of property, plant and equipment	2,807,014	1,283,274
Depreciation of right of use assets	68,641	-
Decreases of property, plant and equipment [(2)]	193,658	43,239
Collections of dividends	-	53,996
Net financial results	1,988,824	1,322,522
Net increase in provisions [(2)]	3,763	35,421
Increase in allowance for doubtful trade receivables	48,772	-
Charge on income tax	2,399,311	419,065
Charge on income tax related with assets held for disposal	(40,342)	-
Changes in operating assets and liabilities:		
Trade receivables	(1,549,489)	(2,682,791)
Other receivables	(1,777,626)	(5,101)
Trade payables [(2)]	759,184	2,262,156
Salaries and social security	116,205	104,244
Taxes payable	(126,413)	192,574
Assets and liabilities held for disposal	(429,989)	-
Income tax payments	(134,762)	(44,255)
Regularization of receivables	666,208	-
Net cash flows from operating activities	**8,441,362**	**5,436,708**
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(18,837,582)	(7,838,730)
Acquisition of property, plant and equipment related with assets held for disposal	(4,046,621)	-
Acquisition of interest in subsidiaries [(1)]	(92,636)	(1,524,304)
Advances to suppliers of property, plant and equipment	(1,319,475)	(454,826)
Other financials assets	(60,287)	(1,290,497)
Sales of interests in associates	-	283,247
Contributions in associates	-	(4,076)
Net cash flows used in investing activities	**(24,356,601)**	**(10,829,186)**
FINANCING ACTIVITIES		
Proceeds from loans	22,351,072	9,877,729
Capital contributions and share premium collected	5,691,000	2,720,250
Payments of loans	(9,029,129)	(2,355,833)
Payments of leases liabilities	(123,167)	-
Payment of interest and other financial costs	(2,724,452)	(949,923)
Net cash flows from financing activities	**16,165,324**	**9,292,223**
Net increase in cash and cash equivalents	250,085	3,899,745
Effect of exchange difference variations on cash and cash equivalents	9,770,260	662,509
Cash and cash equivalents of assets held for disposal	(21,194)	-
Cash and cash equivalents at the beginning of fiscal year (Note 14)	4,701,336	139,082
Cash and cash equivalents at the end of the fiscal year (Note 14)	**14,700,487**	**4,701,336**

	2019	2018
Acquisitions of property, plant and equipment outstanding at the beginning of the fiscal year	1,743,008	795,893
Acquisitions of property, plant and equipment outstanding at the end of the fiscal year	4,586,004	1.743.008
Transferences of advances to suppliers of property, plant and equipment	1,552,034	574.559

(1) For the fiscal year ended December 31, 2018, net of cash and cash equivalents for 172,612 incorporated by business combination (Note 4.b)). Additionally, includes payments by 48,496 and 22,266 for Luz del Cerro S.A. and Luz del Valle S.A. acquisitions, respectively (see Note 4.d) y 4.e)).

(2) "Decreases of property, plant and equipment", "Movements in provisions", "Inventories" and "Trade payables" for the fiscal 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 4.a)).

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

MARCOS MIGUEL BROWNE
President

YPF ENERGÍA ELÉCTRICA SOCIEDAD ANÓNIMA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2019 AND 2018
(Amounts expressed in thousands of Argentine Pesos, except as otherwise indicated)

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 Córdoba Avenue 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 4.a).

The Group has an installed capacity, at the date of issuance of these consolidated financial statements, of 1,819 MW, representing approximately 4.6% 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 637 MW.

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 third quarter of 2020 (Note 29).

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 capacity 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 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 consumption and it is not connected to the SADI.

In February 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 4.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.

Approximately 79% of the energy generated 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 is sold to private customers through PPAs denominated in US dollars for a term between 5 and 21 years. It should be noted that this project has dispatch priority in the MATER for 100% of its installed capacity.

The Group was awarded, throught Luz del León S.A., with 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 for 99 MW is for a term of 20 years and a price denominated in US dollars. The remaining energy (21 MW) will be delivered though a PPA in the MATER with YPF for a term of 15 years, also denominated in US dollars.

Additionally, through the company Luz del Cerro S.A., acquired in May 2018, the Group 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 (See Note 4.d)). This project has priority dispatch in MATER transportation capacity for its whole installed capacity . As of the date of issuance of these consolidated financial statements, the Company has committed 100% of energy to be generated by the wind farm through PPAs denominated in US dollars with YPF (approximately 25%) and several industrial users of private sector with terms between 5 and 20 years.

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 52 MW of capacity (see Note 4.d)). As of the date of issuance of these consolidated financial statements, the Company has committed approximately 85% of energy to be generated by the wind farm through PPAs denominated in US dollars with YPF (approximately 56%) and several industrial users of private sector with terms between 10 and 15 years. The Company is currently in the process of signing the PPAs for the remaining energy.

Shareholders of the Company

Until the fiscal year ended December 31, 2017, the Company was controlled by YPF. On March 20, 2018 GE EFS Power Investments B.V. (“GE EFS”) a subsidiary of EFS Global Energy B.V. (both companies are indirectly controlled by Company, 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 23).

On July 30, 2019, the Company was notified by its shareholder GE EFS, owner of 24.99% of the shares of YPF EE, that 100% of the shares issued by GE EFS was transferred to BNR Infrastructure Co-Investment Limited (“BNR”), a private company established in the United Kingdom. General Electric Company indirectly owns 50% of the economic rights of BNR and Silk Road Fund Co. Ltd. indirectly holds the remaining 50%. BNR, in turn, owns 100% of the capital stock of GE EFS. General Electric Company will continue to indirectly manage and control BNR and will therefore continue to exercise the voting rights corresponding to 24.99% of the shares of YPF EE owned by GE EFS.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1. Professional accounting standards

On April 17, 2019, the Board of Directors of National Securities Commission (CNV) approved the YPF EE registration into the Public Offering regime for securities, and the launch of a Global Program for the Issuance of Simple Negotiable Obligations (non-convertible in shares) up to US$ 1,500 million. With this resolution, the Company must comply with the regulations established by the CNV’s Regulatory Framework as its new regulatory body and it is authorized to seek financing in local or international capital markets.

The Company prepares its consolidated financial statements in accordance with International Financial and IFRS, as issued by the IASB and the interpretations of the International Financial Reporting Standards Committee (“IFRIC”).

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 fiscal year ended on December 31, 2019 was approved by the Board of Directors on March 4, 2020.

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 Río S.A., Luz del Valle S.A., Luz de Leon S.A, Y-Luz Inversora S.A.U., YPF EE Comercializadora, Y-GEN III and Y-GEN IV, and its associate 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 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 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 4.a), revenues and expenses are presented as discontinued operations in the consolidated statements of comprehensive income as of December 31, 2018.

Each subsidiary's last financial statements available as of each fiscal 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, as applicable. 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.

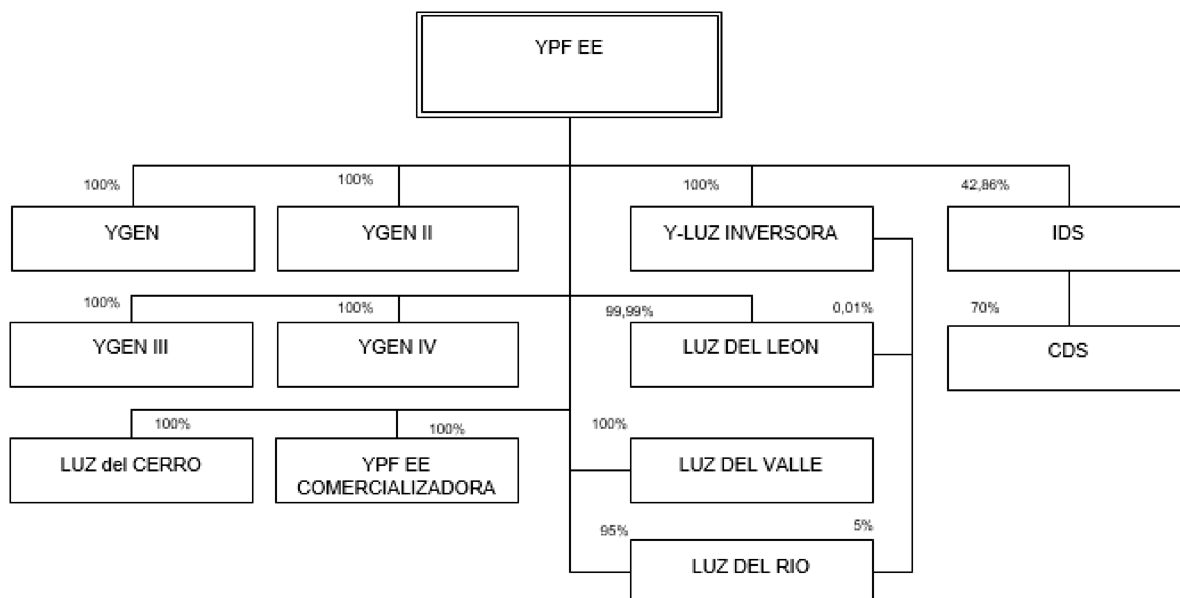
The Group holds a 100% interest in the consolidated companies' capital stock. Therefore, there are no non-controlling interests.

Structure and organization of the economic group

The following chart shows the organizational structure, including the main companies of the Group, as of December 31, 2019:

YPF ENERGÍA ELÉCTRICA SOCIEDAD ANÓNIMA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2019 AND 2018
(Amounts expressed in thousands of Argentine Pesos, except as otherwise indicated)



2.2.2. Measurement unit

These consolidated financial statements have been prepared under the historical cost approach, with the exception of certain assets and liabilities 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 US dollar as their functional currency. Therefore, the financial statements of the Group have been converted into US 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 US dollars are recognized in the result of the fiscal year in which they arise.

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:

	12.31.2019	**12.31.2018**
Argentine peso (ARS)	59.79	37.60

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 fiscal 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 fiscal 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 7.

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 power made available capacity and sales of 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 fiscal 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 4.a)).

Additionally, the requirements requested to provide information disclosures are included in Note 19.

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 fiscal year. The statutory tax rate for the Group for the fiscal year 2018 is 30% (see Note 31).

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 was supplementary to the income tax since while the latter is calculated on taxable income as of the end of each fiscal year, minimum presumed income tax was a minimum levy determined by applying the 1% rate to the potential income of certain productive assets. Therefore, the Company's tax obligation was the higher of these two taxes. However, should minimum presumed income tax exceeded current income tax in a given tax fiscal year, such excess could 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 fiscal 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 fiscal year, and it is recognized as an asset and a gain in the statement of comprehensive income for the fiscal 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 fiscal 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 fiscal 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 fiscal year and are recognized through the income statement or other comprehensive income for the fiscal 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 fiscal year (Note 31).

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.

- Tax inflation adjustment

The Law No. 27,468, published in the Official Gazette on December 4, 2018, established that the tax inflation adjustment procedure will be in force for the fiscal years beginning on January 1, 2018. With respect to the first, second and third fiscal year afterwards, this procedure will be applicable in the event that the variation in the Consumer Price Index (“CPI”), calculated from the beginning and until the end of each of those exercises exceeds 55%, 30% and 15%, for the first, second and third fiscal year of application, respectively. The Company has applied the tax inflation adjustment procedure in the estimation of its income tax charge.

- 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 and the application of the aforementioned amendment have not had a significant effect on the financial statements of the Company.

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 tax is included in the line “Taxes, rates and contributions” of the “Administrative and selling expenses” within the consolidated statement of comprehensive income. Tax on bank account transactions charge is included in “Administrative and selling expenses” or “Net financial results” within the consolidated statement of comprehensive income, depending nature of the transactions which originated the tax.

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 fiscal 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 was reviewed as a consequence of changes in estimates of the proven reserves of crude oil and gas after the date when such changes were disclosed.

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 fiscal year ended December 31, 2018 the Company discontinued this activity (Note 4.a)).

2.3.8. Impairment of property, plant and equipment

The Group assesses as of the end of each fiscal 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 generating 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 fiscal 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, 2019 and 2018 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 17).

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

Financial assets are measured at fair value with change in other comprehensive income if financial assets are maintained in a business model whose objective is achieved by obtaining contractual cash flows and selling financial assets. As of December 31, 2018, financial assets at fair value with changes in other comprehensive income included hedging instruments accounted for under the heading "Investments in financial assets". As of the closing date of these consolidated financial statements, there are no financial assets at fair value with changes in other comprehensive income.

– 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, 2019 and 2018, and during the fiscal years then ended, 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 addition to those detailed in Note 13.

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 at amortized cost

Financial liabilities are initially recognized at their fair value less the transaction costs incurred. 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 Trade payables, Other liabilities and Loans.

– Financial liabilities at fair value through other comprehensive income

Financial liabilities are measured at fair value through profit or loss if are maintained in a business model whose objective is achieved by obtaining contractual cash flows and selling financial assets.

As of December 31, 2019, the Group's financial liabilities at fair value through profit or loss include hedging instruments of Y-GEN and Y-GEN II included in the "Other financial liabilities" line item.

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 fiscal 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, 2019 and 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 fiscal 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 fiscal 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, 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. If the future transaction is not expected to occur, the cash flow reserve amount is imputed to the consolidated comprehensive income.

2.3.10. 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.

2.3.11. 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 fiscal year .

2.3.12. 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 fiscal 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.

2.3.13. 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 fiscal year, the Group shall disclose (i) a brief description of the nature thereof and, if possible, (ii) an estimate of its financial impact.

2.3.14. 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.

2.3.15. 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 fair value associate’s assets and liabilities as of the date of acquisition, a gain is recognized in the fiscal 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 fiscal 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 11.

2.3.16. Discontinued operations and assets held for sale

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.

When the Group is engaged in a sale plan that implies the loss of control of a subsidiary, it classifies all the assets and liabilities of that subsidiary as held for sale, regardless of whether it retains after the sale a non-controlling interest in its previous subsidiary.

At the end of these consolidated financial statements, the Group has classified the investment in the subsidiary Luz del León S.A. as non-current assets and liabilities held for sale (Note 4.f)).

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 4.f). All other notes to the consolidated financial statements include amounts for continuing operations, unless otherwise indicated.

2.3.17. Leases

The model introduced by IFRS 16 is based on the definition of lease, which is mainly related to the concept of control. IFRS 16 distinguishes between lease agreements and service contracts based on whether an identified asset is under the client control, which exists as long as the customer has the right to: i) obtain substantially all the economic benefits from the use of the asset; and ii) to direct the use of that asset.

<u>The Group as lessee:</u>

Once the lease is identified, the Group recognizes the following items:

- Right of use assets, whose cost includes:
  a. the amount of the initial measurement of the lease liability;
  b. any lease payments made to the lessor prior to the start date or on the same date, after discounting any incentive received for the lease;
  c. any initial direct costs incurred by the lessee; and
  d. an estimate of costs to be incurred in dismantling and removing of the underlying asset, restoring the location in which the underlying asset is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless incurred costs when producing inventories. The Group may incur obligations for these costs either at the beginning date or as a consequence of having used the underlying asset during a given period.

Subsequently, the valuation of the right of use assets is based on the cost model set in IAS 16 "Property, plant and equipment (recognizing therefore depreciation and impairment in the statement of comprehensive income). Depreciation is calculated following the straight-line method based on the lease term of each contract, unless the useful life of such underlying asset is negligible.

The lease agreements in which the Group is a lessee correspond mainly to the rental of:

- Usufruct contracts for the land in which the Group is building its wind farms

  These contracts have an average term of 17 years, with the option to renew for other 20 years, and do not have contingent canons.

- Rental contracts for the Group administrative offices

  These contracts establish monthly payments and last three years.

- Rental contracts for motor generator equipment

  These contracts have a 5 - year term with a purchase option at the end of the term. They do not have contingent canons.

- Lease liabilities, measured as the sum of the future lease payments, discounted using the incremental borrowing rate of the lessee given the complexity of determining the interest rate implicit in the leases. The Group applied to the lease liabilities recognized in the statement of financial position the incremental borrowing rate of the lessee since the date of initial application.

  The lease liabilities include:

  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 using the index or rate at the commencement date of the contract;
  c. amounts that the Group expects to pay as residual value guarantees;
  d. the exercise price of a purchase option if the Group is reasonably certain of exercising that option; and
  e. payment of penalties for terminating the lease, if the lease period reflects that the Group will exercise an option to terminate it (i.e., because there is reasonable certainty in this respect).

Subsequently, the Group increases the liability for the lease to reflect the accrued interest (and recognized in the statement of comprehensive income), deducts the payments that are made from the liability and recalculates the book value to reflect any revision, modification of the lease or revision of the so-called "in substance" fixed payments, applying a revised discount rate if applicable.

The Group reviews the lease liability in the following cases:

a. when there is a change in the expected amount to be paid under a residual value guarantee;
b. when there is a change in future lease payments resulting from a change in an index or an interest rate used to determine those payments (including, for example, a market rent review);
c. when there is a change in the lease term as a result of a change in the non-cancelable period of the lease (for example, if the lessee does not exercise an option previously included in the determination of the lease term); or
d. when there is a change in the evaluation of the purchase option of the underlying asset.

The Group recognized right of use assets and lease liabilities of 206,006 as of January 1, 2019 in the statement of financial position, measured at the present value of future payments. In addition, the Group reclassified 282,278 from property, plant and equipment to right of use assets, and reclassified 210,166 from loans to lease liabilities.

The application of this standard had no effect on the accumulated results since the Group applied the simplified model without restating the comparative figures, recognizing a right of use asset equivalent to the lease liability on the initial date of transition (January 1, 2019). There were no adjustments to be made due to impairment arising from onerous contracts related to these right of use assets.

For leases that qualify as short-term leases, and leases with low-value underlying assets, the Group continues to recognize them as straight-line expense over the term of the lease, unless another systematic basis is more representative, in accordance with the option indicated by the rule. The group did not identify low value leases other than those whose underlying assets respond to printers, cell phones, computers, photocopiers, among them, which amounts are not significant.

The Group applied the practical solution of the rule by which those leases whose term ends within 12 months from the date of initial application, regardless of the original date, and fulfilling the conditions to be classified as short term, continue the treatment described in the previous paragraph.

The Group as lessor:

The Group does not have significant assets leased to third parties.

2.3.18. 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

It includes the contributions made by the shareholders represented by shares and includes the shares outstanding at their face value.

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 4.a)).

Legal reserve

According to the provisions of General 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 fiscal year, prior-year adjustments, the transfers of other comprehensive income to retained earnings and accumulated losses of prior fiscal years until it reaches 20% of the subscribed capital.

Reserve for future investments

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.

Special reserve RG No. 609

Corresponds to the reserve created in accordance with General Resolution 609/12 of the CNV ("Special reserve RG Nº 609"), which contains the positive difference resultant of the initial balance of the accumulated results exposed in the financial statements of the first closing of the fiscal year of IFRS application and the final balance of the results not allocated at the end of the last fiscal year under the previous accounting standards. Special reserve RG Nº 609 is not allowed to be distributed in cash or in kind and it can only be dipped into a capitalization or an absorption of any negative balances of retained earnings.

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 fiscal year or to retained earnings, as defined by IFRS.

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, 2018	**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 fiscal year	-	(10,325)	(10,325)
Income tax related to components of other comprehensive results for the fiscal year	-	(12,767)	(12,767)
Net variation of the fiscal year	11,170,660	26,391	11,197,051
Balance as of December 31, 2018	**11,712,851**	**26,391**	**11,739,242**
Currency adjustment translation	15,869,480	-	15,869,480(2)
Income from hedging instruments	-	(70,791)	(70,791)
Less: Income reclassification for valuation of hedging instruments charged to results of the fiscal year	-	(31,042)	(31,042)
Income tax related to components of other comprehensive results for the fiscal year	-	23,261	23,261
Net variation of the fiscal year	15,869,480	(78,572)	15,790,908
Balance as of December 31, 2019	**27,582,331**	**(52,181)**	**27,530,150**

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

(2) Includes 341,812 corresponding to currency translation differences of assets held for sale (Note 4.f)).

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 fiscal years, the amounts transferred from other comprehensive income and adjustment to prior fiscal year results due to the application of professional accounting policird.

2.3.19. 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.

2.3.20. 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 fiscal 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 fiscal year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial fiscal 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 (Note 4.b).

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.

2.5. IFRS issued not yet effective

The following is a list of the new and / or amended standards and interpretations issued but not effective 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.

2.5.1. 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.

2.5.2. 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.

2.5.3. 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.

2.5.4. 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.

3. SEASONALITY OF OPERATIONS

The Group's revenues for the fiscal years ended December 31, 2019 and 2018 are not significantly affected by seasonal effects.

4. ACQUISITIONS AND DISPOSITIONS

4.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.

4.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 2.3.20.

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
Trade payables	(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 fiscal year ended December 31, 2018 before income tax would have been 7,471,951 and 4,948,568, respectively.

4.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. effective 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 2.5.2).

4.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 US$ 3.6 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.

4.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 US$ 1.2 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 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.f) Subscription of shares in Luz del León S.A.

On August 5, 2019, YPF EE, Y-Luz Inversora S.A.U., Luz del León S.A. ("Luz del León") and Wind Power AS, a subsidiary of Equinor ASA, a company established in the Kingdom of Norway, ("Equinor"), entered into an agreement for the subscription of shares in Luz del León, a company 100% controlled by the Company (the "Stock Subscription Agreement"). Luz del León holds all rights and obligations relating to Cañadón León Wind Farm Project for approximately 122 MW, located in the Province of Santa Cruz (the "Project"). Such Project is currently under construction and the total installed capacity and power corresponding to the Project has already been sold to CAMMESA under the RENOVAR 2 Program and to YPF S.A. under a private power purchase agreement for the following 20 and 15 years respectively, from the commercial operation date.

The Stock Subscription Agreement establishes that, subject to the fulfillment of certain precedent conditions such as the approval of the relevant antitrust authorities and the obtaining of specific financing for the Project, Equinor shall subscribe shares in Luz del León in order to obtain a 50% participation equity in such company. To that effect Equinor will contribute US$ 30 million, US$ 20 million as equity and US$ 10 million as share premium. The parties had originally agreed that such conditions should be satisfied before December 31, 2019, subsequently postponed to March 31, 2020. After the subscription and paid-in capital, YPF EE and Equinor will jointly control Luz del León.

Upon closing of the transaction, the parties will subscribe a shareholder's agreement and an asset management agreement. YPF EE will be the asset manager of the Project.

The total amount of the Project is estimated in approximately US$ 157.3 million.

Equinor's contribution exceeds the book value of net assets, so no impairment of assets classified as held for sale has been recognized.

On January 14, 2020 Luz de León S.A. entered into a financial agreement with the United States International Development Finance Corporation (hereinafter "DFC") and BNP Paribas Fortis SA/NV (hereinafter "BNP Paribas") for up to US$ 150 million. Under this contract DFC will disburse, subject to the compliance of certain conditions, US$ 50 million and BNP Paribas, also subject to certain conditions, up to US$ 100 million. This contract is under the framework of a "Project Finance" modality and the tranche corresponding to BNP Paribas will be guaranteed by the German export credit agency Euler Hermes Aktiengesellschaft. The first disbursement of BNP Paribas by approximately US$ 80 million was received during February 2020.

The main classes of assets and liabilities included in non-current assets and liabilities held for sale as of December 31, 2019 are detailed below:

Assets held for disposal:

Property, plant and equipment	6,142,610
Deferred income tax asset, net	23,088
Other receivables	1,353,651
Cash and cash equivalents	21,194
Assets classified as held for disposal	**7,540,543**

Liabilities associated with the assets held for disposal:

Loans	5,608,620
Taxes payable	519
Trade payables	900,669
Liabilities directly associated to assets classified as held for disposal	**6,509,808**
Eliminations	(5,667,617)
Total	**842,191**

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The following table shows the main results associated with the investment in Luz del León S.A .:

Operative result	(34,659)
Net financial results	(137,060)
Income tax	23,058
Net result without eliminations	**(148,661)**
Eliminations	44,515
Total	**(104,146)**

5. 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.

5.1. 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.

– **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 US 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 as of December 31, 2019, are as follows:

Assets	4,983,154
Liabilities	(7,958,938)
Exchange rate exposure, net	**(2,975,784)**

Exchange rate sensitivity

The following table shows the sensitivity of the net income before tax, as of December 31, 2019, 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 US dollar	Net Income before tax, for the fiscal year ended December 31, 2019 (Losses) / Gains
+10%	278,354
-10%	(278,354)

– **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, 2019, that accrues interest considering the applicable rate:

	Financial liabilities (1)
Fixed interest rate	43,147,870
Variable interest rate	16,795,540
Total (2)	**59,943,410**

(1) Includes only financial loans. Does not include trade payables, which mostly do not accrue interest.
(2) Corresponds to the principal of loans, without consider interest.

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The fixed and variable rate financial loans represent 72% and 28%, respectively, of the total loans as of December 31, 2019, 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 million declining notional amount (see Note 17). 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.

	Increase (+) / decrease (-) in the interest rates (basis points)	**Income (loss) for the fiscal year ended December 31, 2019**
Impact on net income (loss) before tax	+100	(103,875)
	-100	103,875

– **Price risk**

The Group is not exposed to variations in prices in relation to sales made through the PPAs signed, which represent 56% of the Group's total revenues, given that they are made at fixed prices denominated in US dollars for periods between 5 and 15 years, which provide stability in operating cash flows. With regard to sales under Resolution SEE No. 1/2019, which represent 44% of revenues for the fiscal year ended December 31, 2019, were made at fixed prices denominated in US dollars, but can be modified depending on the decisions of the Secretariat of Energy. In this sense, on February 26, 2020, the Secretariat of Energy issued Resolution No. 31/2020 that adapts the remuneration criteria established in Resolution 1-SRRyME / 2019 (See Note 30.1).

5.2 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 fiscal year. As of December 31, 2019, the cash and cash equivalents reached 17,148 million, considering cash and cash equivalents of 14,700 million and other financial assets for 2,448 million.

The following table sets forth the maturity dates of the Group’s financial liabilities as of December 31, 2019:

As of December 31, 2019	**Less than 3 month**	**3 to 12 months**	**1 to 5 years**	**More than 5 years**	**Total**
Loans	3,207,202	6,563,043	26,165,491	24,569,542	60,505,278
Trade payables	9,228,792	-	-	-	9,228,792
	12,435,994	**6,563,043**	**26,165,491**	**24,569,542**	**69,734,070**

Most of the Group’s loans contain usual clauses of financial commitments (covenants) associated with leverage ratio and debt coverage ratio. See Note 17.

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.

5.3 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 loss for doubtful trade accounts is charged to 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, 2019, 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:

	Maximum exposure as of December 31, 2019
Trade receivables	6,857,677
Other receivables	4,148,072
Other financial assets	2,448,153
	13,453,902

Considering the maximum exposure to the risk, trade receivables and other receivables related to CAMMESA accounts for approximately 39% of these receivables. Financial assets past due as of December 31, 2019 represents 10.8% of total.

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

6. 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

	12.31.2019			
	Financial assets at amortized cost	**Financial assets at fair value through profit or loss**	**Non-financial assets**	**Total**
Other receivables	934,940	-	3,213,132	4,148,072
Other financial assets (See Note 17)	2,448,153	-	-	2,448,153
Trade receivables	6,857,677	-	-	6,857,677
Cash and cash equivalents	14,611,487	89,000	-	14,700,487
	24,852,257	**89,000**	**3,213,132**	**28,154,389**

	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 17)	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**

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Financial Liabilities

	12.31.2019		
	Financial liabilities at amortized cost	Financial liabilities at fair value through comprehensive income	Total
Loans	60,505,278	-	60,505,278
Other liabilities	-	20,254	20,254
Trade payables	9,228,792	-	9,228,792
	69,734,070	**20,254**	**69,754,324**

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

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

	12.31.2019			
	Financial assets / liabilities at amortized cost	Financial assets at fair value through profit or loss	Non-financial assets / liabilities	Total
Interest income and other	434,282	82,240	-	516,522
Interest loss and other	(2,961,039)	-	-	(2,961,039)
Finance accretion	(35,483)	-	-	(35,483)
Other financial expenses	(78,968)	-	-	(78,968)
Net exchange differences	195,540	(40,223)	414,827	570,144
	(2,445,668)	**42,017**	**414,827**	**(1,988,824)**

	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)**

7. QUANTITATIVE AND QUALITATIVE INFORMATION ON FAIR VALUES

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

The estimated fair value of loans, considering interest rates offered to the Group for its financial loans, amounted approximately to 56,895,329 and 24,569,978 as of December 31, 2019 and 2018, respectively.

The fair value of other receivables, trade receivables, cash and cash equivalents, trade payables, leases liabilities and other liabilities do not differ significantly from their book value.

7.2. 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 trade payables, 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 fiscal year .
- Fair value of the investments in financial assets and other financial liabilities (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 each year in which there is no information available in the market in order to obtain a continuous curve.

7.3. Fair value hierarchy

7.3.1. Assets and liabilities at fair value

As of December 31, 2019 and 2018, the Group maintained the following financial assets and liabilities measured at fair value in its consolidated statement of financial position:

Financial assets	12.31.2019 Level 1	12.31.2019 Total
Cash and cash equivalents:		
- Mutual funds	89,000	89,000
	89,000	**89,000**

Financial liabilities	12.31.2019 Level 3	12.31.2019 Total
Other financial liabilities		
- Hedging instruments	20,254	20,254 (1)
	20,254	**20,254**

(1) As of December 31, 2019 10,430 were classified as Non-current liabilities and 9,824 were classified as Current liabilities.

Financial assets	12.31.2018 Level 3	12.31.2018 Total
Investment in financial assets:		
- Hedging instruments	69,901	69,901
	69,901	**69,901**

There have been no transfers of financial assets between different fair value hierarchies during the years ended December 31, 2019 and 2018.

7.3.2. Evolution of measures at fair value of Level 3

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

	12.31.2019	12.31.2018
Amount at the beginning of the fiscal year	69,901	-
From a business combination	-	50,154
Change in fair value	(90,155)	19,747
Amount at the end of the fiscal year	**(20,254)**	**69,901**

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8. INTANGIBLE ASSETS

Changes in the Group's intangible assets for the fiscal years ended December 31, 2019 and 2018 are as follows:

	Intangible assets
Balances as of December 31, 2017	-
Cost	
Increases	143,385
Translation effect	53,450
Cost	196,835
Balances as of December 31, 2018	**196,835**
Cost	
Translation effect	116,164
Cost	312,999
Balances as of December 31 2019	**312,999**

9. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Mineral property, wells and related equipment [1]	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	28,667	395,476	4,051,063	10,446	205,092	2,388,215	10,295	7,089,254
Accumulated depreciation	3,701	336,576	1,503,638	4,698	-	-	5,918	1,854,531
Balances as of December 31, 2017	**24,966**	**58,900**	**2,547,425**	**5,748**	**205,092**	**2,388,215**	**4,377**	**5,234,723**
Cost								
Increases	-	-	708,481	8,090	736,145	8,410,746 [2]	14,548	9,878,010
Business combination	-	-	8,664,782	-	-	-	-	8,664,782
Translation effect	30,011	-	11,777,620	9,601	321,773	4,972,124	9,505	17,120,634
Transfers	220	2,583	8,219,391	-	-	(8,222,194)	-	-
Disposals	(764)	(398,059)	-	(1,662)	(49,572)	(19,316)	(1,350)	(470,723)
Accumulated depreciation								
Increases	1,054	3,407 [3]	1,275,173	2,424	-	-	1,216	1,283,274
Translation effect	3,474	-	1,822,951	4,219	-	-	5,646	1,836,290
Disposals	(636)	(339,983)	-	(1,320)	-	-	(664)	(342,603)
Cost	58,134	-	33,421,337	26,475	1,213,438	7,529,575	32,998	42,281,957
Accumulated depreciation	7,593	-	4,601,762	10,021	-	-	12,116	4,631,492
Balances as of December 31, 2018	**50,541**	**-**	**28,819,575**	**16,454**	**1,213,438**	**7,529,575**	**20,882**	**37,650,465**
Cost								
Increases	9,667	-	153,757	15,217	2,003,827	22,184,216 [2]	8,202	24,374,886
Translation effect	33,832	-	19,887,884	21,462	885,885	9,396,373	15,716	30,241,152
Transfers	-	-	2,818,852	-	(1,016,090)	(1,802,762)	-	-
Disposals and reclassifications	-	-	(365,454) [4]	(183)	(107,870)	(3,535,629) [5]	(2,612)	(4,011,748)
Accumulated depreciation								
Increases	2,435	-	2,792,977	8,759	-	-	2,843	2,807,014
Translation effect	5,080	-	3,407,803	7,443	-	-	7,784	3,428,110
Disposals and reclassifications	-	-	-	(183)	-	-	-	(183)
Cost	101,633	-	55,916,376	62,971	2,979,190	33,771,773	54,304	92,886,247
Accumulated depreciation	15,108	-	10,802,542	26,040	-	-	22,743	10,866,433
Balances as of December 31, 2019	**86,525**	**-**	**45,113,834**	**36,931**	**2,979,190**	**33,771,773**	**31,561**	**82,019,814**

(1) Discontinued operation (See Note 4.a)).
(2) Includes 1,142,274 and 517,606 of financial cost related to financing from third parties for extended works in progress for fiscal years ended December 31, 2019 and 2018, respectively.
(3) Depreciation has been calculated using the unit-of-production method (Note 2.3.7.2.). Corresponds to discontinued operations.
(4) Includes 282,278 corresponding to machinery and equipment reclassified to Right of use assets due to IFRS 16 application (See Note 10).
(5) Corresponds to work in progress reclassified to Assets held for disposal (See Note 4.f)).

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10. RIGHT OF USE ASSETS

Changes in Group's right of use assets for the fiscal year ended December 31, 2019 due to the application of IFRS 16 are as follows:

	Buildings	Land	Machinery and equipment	Total
Balances as of January 1, 2019 due to the initial application of IFRS 16	**56,313**	**149,693**	**-**	**206,006**
Cost				
Increases	-	64,640	-	64,640
Reclassifications [1]	-	-	282,278	282,278
Translation effect	33,233	90,929	166,589	290,751
Accumulated amortization				
Increases	27,006	4,993	36,642	68,641
Translation effect	6,574	742	18,595	25,911
Cost	89,546	305,262	448,867	843,675
Accumulated amortization	33,580	5,735	55,237	94,552
Balances as of December 31, 2019	**55,966**	**299,527**	**393,630**	**749,123**

(1) Reclassifications from Property, plant and equipment, according to IFRS 16. See Note 9.

11. 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, 2019 and 2018:

	12.31.2019	12.31.2018
Amount of investments in associates and joint ventures	4,064,410	1,948,492
Total	**4,064,410**	**1,948,492**
Disclosed in "investments in associates and joint ventures" item	4,064,410	1,948,492
Disclosed in "trade payable" item	-	(102)

The main movements during the fiscal years ended December 31, 2019 and 2018, which affected the value of the aforementioned investments, correspond to:

	Investments in associates and joint ventures
Amount as of December 31, 2017	**2,424,677**
Shareholders' contributions	4,076
Income from equity interest in associates and joint ventures	268,015
Fair value changes on derivatives instruments	24,810
Currency adjustments translation	1,026,147
Dividends distribution	(53,996)
Decrease due to acquisition of control (Note 4.b)	(1,439,691) [1]
Dispositions	(305,648)
Amount as of December 31, 2018	**1,948,390**
Income on investments in associates and joint ventures	778,173
Currency adjustments translation	1,337,847
Amount as of December 31, 2019	**4,064,410**

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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 fiscal years ended December 31, 2019 and 2018. 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	
	12.31.2019	**12.31.2018**
Net profit for the fiscal year	778,173	268,015
Other comprehensive income for the fiscal year	1,337,847	1,026,147
Comprehensive income for the fiscal year	**2,116,020**	**1,294,162**

Inversora Dock Sud S.A.

The following table presents summary financial information for investments in IDS as of December 31, 2019 and 2018:

	12.31.2019	**12.31.2018**
Non-current assets	9,462,936	4,529,672
Current assets	21,397	15,901
Total assets	**9,484,333**	**4,545,573**
Current liabilities	1,888	162
Total liabilities	**1,888**	**162**
Shareholders' equity	**9,482,445**	**4,545,411**
Investment book value	**4,064,176**	**1,948,163**

The following table shows information of investment in subsidiaries and joint ventures as of December 31, 2019 and 2018:

	12.31.2019					12.31.2018	
	Class						
Name and issuer	**Class**	**Face value**	**Amount**	**Book value**	**Cost**	**Book value**	**Cost**
Investments under joint control:							
Inversora Dock Sud S.A.	Ordinary Shares	1	355,270,372	4,064,177	538,065	1,948,163	538,065
Other companies:							
Miscellaneous [(1)]				233	143,719	329	329
				4.064.410	**681,784**	**1,948,492**	**538,394**

	Issuers' information						
			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 joint control:							
Inversora Dock Sud S.A.	San Martín 140, P.2°, Buenos Aires.	Realization of financial and investment operations.	12.31.2019	828,942	2,414,517	10,762,672	42.86%

(1) Includes Y-GEN Eléctrica III S.R.L., Y-GEN Eléctrica IV S.R.L., Y-Luz Inversora S.A.U. and Luz del Río S.A.

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12. OTHER RECEIVABLES

	December 31, 2019		December 31, 2018	
	Non-current	Current	Non-current	Current
Loans and advances to employees	-	7,178	-	6,309
Advances to suppliers of property, plant and equipment	1,364,723	-	1,231,559	-
Minimum presumed income tax	167,219	-	161,687	-
Related parties (Note 32)	-	482,412	452,881	5,374,731
Tax credits	-	1,503,184	-	736,536
Advances to suppliers and custom agents	-	135,957	-	4,179
Trust	-	445,350	-	27,116
Prepaid insurance	-	8,060	-	5,526
Prepaid expenses	-	24,951	-	71,490
Miscellaneous	-	12,094	-	11,473
	1,531,942	**2,619,186**	**1,846,127**	**6,237,360**
Allowance for doubtful other receivables	-	(3,056)	-	(3,056)
	1,531,942	**2,616,130**	**1,846,127**	**6,234,304**

13. TRADE RECEIVABLES

	December 31, 2019	December 31, 2018
	Current	Current
Trade receivables from third parties	96,056	71,305
Related parties (Note 32)	6,810,393	3,652,929
	6,906,449	**3,724,234**
Allowance for doubtful trade receivables	(48,772)	-
	6,857,677	**3,724,234**

The following is the evolution of the allowance for doubtful trade receivables during the fiscal year ended December 31, 2019:

	Allowance for doubtful trade receivables
As of December 31, 2018	-
Increases with impact on net income	48,772
As of December 31, 2019	**48,772**

14. 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:

	December 31, 2019	December 31, 2018
Mutual funds	89,000	-
Fixed interest deposits	14,551,853	4,209,240
Cash and bank deposits	59,634	492,096
	14,700,487	**4,701,336**

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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15. INCOME TAX

The calculation of the income tax expense for the fiscal years ended December 31, 2019 and 2018 is as follows:

	For the fiscal year ended December 31,	
	2019	**2018**
Special tax – tax revaluation under Law No. 27,430 (see Note 31)	-	(130,809)
Deferred income tax........	(2,358,969)	(288,256)
Income Tax........	**(2,358,969)**	**(419,065)**

	For the fiscal year ended December 31,	
	2019	**2018**
Income tax from continued operations	(2,358,969)	(416,984)
Income tax from discontinued operations (Note 22)	-	(2,081)
Income Tax........	**(2,358,969)**	**(419,065)**

The reconciliation between the charge to income tax expense for the fiscal years ended December 31, 2019 and 2018 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 fiscal years is as follows:

	12.31.2019	**12.31.2018**
Income before income tax from continued operations........	6,585,545	4,909,100
Income before income tax from discontinued operations (Note 22)	-	15,377
Profit for the fiscal year before income tax	6,585,545	4,924,477
Statutory tax rate	30%	30%
At statutory tax rate	(1,975,664)	(1,477,343)
Effect by change of tax rate (1)	(37,609)	(152,965)
Income on investments in associates and joint ventures........	233,452	80,405
Remeasure of pre-existing equity interest........	-	535,510
Exchange differences........	3,955,925	2,263,780
Effects of the valuation of non-monetary assets in its functional currency........	(1,584,902)	(1,478,889)
Effect of tax inflation adjustment in monetary assets and liabilities	(2,897,886)	-
Special tax – tax revaluation under Law No. 27,430 (see Note 31)	-	(130,809)
Other........	(52,285)	(58,754)
Income tax for the fiscal year	**(2,358,969)**	**(419,065)**

(1) Effect of applying the changes in the enacted tax rate established by Law No. 27,430 as described in Note 31 to the deferred assets and liabilities, according to its expected term of realization and settlement, respectively.

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Deferred income tax

Breakdown of deferred income tax is as follows:

	December 31, 2019	December 31, 2018
Deferred tax assets		
Provisions for doubtful receivables	15,548	764
Tax loss carryforwards	2,892,349	1,465,492
Subsidiaries hedging instruments	5,272	-
Right of use assets	65,208	-
Miscellaneous	31,870	9,386
Total deferred tax assets	**3,010,247**	**1,475,642**
Deferred tax liabilities		
Property, plant and equipment	(6,506,444)	(3,790,713)
Receivables from deferred income	-	(43,412)
Subsidiaries hedging instruments	-	(17,987)
Effect of tax inflation adjustment in monetary assets and liabilities	(2,191,168)	-
Total deferred tax liabilities	**(8,697,612)**	**(3,852,112)**
Total net deferred tax	**(5,687,365)**	**(2,376,470)**

As of December 31, 2019, the Group recorded deferred liabilities of 5,687,365. As of December 31, 2018, the Group recorded deferred assets of 54,153 and deferred liabilities of 2,430,623.

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, 2019, the Group estimated a tax loss carryforward of 2,892,349 at the estimated recovery 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, 2019 it is probable that the Group will realize all of the deferred income tax assets.

As of December 31, 2019, Group's tax loss carryforwards at the expected recovery rate were as follows:

Date of generation	Date of expiration	Amount
2017	2022	73,385
2018	2023	1,349,940
2019	2024	1,469,024
		2,892,349

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 167,219, which may be used until 2028.

The evolution of net deferred tax as of December 31, 2019 and 2018 is as follows:

	12.31.2019		12.31.2018
Balance at the beginning of the fiscal year	**(2,376,470)**		**(347,288)**
Other comprehensive income	23,261		(5,047)
Business combination (Nota 4.b)	-		(952,166)
Translation effect on business combination assets	(952,129)		(783,713)
Reclassification to assets held for sale (Note 4.f))	17,284		-
Charge to net income of the fiscal year	(2,399,311)	(1)	(288,256)
Balance at the end of the fiscal year	**(5,687,365)**		**(2,376,470)**

(1) Does not include 40,342 corresponding to income tax charge related with assets held for sale.

16. LEASES LIABILITIES

The evolution of the lease liability during the fiscal year ended December 31, 2019 is as follows:

	Total
Lease liability as of January 1, 2019 due to the initial application of IFRS 16	206,006
Increases	64,640
Reclassifications	210,166
Finance accretion	35,483
Payments	(123,167)
Translation effect	221,140
Lease liability as of December 31, 2019	**614,268**

The reconciliation between the balances for operating lease commitments as of December 31, 2018 and the lease liability due to initial application of IFRS 16 is detailed as follows:

	Total
Operating lease commitments as of December 31, 2018	499,953
Finance discount	(293,947)
Lease liability as of January 1, 2019	**206,006**

The following is a breakdown of the lease liabilities recorded by the Group as of December 31, 2019, with identification of the term of the lease and each rates:

Lease term	Annual effective rate used	December 31, 2019
Two to three year	9.87%	59,374
Three to four year	7.75% - 8.35%	254,017
More than five years	9.88% - 9.90%	300,877
Total		**614,268**

The financial accretion accrued in the year ended December 31, 2019, arising from lease contracts, amounts to 35,483, which is exposed in the line "Financial accretion" in the line "Financial loss" included in "Net financial results" of the statement of comprehensive income (Note 21).

As of December 31, 2019, the maturities of the liabilities related to lease agreements are:

	December 31, 2019
Up to one year	148,946
Current leases liabilities	**148,946**
One to five years	288,360
From the 6th year onwards	176,962
Non current leases liabilities	**465,322**
Total	**614,268**

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17. LOANS

		December 31, 2019		December 31, 2018	
	Interest rate [(1)]	Non-current	Current	Non-current	Current
Negotiable obligations............	10.00%-10.24%	29,927,887	692,283	-	-
Loans....................................	6.99%-8.65%	20,807,146	9,077,962	18,096,828	6,463,984
Financial leases.....................	8.35% - 8.40%	-	-	159,742	50,424
		50,735,033	**9,770,245**	**18,256,570**	**6,514,408**

(1) Applicable rate as of December 31, 2019.

The breakdown of the Group's borrowings during the fiscal years ended on December 31, 2019 and 2018 is as follows:

	Total
Amount as of December 31, 2017	**4,080,979**
Proceeds from loans	9,877,729
Payments of loans	(2,355,833)
Payments of interest	(949,923)
Accrued interest [(1)]	1,114,414
Non-cash transactions [(2)]	(352,971)
Incorporation by business combinations [(3)]	4,176,661
Net exchange rate differences and translation effect	9,179,922
Amount as of December 31, 2018	**24,770,978**
Proceeds from loans	22,351,072
Payments of loans	(9,029,129)
Payments of interest	(2,645,484)
Accrued interest [(1)]	3,740,313
Net exchange rate differences and translation effect	21,527,694
Reclassifications [(4)]	(210,166)
Amount as of December 31, 2019	**60,505,278**

(1) Includes capitalized financial costs.

(2) 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.

(3) Corresponds to the addition of balances from Y-GEN and Y-GEN II. See Note 4.b.

(4) Corresponds to reclassification of lease liabilities according to IFRS 16 (Note 16).

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 million (or its equivalent in other currencies).

On April 17, 2019, the Board of Directors of National Securities Commission (CNV) approved the YPF EE registration into the Public Offering regime for securities, and the launch of the Program. On April 30, 2019, the Board of Directors of YPF EE approved, within the framework of the Global Program, the issuance and placement by public offering of negotiable obligations for an amount of up to US$ 100 million (or its equivalent in other currencies), in one or more classes and / or series, in the terms that are determined in the respective price supplements.

Negotiable Obligations

- **Local issuance**

On May 7, 2019, the Company issued Class I Negotiable Obligations, under the mentioned Global Program. The placement reached US$ 75 million, at a 10.24% fixed rate with a maturity date on 2021 and interest payable quarterly since August 10, 2019.

In addition, on June 12, 2019, the Company issued additional NO for an amount of US$ 25 million, which accrue interests at a fixed rate of 10.24%, with a maturity date on 2021 and interest payable quarterly since August 10, 2019.

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The obtained financing from both emissions will be allocated to the investments the Group is currently developing. Such financing have clauses of financial commitments (covenants) throughout their term that include interest coverage and leverage ratios, among others usual for this type of issuances.

- **International issuance**

On July 25, 2019, within the framework of the Public Offering regime for securities granted by the CNV to the Program described in Note 1, , the Company made an international issuance of negotiable obligations Class II for an amount of US$ 400 million which pay a 10% coupon semiannually and which capital will be amortized in a single payment on July 25, 2026. The semi-annual interest payment dates will be July 25 and January 25 of each year, beginning in January 2020 and ending in July 2026.

At any time or periodically before July 25, 2023, the Company, at its option, may allocate net cash funds obtained from one or more Share Offers to redeem up to 35% of the total face value of the NO in circulation, at a redemption price of 110% plus interest accrued, if any.

Such financing have clauses of financial commitments (covenants) throughout their term that include interest coverage and leverage ratios, among others usual for this type of issuances.

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 million and is structured in two tranches of US$ 100 million, maturing in 7 and 9 years, respectively, and is destined to fund exclusively the project of constructions “Parque Eólico Manantiales Behr” (Note 27.b). 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$ 219.5 million (US$ 70 million destined to Y-GEN and the remaining amount of US$ 149.5 million to Y-GEN II). However, disbursements currently 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 principal in 15 quarterly installments beginning on September 30, 2018, and one installment for the remaining balance 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 million (US$ 106 million corresponding to Y-GEN II, and the remaining amount of US$ 50 million 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.

As of December 31, 2019 and 2018, the Company had booked a result, net of income tax, of (78,572) and 26,391 respectively as Other Comprehensive Income, included in the Statement of Comprehensive Income, generated by the measurement of the mentioned hedging instruments at fair value.

The loan contract also includes certain restrictive commitments (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 US 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 fiscal 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, 2019 and 2018 amounts 2,448,153 and 1,489,031 respectively, and are disclosed in the “Other financial assets” line item of the consolidated statement of financial position.
- 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 million 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 million, 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 million 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 4.a).

- Citi NY Loans

In March 2018, the Company took out a loan from Citibank NY for a total amount of US$ 30 million 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 the due date, the Company renewed such loan up to February 26, 2021 at 3-month LIBOR rate + 4.875%.

On June 28, 2018, the Company took out a second loan with the same bank for a total amount of US$ 30 million with quarterly interest at 3-month LIBOR rate + 1.85%, and principal bullet repayment at maturity, on June 28, 2019. On the due date, the Company renewed such loan up to September 30, 2019 at 3-month LIBOR rate + 3.95%, that has been cancelled at that date.

The funds of both loans are intended to finance working capital. Related contracts have clauses of financial commitments (covenants) throughout their term that include interest coverage and leverage ratios.

- **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 million 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 million 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 were 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 million 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 were 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 million with quarterly interest at 3-month LIBOR rate + 5.00% and bullet repayment of principal at maturity, on September 24, 2019.

On June 21, 2019, the Company pre-cancelled US$ 10 million corresponding to such loan and took out a new loan with Banco Itaú Argentina S.A. for the same amount, with maturity on December 18, 2019 and a fixed interest rate of 7.25%.

On July 3, 2019, the Company pre-cancelled US$ 10 million corresponding to such loan and took out a new loan with Banco Itaú Argentina S.A. for the same amount, with maturity on December 30, 2019 and a fixed interest rate of 7.75%. Such loan was cancelled the first business day after the due date (January 2, 2020).

The proceeds of these loans were used to cover general financing needs.

The agreements related to said loans had financial commitment clauses (covenants) throughout the terms of the loans, which included 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 million 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 were 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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18. TRADE PAYABLES

	December 31, 2019	December 31, 2018
	Current	Current
Trade	2,073,886	934,147
Related parties (Note 32)	7,209,656	3,631,382
	9,283,542	**4,565,529**

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

19. REVENUES

	For the fiscal years ended December 31,	
Type of good or services	**2019**	**2018**
Energía Base [1]	7,037,934	3,268,971
Revenues under PPA	7,910,556	3,448,667
Steam sales	1,109,936	386,509
Other income for services	55,489	20,758
	16,113,915	**7,124,905**

(1) Includes 2,949,413 by the application of SGE Resolution 70/2018 in 2019.

	For the fiscal years ended December 31,	
By Customer	**2019**	**2018**
CAMMESA	12,010,183	5,881,414
YPF	3,587,598	1,119,111
Y-GEN [2]	-	10,209
Y-GEN II [2]	-	10,549
UT Loma Campana	127,587	69,922
Profertil S.A.	119,587	8,979
Coca- Cola FEMSA de Buenos Aires S.A.	70,061	9,222
Toyota Argentina S.A.	63,749	9,114
CT Barragán S.A.	35,564	-
Other	99,586	6,385
	16,113,915	**7,124,905**

(1) Companies controlled since March 31, 2018.

Target Market

The Group's revenues are aimed at the domestic market as a whole.

MARCOS MIGUEL BROWNE
President

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20. EXPENSES BY NATURE

The Group presents the statement of comprehensive income by classifying expenses according to their function 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 fiscal years ended December 31, 2019 and 2018:

	For the fiscal year ended December 31, 2019			
	Production costs (1)		Administrative and selling expenses (1)	Total
Depreciation of property, plant and equipment	2,807,014		-	2,807,014
Depreciation of right of use assets	39,643		28,998	68,641
Consumable materials and supplies	134,233		6,466	140,699
Banking expenses	-		5,159	5,159
Rentals	943		5,611	6,554
Fees and compensation for services	19,862		80,308	100,170
Other personnel expenses	47,209		84,511	131,720
Preservation, repair and maintenance	233,791		1,871	235,662
Insurance	163,973		87	164,060
Salaries and social security taxes	590,608		375,975	966,583
Operation services and other contracts	340,150		-	340,150
Transportation, products and charges	673,738	(1)	-	673,738
Fuel, gas, energy and miscellaneous	2,421,554	(1)	-	2,421,554
Taxes, rates and contributions	-		48,772	48,772
Publicity and advertising expenses	11,607		646,658	658,265
Research and development	-		5,494	5,494
Miscellaneous	221,559	(1)	34,739	256,298
Total	**7,705,884**		**1,324,649**	**9,030,533**

(1) Includes 2,480,940 by the application of SGE Resolution 70/2018.

	For the fiscal 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	**2,401,625**	**544,414**	**2,946,039**

(1) Net of discontinued operations (Note 22).

21. NET FINANCIAL RESULTS

	For the fiscal years ended December 31,	
	2019	2018
Finance income		
Interest income	516,522	200,871
Exchange rate differences	2,961,519	1,084,570
Total finance income	**3,478,041**	**1,285,441**
Finance loss		
Interest loss	(2,961,039)	(606,025)
Exchange rate differences	(2,391,375)	(2,001,938)
Other finance expenses	(78,968)	-
Finance accretion	(35,483)	-
Total finance loss	**(5,466,865)**	**(2,607,963)**
Total net financial results	**(1,988,824)**	**(1,322,522)**

22. DISCONTINUED OPERATIONS – RAMOS CONSORTIUM

	For the fiscal years ended December 31,	
	2019	2018
Revenues	-	41,502
Production costs	-	(22,048)
Gross profit	**-**	**19,454**
Administrative expenses and selling expenses	-	(4,077)
Net profit for the fiscal year before income tax from discontinued operations	**-**	**15,377**
Income tax for the fiscal year	-	(2,081)
Net profit for the fiscal year from discontinued operations	**-**	**13,296**

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

	For the years ended December 31,	
	2019	2018
Operating activities	-	18,784

Earnings per share (Note 24)

	For the years ended December 31,	
	2019	2018
Basic and diluted earnings per share from discontinuing operations	-	0.004

23. SHAREHOLDERS' EQUITY

As of December 31, 2017, the Company's capital stock amounts to 2,506,556 represented by 2,506,555,895 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 by GE EFS Power Investment B.V amounts to US$ 275 million comprised as follows: a) US$ 135 million paid on that date, and b) US$ 140 million on March 20, 2019.

In this way, as of December 31, 2019 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 EFS Power Investment B.V.	936,767,364	24.99999%	B
Total	**3,747,070,355**	**100.00000%**	

24. 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:

	2019	2018
Net profit for the year attributable to holders of the parent company:		
Continuing operations	4,226,576	4,492,116
Discontinuing operations	-	13,296
	4,226,576	4,505,412
Weighted average number per share	**3,747,070**	**3,534,332**
- Basic and diluted	1.128	1.275
Basic and diluted earnings per share from continued operations		
- Basic and diluted	1.128	1.271

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.

25. 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.

Consequently, the net profit for the year ended December 31, 2019 are restricted in 205,471.

Likewise, in accordance with General Resolution 609 of the CNV the General Ordinary Shareholders' Meeting on May 7, 2019 created a special reserve ("Special reserve RG Nº 609"), which contains the positive difference resultant of the initial balance of the accumulated results exposed in the financial statements of the first closing of the fiscal year of IFRS application and the final balance of the results not allocated at the end of the last fiscal year under the previous accounting standards. Special reserve RG Nº 609 is not allowed to be distributed in cash or in kind and it can only be dipped into a capitalization or an absorption of any negative balances of retained earnings.

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26. INFORMATION REQUIRED BY ARTICLE No. 63 OF LAW No. 19,550 – FINANCIAL ASSETS AND LIABILITIES IN CURRENCY IN CURRENCIES OTHER THAN THE ARGENTINE PESO

The following table provides the financial assets and liabilities in currencies other than the peso for the financial statement as of December 31, 2019 and 2018:

Account	12.31.2019				12.31.2018		
	Class and amount of currencies other than peso		Exchange rate [1]	Booked amount in pesos	Class and amount of currencies other than Argentine peso		Booked amount in pesos
NON-CURRENT ASSETS							
Investment in financial assets	-	-	-	-	US$	1,864	69,901
Total of Non-current assets				**-**			**69,901**
CURRENT ASSETS							
Investment in financial assets	-	-		-	US$	-	-
Other receivables	US$	7,137	59.69	426,008	US$	140,751	5,278,163
Trade receivables	US$	86,081	59.69	5,138,175	US$	95,756	3,590,857
Other financials assets	US$	41,014	59.69	2,448,153	US$	39,707	1,489,031
Cash and cash equivalents	US$	243,797	59.69	14,552,243	US$	107,679	4,037,970
Total of current assets				**22,564,579**			**14,396,021**
Total of Assets				**22,564,579**			**14,465,922**
NON-CURRENT LIABILITIES							
Loans	US$	858,226	59.89	51,399,155 [2]	US$	487,868	18,392,637 [2]
Leases liabilities	US$	7,770	59.89	465,322	-	-	-
Other financial liabilities	US$	174	59.89	10,430	-	-	-
Total of Non-current liabilities				**51,874,907**			**18,392,637**
CURRENT LIABILITIES							
Trade payables	US$	90,761	59.89	5,243,429	US$	51,076	1,925,556
	€	24,301	67.23	1,633,756	EUR	5,986	258,375 [3]
Loans	US$	164,536	59.89	9,854,061 [3]	US$	173,694	6,548,279
Other liabilities	-	-	-	-	US$	2,631	99,189
Leases liabilities	US$	2,487	59.89	148,946	-	-	-
Other financial liabilities	US$	164	59.89	9,824	-	-	-
Total of current liabilities				**16,890,016**			**8,831,399**
Total of liabilities				**68,764,923**			**27,224,036**

US$: US Dollar.
€: Euro.

(1) At the Banco de la Nación Argentina exchange rate prevailing as of December 31, 2019.
(2) Correspond to the nominal amount owed, which are disclosed in the caption “Loans” for the amount of 50,735,033 and 18,256,570 as of December 31, 2019 and 2018 respectively, net of transaction fees and cost.
(3) Corresponds to the nominal amount owed, which is exposed in Loans in the amount of 9,770,245 and 6,514,408 as of December 31, 2019 and 2018 respectively, net of commissions and transaction fees.

MARCOS MIGUEL BROWNE
President

27. 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. Due to the agreement signed with CAMMESA in August 2019, as of December 31, 2019, the Company does not maintain outstanding balances related to the receivables previously mentioned. (See Note 28).

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, 2019 and 2018, 100% of both companies’ capital stock is related to the Company.

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 finance". The description of this project finance is detailed in Note 17.

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 of thermal plant El Bracho 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 original estimated commercial operation date was 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.

On August 30, 2019, the Secretariat of Renewable Resources and Electricity Market issued Resolution No. 25/2019 which it summoned to the Generating Agents that hired under the framework of Resolution No. 287/2017 (the “Generating Agents”) to state the expected commercial operation date of their respective projects (the “expected commercial operation date”).

For the purposes of the Wholesale Demand Agreements signed by the Generating Agents with CAMMESA, the expected commercial operation date informed will be considered as a new commercial operation date committed (“NCODC”) with a limit of 180 days from the original. In the event that the expected commercial operation date is greater than that period, with respect to the NCODC, will be applicable the cumulative reduction regime of the term of the Wholesale Demand Agreement, without prejudice to the application of the penalties and other contractual consequences that may correspond.

Y-GEN II informed that the NCODC of El Bracho Thermal Power Plant is on December 23, 2020 due to delays caused by the “Grande America” vessel accident (See Note 29) that was duly informed.

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. 01/2019.

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 originally commercial operation date was estimated 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 US$ 8,352,144. Besides, negotiations are still being held regarding the agreement for the sale of steam to YPF.

In virtue of Resolution 25/2019 mentioned in the caption c) of this note, YPF EE informed that the NCODC of La Plata Cogeneración II Power Plant is on August 1, 2020 due to delays attributable to the contractor in charge of the execution of the construction of the mentioned Power Plant.

On the other hand, as to this date, the negotiation of the steam sales’ agreement with YPF is still in progress.

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. This PPA with CAMMESA, for 99 MW, is for a 20 years term and has a price denominated in US dollars. The remaining energy (23 MW) will be delivered to YPF S.A., under a PPA in the MATER for a period of 15 years, also denominated in US dollars.

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. As of the date of issuance of these consolidated financial statements, the Company has signed contracts for 100% of the energy generated by the wind farm, through PPAs, denominated in US dollars, with YPF S.A. (approximately 25%) and with other industrial users of private sector, with terms between 5 and 20 years. (see Note 4.d)).

The commercial operation of both stage is expected in 2Q 2020.

h) Los Teros II wind farm

The Company is currently building 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 52 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. As of the date of issuance of these consolidated financial statements, the Company has signed contracts for approximately 85% of the energy to be generated by the wind farm, through PPAs, denominated in US dollars, with YPF S.A. (approximately 56%) and with various other industrial users of the private sector, with terms between 10 and 15 years. Likewise, the Company is in the process of signing PPAs for the remaining 15%.

The commercial operation of both stage is expected in 4Q 2020.

28. AGREEMENT ON THE REGULARIZATION OF RECEIVABLES

Resolution SE No. 95/13, which was enacted in February 2013, set electric power prices that were updated annually. Under this framework, generators received remuneration consisting of (i) fixed payments based on availability and calculated based on a pre-established fixed rate per MW, (ii) variable payments based on generation of each unit calculated based on a fixed rate per MWh that varied according to the type and size of technology and the fuel used to generate energy, and (iii) remuneration for non-recurring maintenance, which was paid in the form of sale settlement with a maturity date to be determined (“LVFVD”).

Regarding the variable payments mentioned above, a portion of the remuneration was paid directly to the relevant generation agents, while the other portion would to be set aside for a trust fund and reinvested in new infrastructure projects in the electric power sectors as defined by the Secretariat of Electric Energy (“Trust on Additional remuneration”). Finally, the portion to be allocated to the trust fund was implemented through LVFVD.

On August 16, 2019, CAMMESA and the Company entered into a final agreement to settle the LVFVD receivables, which were classified under the item “Other receivables – Non-current” (Note 12) of the consolidated statements of financial position as of December 31, 2018. As a result of such agreement, an 18% reduction was set on the outstanding capital plus interest accrued as of the date of the agreement. Moreover, the Company waived any complaint related to such receivables.

Pursuant to the executed agreement, during August 2019, the Company collected 1,327,072 and booked a net profit of 611,025, which was recognized under the item “Regularization of Receivables” of the consolidated income statement for fiscal year ended December 31, 2019.

29. CONTINGENT LIABILITIES

Within the framework of the Contract to Close the Gas Turbine Cycle of El Bracho Thermal Plant, Province of Tucumán ("Cycle Closing Contract"), celebrated between General Electric Global Parts & Products GmbH, as equipment supplier ("GEPP"), GE International Inc., Sucursal Argentina, as contractor of the work ("GESA" and, together with GEPP, "GE") and Y-GEN II, as acquirer and commissioner respectively, on March 20, 2019 GE sent a notification to Y-GEN II informing that part of the equipment that GE has to provide for the completion of this project was lost due to an incident related to the ship that was carrying those materials to Argentina.

This vessel was carrying essential equipment to complete the project object of the Cycle Closing Contract. The loss of such equipment will cause delays in the completion of the project according to the stipulated in the Cycle Closing Contract.

It is relevant to under the Cycle Closing Contract, the risk of loss of the equipment is under GE's responsibility until the works reach the preliminary reception according the Cycle Closing Contract.

On August 30, 2019, the Secretariat of Renewable Resources and Electricity Market issued Resolution No. 25/2019 by means of which it convened the Generating Agents that have hired in the framework of Resolution 287 of May 10, 2017 of the former Secretariat of Electricity under the former Ministry of Energy and Mining (RESOL-2017-287-APN-SECEE # MEM) in order to express a new expected commercial operation date.

Within the framework of that Resolution, Y-GEN II informed that the expected commercial operation date of the project will be December 23, 2020 (Note 27).

Thus, on November 13, 2019, Y-GEN II and GE signed an agreement whereby GE promised to reach the Provisional Reception of the Work on December 23, 2020 in line with what was reported to the Secretariat of Renewable Resources and Electric Market.

Subsequently, in February 2020, Y-GEN II and GE signed a conciliatory agreement whereby it was agreed to set the date of completion of the work by June 27, 2020 and the fine scheme of the Cycle Closing Contract was modified to end to align the objective of minimizing the impact derived from the sinking of the ship.

Consequently, and based on the information available as of the date of these consolidated financial statements, the Group Management considers that it is not likely to have significant negative impacts arising from this event due to (i) the agreements reached between Y-GEN II and GE mentioned above; and (ii) the accession of Y-GEN II to Resolution No. 25/2019 of the Secretariat of Renewable Resources and Electricity Market establishing a new expected commercial operation date authorization for December 23, 2020, without implying any penalty for the Group.

Additionally, with respect to the El Bracho project, Y-GEN II has insurance coverage that covers the loss of earnings due to delays on the termination date committed from July 2020 to June 2021.

30. REGULATORY FRAMEWORK

30.1. 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.
- **SEE Resolution No. 21/2016:** convenes 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.
- **Resolution of the SEE No. 22/2016:** 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. 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 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-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.

  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 MDP 12/2019:** On December 27, 2019, through the publication of Resolution No. 12/2019 of the Ministry of Productive Development was repealed the Resolution SGE No. 70/2018 previously mentioned since December 30, 2019 thereon, and restores the validity of Article 8 of Resolution No. 95 dated March 22, 2013 of the former Secretariat of Energy and the validity of Article 4 of Resolution No. 529 dated May 20, 2014 of the former Secretariat of Energy of the former Ministry of Federal Planning, Public Investment and Services.
- **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 was 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 would 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 was 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 ranged from 3,050 to 5,200 U$S/MW-month, according to the technology made available for the system and the DIGO remuneration was 7,000 U$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 would 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 would 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 was denominated in US Dollars and was payable at the reference exchange rate of the date prior to maturity date.

- **Resolution SE-MDP No. 31/2020:** On February 26, 2020, the Secretariat of Energy published in the Official Gazette Resolution SE No. 31/2020 that adjusted the remuneration criteria for the generation not committed in any type of contract established by the Resolution SRRyME 1/2019 previously mentioned, to economically reasonable and efficient conditions which may be assigned and/or transferred to the demand.

  Through this resolution, it was established that all the concepts on which the included generators are remunerated will be denominated in Argentine pesos and will be updated on a monthly basis by a weighted average of the CPI (60%) and the WPI (40%) published by INDEC.

  The remuneration of thermal generators consists of payments for: (a) power, (b) energy generated and operated (associated with the rotating power in each hour), and (c) energy generated in hours of maximum thermal requirement.

  a. Power

  Power will be remunerated based on the availability of real power (base power - only for those generators that cannot guarantee power availability) or compliance with the guaranteed power (DIGO), discounting scheduled maintenance and valued at the following prices as applicable.

  The base power remuneration will be in a price range from 100,650 to 171,600 AR$/MW-month (47% lower than Resolution 1/2019), according to the technology and scale of the generation equipment made available to the system. DIGO power remuneration will be 360,000 AR$/MW-month for summer and winter periods and 270,000 AR$/MW for the rest of the year (-17% and 21% compared to Resolution 1/19, respectively).

  This remuneration will be affected by the usage factor of the generation equipment.

  b. Energy

  For generation from conventional thermal plants, it will be recognized, by type of fuel consumed, for non-combustible, variable costs 240 AR$/MWh for equipment operating with Natural Gas, 420 AR$/MWh for Fuel Oil and Gas Oil, 600 AR$/MWh for Biofuels and 720 AR$/MWh for equipment with mineral coal. In all cases there is a 3% reduction compared to Resolution 1/2019.

  Additionally, a remuneration of 84 AR$/MWh (-3% compared to Resolution 1/2019) is recognized for the rotating power in each hour that corresponds to the optimal dispatch. Like for the energy generated with gas, fuel oil and gas oil, there is a 3% reduction in prices.

  When a generation unit is dispatched outside the optimum dispatch (for operational reasons not attributable to forced generation due to transport, voltage control or safety requirements), it will be recognized generated and operated energy at 60% of the net installed power, independently of energy delivered by the generation unit.

  c. Energy generated in the hours of maximum thermal requirement

  A new remuneration was established for the average power actually delivered (energy generated) in the hours of maximum thermal requirement. During summer and winter, 1,800 AR$/MWh will be paid to the generation during the first 25 hours of maximum thermal requirement and 900 AR$/MWh during the following 25. During the rest of the year, the 300 AR$/MWh will be paid by generation during the first 25 hours of maximum thermal requirement.

  Resolution 31/2020 entered into force and is applicable from the economic transactions corresponding to February 2020.

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.

30.2. Exchange Market Regulation

On September 1, 2019, the Argentine Government issued Executive Decree No. 609/2019 ("Decree 609") which established certain restrictions in the foreign exchange currency market. Decree 609 was further regulated by Communication "A" 6770 of the Argentine Central Bank, also issued on September 1, 2019, which was amended and supplemented by Communications "A" 6776, "A" 6780, "A" 6782, "A" 6796, "A" 6814, "A" 6815, "A" 6818, "A" 6825 and "A" 6838. Hereinafter, all communications jointly will be referred to as Communication "A" 6770.

The temporary restrictions will be in force until December 31, 2019.

Communication 6770 regulates the inflow and outflow of foreign exchange currencies in the market. This regulation maintains full freedom to extract US dollars from bank accounts, both for individuals and legal entities, and there is no restriction to travelling abroad.

In addition, this new regulation states that:

- exporters of goods and services must exchange their foreign currency revenues in the domestic market. Exports must be settled within 5 business days after collection.
- BCRA prior approval will be required for access to the local foreign currency exchange market for transfer of earnings and dividends abroad and build-up foreign assets in the case of legal entities.
- the trusts will have access to the local foreign currency exchange market to guarantee cancellation of the principal and interest services of their obligations, to the extent that they prove that the issuer have had access to make the payment on their behalf by fulfilling the applicable regulatory provisions.
- new financial debts contracted abroad that are disbursed later than September 1, 2019 must be settled in the local exchange market. Likewise, the demonstration of the fulfillment of the inflow and settlement of such financial debt will be required as a condition to access the local foreign currency exchange market for the payment of principal and interest services of the debts.
- there are no restrictions on the purchase of foreign currency for foreign trade purposes.
- there are no restrictions on the purchase of foreign currency for imports from third parties.
- BCRA's previous approval will be required to access the local foreign currency exchange market in order to repay debts with foreign related parties.

30.3. 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 9 Property, plant and equipment
Exhibit C – Investments in shares	Note 11 Investments in associates and joint ventures
Exhibit D – Other Investments	Note 6 Financial instruments by category
Exhibit E - Provisions	Note 12 Other receivables
Exhibit G – Assets and liabilities in foreign currency	Note 26 Information required by article 63 of Law No. 19,550 – Financial assets and liabilities in other currencies than argentine peso

31. TAX REFORM

Laws No. 27,430 and 27,432 were published in the Official Gazette on December 29, 2017, and significantly modified several taxes. Also, on December 23, 2019 Law No. 27,541 was published in the Official Gazette, modifying some aspects of the laws previously mentioned. The main modifications are the following:

- **Income Tax**

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

By means Law No. 27,430 the general income tax rate applicable to corporations was 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 withholding on dividends was established for foreign individuals and beneficiaries, which would 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.

Law No. 27,541, enacted in December 2019, established that for the fiscal years beginning as of January 1, 2021 inclusive, the tax rate will be 30%, suspending the reduction of the aforementioned rate to 25% and the consequently increase of withholding to dividends to 13%.

- **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.

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 law 27,430 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 27,430 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**

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

Moreover, SE 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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32. RELATED PARTIES INFORMATION

The following table show the balances with related parties as of December 31, 2019 and 2018:

	As of December 31, 2019		
	Other receivables	Trade receivables	Trade payables
	Current	Current	Current
Joint controlling shareholder:			
YPF S.A.	-	2,433,056	1,539,563
Associates:			
Refinería del Norte S.A.	-	51,271	-
Metroenergía S.A.	-	4,588	226,649
A-Evangelista S.A.	-	-	964,087
U.T. Loma Campana	-	32,731	24,513
C.T. Barragán S.A.	21,705	-	-
GE International Inc.	-	-	517,837
GE Global Parts and Products GmbH	426,699	-	3,172,655
GE International Inc. Sucursal Argentina	-	-	616,354
GE Packaged Power Inc.	-	-	90,604
GE Water & Process Technologies SC	-	-	10,629
GE Wind Energy Equipment	-	-	639,848
GE Senging & Inspection Technologies	-	-	1,870
GE Jenbacher GMBH & CO OG	-	-	1,143
Profertil S.A.	-	32,578	-
Argentine federal government-controlled entities:			
CAMMESA	34,008	4,256,169	-
Total	**482,412**	**6,810,393**	**7,805,752**

	As of December 31, 2018			
	Other receivables		Trade receivables	Trade payables
	Current	Non current	Current	Current
Joint controlling shareholder:				
YPF S.A.	-	-	1,758,720	1,819,452
GE EFS Power Investment B.V. (1)	5,250,000	-	-	-
Associates:				
Refinería del Norte S.A.	-	-	25,558	-
Metroenergía S.A.	-	-	2,892	-
A-Evangelista S.A.	-	-	-	342,895
U.T. Loma Campana	-	-	38,290	-
GE International Inc.	-	-	-	3,067
GE Global Parts and Products GmbH	-	-	-	822,572
GE Water & Process Technologies SC	-	-	-	6,502
GE Energy Parts Inc.	-	-	-	753
GE Packaged Power Inc.	-	-	-	18,750
GE International Inc. Sucursal Argentina	-	-	-	615,538
GE Intelligent Platforms	-	-	-	367
GE Senging & Inspection Technologies	-	-	-	397
GE Jenbacher GMBH & CO OG	-	-	-	683
YPF Tecnología S.A.	-	-	-	406
Profertil S.A.	-	-	11,138	-
Argentine federal government-controlled entities:				
CAMMESA	124,731	452,881	1,816,331	-
Total	**5,374,731**	**452,881**	**3,652,929**	**3,631,382**

(1) Corresponds to GE EFS Power Investments B.V. ("GE") shares subscription for US$ 140 million contributed on March 2019.

MARCOS MIGUEL BROWNE
President

YPF ENERGÍA ELÉCTRICA SOCIEDAD ANÓNIMA

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

The following table shows transactions with related parties for the fiscal years ended December 31, 2019 and 2018:

	For the fiscal years ended December 31,					
	2019			2018		
	Revenues	**Purchases of goods and services**	**Interest gain (loss) net and others**	**Revenues**	**Purchases of goods and services**	**Interest gain (loss) net**
Joint controlling shareholder:						
YPF S.A.	3,587,598	2,038,992	-	1,119,111	174,271	(8,896)
Associates:						
A-Evangelista S.A.	-	2,725,555	-	-	893,579	-
Bajo del Toro II S.R.L. [2]	-	-	-	-	-	(37,262)
U.T. Loma Campana	127,587	-	-	69,922	-	-
C.T. Barragán S.A.	35,564	-				
GE International Inc.	-	1,739,149	-	-	1,648	-
GE Global Parts and Products GmbH	-	4,711,726	-	-	3,108,319	-
GE Water & Process Technologies SC	-	16,559	-	-	20,950	-
GE Intelligent Platforms	-	-	-	-	367	-
GE Wind Energy Equipment	-	1,995,797	-	-	558,074	-
GE Packaged Power Inc.	-	318,845	-	-	185,783	-
GE International Inc. Sucursal Argentina	-	3,052,850	-	-	1,135,369	-
GE Senging & Inspection Technologies	-	1,548	-	-	1,756	-
GE Jenbacher GmbH & Co. OG	-	22,460	-	-	683	-
GE Energy Parts Inc.	-	-	-	-	753	-
Metroenergía S.A.	-	203,855	-	-	-	-
YPF Tecnología S.A.	-	454	-	-	417	-
Profertil S.A.	119,587	-	-	8,979	-	-
Argentine federal government-controlled entities:						
CAMMESA	12,010,183	283,179	682,362 [3]	5,881,414	128,426	37,028
Controlled entities:						
Y-GEN Eléctrica S.A.U. [1]	-	-	-	10,209	-	-
Y-GEN II Eléctrica S.A.U. [1]	-	-	-	10,549	-	-
Total	**15,880,519**	**17,110,969**	**682,362**	**7,100,184**	**6,210,395**	**(9,130)**

(1) Companies consolidated since March 31, 2018. See Note 4.b).
(2) Effective January 1, 2019 Bajo del Toro II was merged with YPF S.A., that was the continuing company.
(3) Includes 611,025 corresponding to the result form regularization of receivables (Note 28).

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 fiscal 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.

Remuneration of the Administration

During the fiscal year ended December 31, 2019, the Director's fees and the remuneration to key executives amounted to 131,732, being the same short-term benefits and the only benefits granted to directors and key executives.

33. SUBSEQUENT EVENTS

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, 2019, or its exposure in a note to these consolidated financial statements, if corresponds, have not been considered in them according to IFRS.

MARCOS MIGUEL BROWNE
President