

INVESTMENT PROJECT – RENEWABLE ENERGIES

INFORMATIVE MEMORANDUM

Buenos Aires, February 2017

1. GEASSA. The CEG Project, Gastre Wind Power Plant

GEASSA, Generadora Eólica Argentina del Sur S.A. is the designed company established for the development and carrying out of the CEG Project, Gastre Wind Power Plant.

The CEG Project implies a total investment of approximately USD 2,350 million, VAT included, comprised by:

- The Gastre Wind Power Plant (CEG), with a 1,350 MW installed power, which shall locate at the Pampa de Gastre, 15 km South of the locality of Gastre, to the Northwest of the Province of Chubut.
- The Transmission System (ST), that includes the 33/132/500 KV Gastre Transforming Power Plant – 1,600 MVA, The 500 KV Line – 295 km (LAT) between the CEG and Piedra del Águila, and the 500 KV Maneuver Power Plant at Piedra del Águila.





Generadora Eólica Argentina del Sur S.A.

The Comahue region is connected to the Load Centre of the Electrical Market (Metropolitan Area of Buenos Aires) by five (5) 500 KV Lines. The fact that the CEG connects to 500 KV Bar's in Piedra del Águila implies that, it has no transmission restrictions to the Load Centre.

2. Regulatory authorizations of the CEG.

The CEG Project has obtained all environmental authorizations, both for the CEG as for the Transmission System.

The CEG has also been authorized by the Secretary of Energy to operate as Power Generator at the MEM, and the Resolution of the ENRE (National Organism of Electric Regulation), which authorizes the access of up to 1,350 MW in Piedra del Aguila in 500 KV bars. The Transmission System, specially, the 295 kms of its 500 KV Gastre-Piedra del Aguila Line is considered an expansion of the Argentinian National Grid System and was declared of public convenience, and therefore, its construction was authorized. Updated studies considering the changes occurred in the Generation matrix during the 2012-2017 period will be submitted, soon, to the pertinent control organisms.

<http://www.geassa.com.ar/resoluciones.html>

3. VESTAS-GEASSA Strategic Alliance. Industrial Establishment

At the beginning of 2016, GEASSA AND VESTAS WIND SYSTEMS of Denmark, began discussions about the Project. As a result of these discussions, VESTAS started a comprehensive analysis of all available information regarding the wind resource (more than 6 years of meteorological records), the technical data of the Project, as well as its different Wind Turbine models, in order to select the most suitable model to maximize the Annual Production of Energy.

Recently, VESTAS Wind Systems and GEASSA have closed a Strategic Agreement to move forward to the implementation of the undertaking, more precisely to the Financial Closing.

The presence of VESTAS, an undisputed leader within the Industry, gives a strong technical credibility to the CEG Project as well as to its Operation and Maintenance with guarantees of power availability in business terms.

Based on the large scale of the CEG Project, to its market share in Argentina and the Region, VESTAS is elaborating an Industrial Plan, which would contemplate in its different stages, to build in Argentina the Towers, the nacelles and at a subsequent stage the blades of its Wind Turbines.

VESTAS, likewise, contemplates all possibility improving its competitive edge through the development of local parts and components suppliers.

4. PPA, Financial Closing and Work Chronogram

For the implementation of the CEG Project, GEASSA requires to enter into a 20-year-PPA (Power Purchase Agreement) with CMMESA (Compañía Administradora del Mercado Mayorista Eléctrico SA). Given the National Interest this Project represents, GEASSA considers that it is possible to negotiate a PPA, in the short run, at a competitive price which encourages this significant investment and which bears is in relation with the prices shown at the recent bids organized within the sphere of the **RenovAR** Program for projects of up to 100 MW with Access to the existing National Grid.

GEASSA considers it possible to fulfil the following timetable of the CEG Project:

- Financial Closing and Beginning of Works: March, 2018
- Commercial Commissioning of the Transmission System and the first 350 MW: September, 2019.
- Increase in installed Power: 300 MW/semester
- Completion of 1350 MW: March 2021

5. Conclusions: Importance of the CEG and its benefits for Argentina

- EMPLOYMENT

During the 3-year-construction stage up to totalizing 1350 MW, an average 2100 direct employment and 10,000 indirect employment, will be needed.

- INDUSTRIAL SETTLEMENT

It will enable the Industrial settlement of Technology and quality employment, in order to produce main parts such as Towers, Nacelles and Wind Turbine blades, as well as favoring the development of complementary local parts and components suppliers, which will result in a greater local integration of the wind generation investments carried out in Argentina, opening the doors to the exportation of equipment to other countries of the Region.

CONTRIBUTION TO THE AIMS OF RENEWABLE ENERGIES

With a generation of about 5,700 GWh/year: (i) it will contribute with 25% of the total of the renewable energy the Government established as share target for year 2021, estimated in 22,400 GWh/year; (ii) it will produce, approximately, 58% more of annual energy than the Chocón-Cerros Colorados Power Plant; (iii) with equal installed power (1,350 MW) as the Hydroelectric Power Plants of the Santa Cruz River, the CEG will produce 20% more energy per year and includes an extension of the National Grid.

ECONOMIZING AND SUSTAINABLE DEVELOPMENT

The CEG operation will produce annual savings of USD 240 million (according to current costs) needed to import fuel required by an equivalent Combined Cycle Generation, and it will also imply a reduction of Carbon Emissions of around 3 million Tn/year, contributing to a sustainable development.

BASE POWER

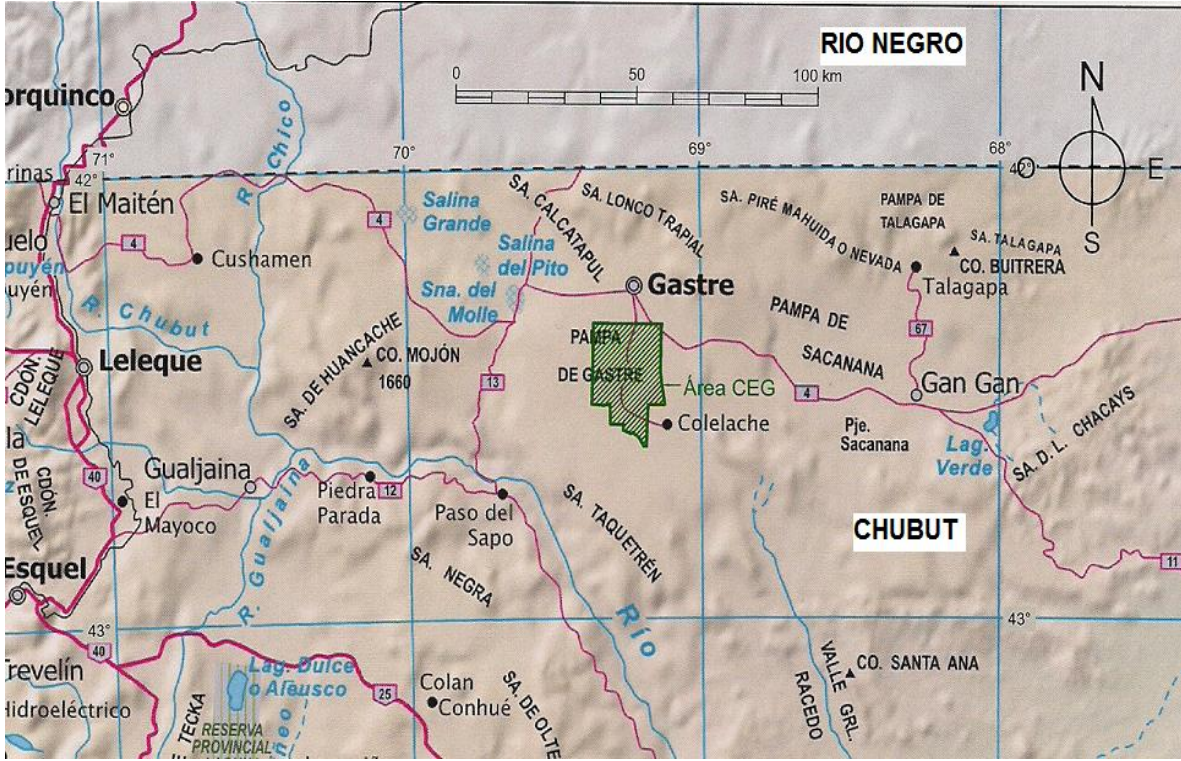
With a base power of about 150 MW, the CEG will support the interconnected electrical system for a continuous electrical provision with no service interruption, making viable the mining projects that are to be implemented in the (Meseta Central) central plateau of Chubut.

EXPANSION OF THE INTERCONNECTED ARGENTINIAN SYSTEM

As from the commissioning of the CEG, and according to the terms to be agreed, the ownership of the 500 KV Line between Gastre and Piedra del Águila will be granted to the Argentinian State to operate as an expansion work of the National Grid System, which will be able to receive the electric energy other Wind Power Plants produce along its 295 km route, connecting regions and towns where there is no electrical energy at present, improving the quality of life and opportunities for its settlers.

Location Plans

Land CEG (45,000 hectares owned by GEASSA)



High Tension Line Route (Gastre – Piedra del Aguila)

