RIO ENERGY S.A., UGEN S.A. and UENSA S.A.

Unaudited condensed combined interim financial statements for the nine months period ended September 30, 2018

RIO ENERGY S.A., UGEN S.A. and UENSA S.A.

UNAUDITED CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS for the nine months period ended September 30, 2018

Contents	**Page**

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INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS

RIO ENERGY S.A.
Cerrito 1294 – 2nd Floor
City of Buenos Aires

UGEN S.A.
Cerrito 1294 – 2nd Floor
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UENSA S.A.
Cerrito 1294 – 2nd Floor
City of Buenos Aires

Introduction

We have reviewed the accompanying condensed combined interim statement of financial position of RIO ENERGY S.A., UGEN S.A. and UENSA S.A. (individually "the entities", combined "the MSU Energy group") as of September 30, 2018, the condensed combined interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the nine months period then ended, and notes containing significant account policies and other explanatory information. Management is responsible for the preparation and fair presentation of these condensed combined interim financial statements in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these condensed combined interim financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standards on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of combined interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters than might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed combined interim financial statements.

Basis for Qualified Conclusion

As mentioned in note 2.4. the condensed combined interim statements of profit or loss and other comprehensive income, changes in equity and cash flow for the nine-months period ended September 30, 2018 include the comparative information corresponding to the fiscal year ended on December 31, 2017, instead of presenting the information for the nine month period ended September 30, 2017. This situation represents a departure from IAS 34 in relation to the presentation of comparative information and affects the comparability of the amounts presented.

Qualified Conclusion

Based on our review, except for the departure from IAS 34 in relation to the presentation of comparative information described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying condensed combined interim financial statements do not present fairly, in all material respects, the financial position of the MSU Energy group as of September 30, 2018, and its financial performance and its cash flows for the nine month period then ended in accordance with IAS 34 'Interim Financial Reporting'.

Emphasis of Matter – Basis for Preparation

We draw attention to note 1.1 of the condensed combined interim financial statements, which describes their basis of preparation, including the approach to and the purposes for preparing them. These condensed combined interim financial statements were prepared by management to provide financial information to the financial creditors of the entities and other interested parties pursuant to the debt issuance made by the entities in January 2018. Our conclusion is not modified in respect of this matter.

Buenos Aires (Argentina), November 28, 2018

KPMG

Tamara Vinitzky
Partner

RIO ENERGY S.A., UGEN S.A. and UENSA S.A.

Unaudited condensed combined interim financial statements for the nine months period ended September 30, 2018

Stated in USD

GENERAL INFORMATION

RIO ENERGY S.A.

Legal address: Cerrito 1294 – 2nd Floor –City of Buenos Aires (Before Cerrito 1266 - 6th Floor - Suite 26, City of Buenos Aires)

Main business: Generation and distribution of electric power

Parent company's information:

Name: MSU Energy Holding Ltd.

Main business: Investments

Ownership interest and voting stock: 99.97%

UGEN S.A.

Legal address: Cerrito 1294 – 2nd Floor –City of Buenos Aires (Before Cerrito 1266 - 6th Floor - Suite 26, City of Buenos Aires)

Main business: Generation and distribution of electric power

Parent company's information:

Name: MSU Energy Holding Ltd.

Main business: Investments

Ownership interest and voting stock: 99.98%

UENSA S.A.

Legal address: Cerrito 1294 – 2nd Floor –City of Buenos Aires (Before Cerrito 1266 - 6th Floor - Suite 26, City of Buenos Aires)

Main business: Generation and distribution of electric power

Parent company's information:

Name: MSU Energy Investment Ltd.

Main business: Investments

Ownership interest and voting stock: 98.19%

RIO ENERGY S.A., UGEN S.A. and UENSA S.A.

UNAUDITED CONDENSED COMBINED INTERIM STATEMENT OF FINANCIAL POSITION

as of September 30, 2018 (in USD)

	Notes	09/30/2018	12/31/2017
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8 (g)	563,216,381	475,803,133
Spare parts		4,225,278	1,871,840
Financial credits	12	37,251,685	-
Tax receivables	8 (b)	7,993,790	24,677,872
Other receivables	8 (a)	16,245,867	-
Total non current assets		628,933,001	502,352,845
CURRENT ASSETS			
Tax receivables	8 (b)	27,914,290	34,229,849
Other receivables	8 (a)	19,339,437	2,395,937
Trade receivables		24,182,383	7,344,029
Cash and cash equivalents	8 (c)	4,277,681	6,363,169
Total current assets		75,713,791	50,332,984
Total assets		704,646,792	552,685,829
SHAREHOLDERS´ EQUITY			
Capital		27,301,097	27,301,097
Legal reserve		116,084	2,547
Other reserves		2,157,498	288
Accumulated loss		(23,291,048)	(7,398,167)
Total equity		6,283,631	19,905,765
LIABILITIES			
NON CURRENT LIABILITIES			
Other liabilities	8 (f)	13,806,561	-
Loans	8 (e)	584,943,707	314,972,479
Total non-current liabilities		598,750,268	314,972,479
CURRENT LIABILITIES			
Loans	8 (e)	58,613,429	67,324,669
Other liabilities	8 (f)	4,670,942	456,804
Taxes payable		76,777	52,889
Trade accounts payable	8 (d)	36,251,745	149,973,223
Total current liabilities		99,612,893	217,807,585
Total liabilities		698,363,161	532,780,064
Total liabilities and equity		704,646,792	552,685,829

The accompanying notes are part of these unaudited condensed combined interim financial statements.

RIO ENERGY S.A., UGEN S.A. and UENSA S.A.

UNAUDITED CONDENSED COMBINED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the three and nine months period ended September 30, 2018 (in USD)

	Notes	09/30/2018 (3 months)	09/30/2018 (9 months)	12/31/2017 (12 months)
Net revenue	9 (a)	28,977,662	79,458,918	22,386,523
Cost of sales	9 (c)	(5,857,160)	(20,463,584)	(12,645,145)
Gross profit		23,120,502	58,995,334	9,741,378
Marketing and administrative expenses	9 (c)	(982,834)	(3,485,361)	(2,498,055)
Other income and expenses	15	4,155,112	4,155,112	-
Operating profit		26,292,780	59,665,085	7,243,323
Financial Income	9 (b)	695,503	2,026,528	288,440
Financial Expenses	9 (b)	(27,583,042)	(76,558,964)	(12,303,240)
Loss before income tax		(594,759)	(14,867,351)	(4,771,477)
Income (expense) tax benefit	6	(937,901)	1,245,217	665,368
Net loss for the period/year		(1,532,660)	(13,622,134)	(4,106,109)
Other comprehensive income		-	-	-
Comprehensive loss for the period/year		(1,532,660)	(13,622,134)	(4,106,109)
Basic and diluted loss per share	5	(0.004)	(0.04)	(0.01)

The accompanying notes are part of these unadited condensed combined interim financial statements.

RIO ENERGY S.A., UGEN S.A. and UENSA S.A.

UNAUDITED CONDENSED COMBINED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
for the nine months period ended September 30, 2018 (in USD)

Items	Shareholders' contributions Capital	Legal reserve	Other reserves	Accumulated loss	Total
Balances as of December 31, 2016	21,101,097	2,547	288	(3,292,058)	17,811,874
Capital increase (1)	4,200,000	-	-	-	4,200,000
Capital increase (2)	2,000,000	-	-	-	2,000,000
Net loss for the year	-	-	-	(4,106,109)	(4,106,109)
Balances as of December 31, 2017	27,301,097	2,547	288	(7,398,167)	19,905,765
Appropriation to statutory reserves (3)	-	113,537	2,157,210	(2,270,747)	-
Net loss for the period	-	-	-	(13,622,134)	(13,622,134)
Balances as of September 30, 2018	27,301,097	116,084	2,157,498	(23,291,048)	6,283,631

(1) As voted at the UGEN Sociedad Anónima Extraordinary Shareholders' Meeting held on June 30, 2017.
(2) As voted at the UENSA Sociedad Anónima Extraordinary Shareholders' Meeting held on September 30, 2017.
(3) As voted at the RIO ENERGY Sociedad Anónima Ordinary Shareholder's Meeting held on April 24, 2018

The accompanying notes are part of these unaudited condensed combined interim financial statements.

RIO ENERGY S.A., UGEN S.A. and UENSA S.A.

UNAUDITED CONDENSED COMBINED INTERIM STATEMENT OF CASH FLOWS
for the nine months period ended September 30, 2018 (in USD)

CAUSES OF CHANGES IN CASH	09/30/2018 (9 months)	12/31/2017 (12 months)
Operating activities		
Loss for the period/ year	(13,622,134)	(4,106,109)
Adjustments for:		
Income tax	(1,245,217)	(665,368)
Depreciation of property, plant and equipment	11,091,868	9,334,646
Foreign exchange loss	42,003,042	8,718,085
Accrued interest	32,529,394	3,253,743
Other income and expenses	(4,155,112)	-
Changes in operating assets and liabilities:		
Increase in trade receivables	(15,120,722)	(6,665,717)
(Increase) decrease in other receivables	(631,126)	777,863
Decrease in tax receivables	11,983,673	3,233,992
Increase in trade accounts payable	7,728,426	868,862
Increase (decrease) in taxes payable	23,888	(19,379)
Net cash flows provided by operating activities	70,585,980	14,730,618
Investing activities		
Interest income received	384,843	288,440
Payments of financing expenses capitalized	-	(4,094,758)
Tax payments for property, plant and equipment	(18,845,253)	(51,609,756)
Loans granted	(35,610,000)	-
Advanced to purchase property, plant and equipment	(10,318,359)	-
Acquisition of spare parts	(2,353,438)	(531,840)
Payments of property, plant and equipment (including unpaid amounts at the beginning of the period/year)	(220,696,402)	(251,265,865)
Net cash flows used in investing activities	(287,438,609)	(307,213,779)
Financing activities		
Proceedings from the issue of senior secured notes	600,000,000	-
Interest paid on senior secured notes	(24,723,000)	-
Increase in loans	49,000,000	305,299,992
Payments of loans, interest and financing expenses	(404,380,659)	(6,654,095)
Payments of loans related taxes	(5,065,129)	(8,979)
Decrease in other liabilities	(64,071)	(2,157,604)
Net cash flows provided by financing activities	214,767,141	296,479,314
Net (decrease) increase in cash	(2,085,488)	3,996,153
Cash and cash equivalents at the beginning of period/year	6,363,169	2,367,016
Cash and cash equivalents at the end of the period/year	4,277,681	6,363,169
Net (decrease) increase in cash	(2,085,488)	3,996,153

Transactions that did not require the use of cash as of December 31, 2017

Purchases of property, plant and equipment in the amount of $ 31,579,633, which were paid by its financial creditor on behalf of the MSU Energy group.

Other receivables (VAT tax receivables) in the amount of $ 1,953,369 were paid by its financial creditor on behalf of the MSU Energy group.

Property, plant and equipment in the amount of $ 1,994,474 was contributed by the common MSU Energy group's shareholder as a capital contribution.

Loans in the amount of $ 6,200,000 were converted into share capital.

The accompanying notes are part of these unaudited condensed combined interim financial statements.

NOTE 1 - INFORMATION ABOUT THE GROUP

1.1) Purpose of these condensed combined interim financial statements

Rio Energy S.A., UGEN S.A. and UENSA S.A. are part of MSU group of companies. These three entities operate under common control and have the same management and board. Consequently, these condensed combined interim financial statements have been prepared as if Rio Energy S.A., UGEN S.A. and UENSA S.A. were a single organization ("the MSU Energy group") by the aggregation of their condensed interim financial statements and the elimination of transactions and balances between them. These non statutory condensed combined interim financial statements have been prepared by management to provide financial information to the financial creditors of the entities and other interested parties pursuant to the debt issuance made in January 2018 (note 13).

1.2) Description of the business

According to SEE Resolution No. 21/2016 dated March 22, 2016 issued by the Secretary of Energy, such secretary called for a bidding process for new capacity of thermal generation and electricity production associated with the commitment of being available in the Wholesale Electric Market to meet the basic requirements of demand in the season periods of summer 2016/2017, winter 2017 or summer 2017/2018. In the same resolution, the Secretary of Energy instructed Compañía Administradora del Mercado Mayorista Eléctrico S.A. ("CAMMESA") to define the terms and conditions of the supply under the bidding process and submit the results thereof for approval.

The MSU Energy group was awarded with three projects consisting in adding a joint nominal power of 450 MW to the Argentine Interconnection System ("SADI") through the installation of three thermoelectric power stations (the Plants):

- the General Rojo thermoelectric power station in the town of General Rojo, in the rural area of San Nicolás de los Arroyos, Province of Buenos Aires, was authorized by CAMMESA to conduct commercial operations with SADI on June 13, 2017;

- the Barker thermoelectric power station in the town of Barker, Province of Buenos Aires, was authorized by CAMMESA to conduct commercial operations with SADI on December 29, 2017, and

- the Villa Maria thermoelectric power station in the town of Villa María, Province of Córdoba, was authorized by CAMMESA to conduct commercial operations with SADI on January 25, 2018.

Under the regulatory system created by the foregoing SEE Resolution No. 21/2016, the group entities will sell all the output of the Plants through multiple power purchase agreement entered into by the entities and CAMMESA in 2016, in connection with a monthly average contracted capacity – natural gas of 433 MW for a ten year term as awarded by Resolutions 261/2016; 216/2016 and 387-E/2016 issued by the Secretary of Energy (the Wholesale Demand Agreements).

In addition, on October 17, 2017, SEE Resolution No. 926 – E/2017 authorized CAMMESA to enter into a new Wholesale Demand Agreement with each of the group entities as part of a "combined cycle (4+1)" project.

On April 6, 2018, each of the entities entered into a new Wholesale Demand Agreement with CAMMESA through the installation of a fourth gas turbine and one steam turbine in each thermoelectric power stations. The associated supply agreement will be effective for a term of 15 years as from the start-up expected by year 2020.

1.3) Financial Situation

As of September 30, 2018, the MSU Energy group records a negative working capital in the amount of $ 23,899,102, related to the investments required to expand the plants and upgrade it from a simple-cycle plant to a combined-cycle plant. On November 16th, 2018, an Extraordinarie Meeting of Shareholders was held by each of the combined entities, approving the combined issuance of senior secured notes in a total nominal value of $ 250.000.000 that will be sell on a private placement basis.

NOTE 1 - INFORMATION ABOUT THE GROUP (cont.)

1.3) Financial Situation (cont.)

The combined financial statements have been prepared on going concern basis, which assumes that the MSU Energy group will be able to pay the current liabilities as required.

NOTE 2 - BASIS OF PRESENTATION

2.1) Statement of compliance

These condensed combined interim financial statements have been prepared in conformity with IAS 34 *Interim Financial Reporting*, except for the mentioned in note 2.4.

As there is not a board of director´s for the group, the issuance of these condensed combined interim financial statements ended September 30, 2018 was authorized by the board of director´s of each of the combined entities on November 28, 2018.

2.2) Preparation of the condensed combined interim financial statements and significant accounting policies

Transactions and balances within the entities have been eliminated. All intra-group balances, transactions, income and expenses and profits and losses, including unrealised profits arising from intra-group transactions, have been eliminated on combination.

The main accounting policies applied to the preparation of these condensed interim financial statements are consistent with those applied to the preparation of the combined financial statements under IFRS for the year ended December 31, 2017, except the standards that shall be effective for fiscal years beginning on or after January 1, 2018

The following standards have been applied for the group at the beginning of this period:

(a) IFRS 9 Financial Instruments was issued by the IASB in July 2014 and replaces IAS 39 Financial Instruments: It includes a new classification and measurement approach applicable to financial assets, reflecting the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. IFRS 9 includes three main classification categories for financial assets: measured at amortized cost, at fair value through other comprehensive income (“FVOCI”), and at fair value through profit or loss (“FVTPL”). The existing IAS 39 categories of held to maturity, loans and receivables and available-for-sale were removed. Under IFRS 9, derivatives embedded in financial assets that are in the scope of the standard are never separated. Instead, the whole hybrid instrument is held for classification.

The Group’s Management has assessed the IFRS impact on the Group’s financial statements as follows:

Recognition and measurement

The financial assets classified as loans and accounts receivable and recognized at amortized cost are held within a business model, whose objective is to collect contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The Group’s Management presents such financial assets at amortized cost after applying IFRS 9.

Financial assets measured at fair value through profit or loss will continue to be measured on the same basis according to IFRS 9.

Recognition of the Group’s financial liabilities is not changed, as the standards only affect recognition of financial liabilities designated as at fair value through profit or loss and the Group’s Management has not identified this type of liabilities. The requirements related to the recognition of financial assets and financial liabilities were moved from IAS 39 - Financial instruments: Recognition and Measurement to IFRS 9, without changes.

NOTE 2 - BASIS OF PRESENTATION (cont.)

2.2) Preparation of the condensed combined interim financial statements and significant accounting policies (cont.)

Impairment

The new impairment model requires recognition of provisions for impairment based on expected credit losses (“ECL”) and not only incurred credit losses as stated in IAS 39. It is applied to financial assets recognized at amortized cost, debt instruments measured at fair value through other comprehensive income, contractual assets according to IFRS 15 Revenue from contracts with customers, lease receivables, loan commitments and financial guarantee contracts. Based on the assessment conducted, the Group’s Management considers that there are no credit losses to be recognized in connection with financial assets as of September 30, 2018.

Hedge accounting

The MSU Energy group has no hedging instruments as of September 30, 2018. Consequently, the Group’s Management considers that the requirements of IFRS 9 Hedge accounting have no effect on the financial statements.

Presentation and disclosure

IFRS 9 requires that interest income on financial assets and credit impairment losses be presented on separate lines in the statement of comprehensive income. Whereas the impairment of other financial assets is presented within finance costs.

IFRS 9 requires new further disclosures involving hedge accounting, credit risk and expected credit losses. The Group’s Management considers that the Standard has no material impact on its information, as it has no hedge accounting and the credit risk as well as the expected credit losses are not significant based on the experience gained and the estimates made.

The MSU Energy group has applied the exemption contained in IFRS 9 to introduce no changes to the comparative information of prior periods involving the classification and measurement requirements (including impairment). Therefore, the comparative periods have not been adjusted. Consequently, the information presented in the interim periods of fiscal year 2017 has not been prepared according to the requirements of IFRS 9 but to those of IAS 39. Beyond the disclosures made, there are no differences between financial assets and financial liabilities carrying amounts arising from IFRS 9 that should be recognized in accumulated gains/losses as from January 1, 2018.

(b) IFRS 15 *Revenue from Contracts with Customers* sets forth a comprehensive framework to determine when revenue is recognized. It replaces existing guidelines on revenue recognition, including IAS 18 Revenue.

This standard sets forth a single revenue recognition and measurement model for all industries based on the following five steps:

1. Identify the contract/s with a customer: a contract is an agreement between two or more parties that creates enforceable rights and obligations.

2. Identify the performance obligation in the contract: a contract includes promises to transfer goods or services to a customer.

3. Determine de transaction price: the amount of the consideration to satisfy the performance obligation.

NOTE 2 - BASIS OF PRESENTATION (cont.)

2.2) Preparation of the condensed combined interim financial statements and significant accounting policies (cont.)

Presentation and disclosure (cont.)

4. Allocate the transaction price to the performance obligations in the contract, based on the different methods described in the standard.

5. Recognize revenue when (or as) the entity satisfies a performance obligation identified in the contracts with customers.

Based on the aforementioned, revenues shall be recognized in accordance with compliance with each of the performance obligations arising from the contracts, in the amounts of the price allocated to each performance obligation, when each obligation is satisfied.

Agreement with Cammesa

Revenues are measured on the basis of the value specified in the agreement entered into with the client, excluding amounts collected on behalf of third parties.

The MSU Energy group recognizes revenues when control over the services rendered is transferred to the client.

As mentioned in the second paragraph of note 1.2 and first paragraph of note 15, the MSU Energy group has entered into an agreement with CAMMESA for a term of ten years, which includes two components:

1) Available contracted generation capacity, and

2) Service of electricity generation

Generation capacity

Regarding the first component, the MSU Energy group stated that, for accounting purposes, based on the assessment of IFRS interpretation IFRIC 4 (Determining whether an arrangement contains a lease) the agreement includes the lease of the power station, as compliance depends on the use thereof and such agreement provides CAMMESA with the right of use of the power station. The lease agreement was classified as an operating lease.

Consequently, the MSU Energy group recognizes revenues from plant leases by applying the straight line method over the term of the lease. The amount of future minimum lease collections considering a 100% of availability, is as follows: $ 105,513,120 until 12 months; $ 527,565,600 between one and five years; and $ 325,829,395 over five years.

Rendering of services

Regarding the second component, whereby CAMMESA is provided with the service of electricity generation, revenues are recognized as long as the services are rendered.

In accordance with the referred agreement, the fuel required shall be provided or reimbursed by CAMMESA. If fuel is provided, the MSU Energy group does not recognize fuel as an asset, since it has no control over it.

2.3) Basis for measurement and presentation

These condensed combined interim financial statements have been prepared on the historical cost basis.

NOTE 2 - BASIS OF PRESENTATION (cont.)

2.3) Basis for measurement and presentation (cont.)

The presentation in the condensed combined interim statement of financial position makes a distinction between current and non current assets and liabilities. Current assets and liabilities are those expected to be recovered or paid within twelve months after the reporting date. In addition, the MSU Energy group reports the combined statement of cash flows by the indirect method.

The items of property, plant and equipment purchased in Argentine pesos have been stated at cost in the functional currency defined by the MSU Energy group, at the exchange rates prevailing at the dates of addition of each asset.

These condensed combined interim financial statements are stated in USD, except as otherwise indicated.

2.4) Comparative information

The condensed combined interim statement of financial position is presented on a comparative basis with balances as of December 31, 2017.

The condensed combined interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the nine months period ended in September 30, 2018 are presented on a comparative basis with the twelve months year ended as of December 31, 2017.

This situation implies a departure from the presentation rules established by IAS 34 and must be considered by the users of these financial statements.

2.5) Translation of condensed combined interim financial statements

(a) Functional currency

The MSU Energy group's functional currency is the US dollar, determined on the basis of the analysis of various relevant factors set forth in IAS 21 Foreign Curency.

(b) Transactions and balances

Transactions denominated in foreign currencies (all currencies other than the functional currency) are translated to the functional currency by applying the exchange rates prevailing at the dates of the transactions or the fair value measurement, as the case may be. The condensed combined interim statement of profit or loss and other comprehensive income includes foreign exchange gains or losses derived from the settlement of these transactions and the translation at exchange rates prevailing at year-end of monetary assets and liabilities with an original currency other than the US dollar.

Foreign exchange differences are presented in the condensed combined interim statement of profit or loss and other comprehensive income under the financial income or financial expenses line.

2.6) New and revised IFRS not yet effective

The MSU Energy group is evaluating the impact that the following standards may have on its comprehensive profit or loss and financial position:

IFRS 16 Leases sets the principles for the recognition, measurement, presentation and disclosure of leases applicable to both parties of an agreement, i.e. the customer ("lessee") and the supplier ("lessor"). IFRS 16 will be effective as from January 1, 2019.

NOTE 2 - BASIS OF PRESENTATION (cont.)

2.6) New and revised IFRS not yet effective (cont.)

The following new or revised standards are not expected to have a significant impact on the MSU Energy group's condensed combined interim financial statements:

- IFRS 14 Regulatory Deferral Accounts
- Clarification of acceptable methods of depreciation and amortization (Amendments to IAS 16 and IAS 38)
- Equity Method in Separate Financial Statements (Amendments to IAS 27)
- Annual improvements to IFRS – 2012-2014 cycle - various standards
- Disclosure Initiative (Amendments to IAS 1)
- Disclosure Initiative (Amendments to IAS 7)
- Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)

NOTE 3 - USE OF JUDGMENT AND ESTIMATES

The preparation of these condensed combined interim financial statements under IFRS requires Management to apply judgment, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, revenues and expenses reported.

The related estimates and assumptions are based on expectations and other factors deemed reasonable in the circumstances, the results of which are the basis of judgment on the value of assets and liabilities not easily evident from other sources. The actual value of future results may differ from these estimates.

Estimates and underlying assumptions are continuously reviewed. The effect of reviews of accounting estimates is prospectively recognized.

The critical judgments made in the application of accounting policies to these condensed combined interim financial statements are related to the type of disbursements to be capitalized, such as property, plant and equipment, as the determination of capitalizable items requires a high degree of professional judgment.

At the same time, Management recognizes estimation uncertainties with a significant effect on amounts recognized in these condensed combined interim financial statements in relation to the following:

- the assumptions to determine the amount of deferred tax assets related to estimated tax losses, and
- the recoverability of tax receivables and property, plant and equipment balances, which will depend on the MSU Energy group's operating income.

3.1) Changes in accounting estimates

On June 13 and December 29, 2017, turbines 01, 02, and 03 of Rojo and Barker Thermal Power Plants, respectively, were authorized to operate with the SADI. Therefore, plant acquisition and construction costs started to be depreciated by applying the straight line method over the effective term of the Wholesale Demand Agreements (10 years) executed with CAMMESA on July 25, 2016 and August 4, 2016. The related depreciation was charged to P&L for the year.

NOTE 3 - USE OF JUDGMENT AND ESTIMATES (cont.)

3.1) Changes in accounting estimates (cont.)

As from January 1, 2018, MSU Enegy group applies the units of production method to recognize the depreciation of turbines, machinery and equipment composing Thermal Power Plants, as it considers that this method provides a better measurement of the profits that these assets are expected to bring to the Companies. Based on this method, the related depreciation expense is charged to P&L for the period/year based on the use of the Plants. The book value of the land where the Thermal Power Plants are located will not be depreciated. The buildings that are part of Thermal Power Plants are depreciated over 30 years by applying the straight line method.

On January 25, 2018, turbines 01, 02, and 03 of Villa María Thermal Power Plant were authorized to operate with the SADI. Therefore, as in the case of Rojo and Barker Thermal Power Plants, plant acquisition and construction costs started to be depreciated by the units of production method. The buildings that are part of Villa Maria Thermal Plant are depreciated over 30 years by applying the straight line method. Accordingly, the related depreciation was charged to P&L for the year.

NOTE 4 - OPERATING SEGMENTS

The MSU Energy group´s chief operating decision maker ("CODM") is the Board of Directors. However, taking into account that the MSU Energy group has a single client CAMMESA (Note 15), which is the local entity in charge of the management of the Wholesale Energy Market ("WEM") and the dispatch of electricity into the SADI, the MSU Energy group has determined only one operating segment.

All of the MSU Energy group's non-current assets are located in Argentina as of September 30, 2018 and December 31, 2017.

NOTE 5 - EARNINGS PER SHARE

Basic

The basic earnings (loss) per share were calculated by dividing net profit or loss by the number of weighted-average number of ordinary shares outstanding

	09/30/2018 (9 months)	12/31/2017 (12 months)
MSU Energy group's loss for the period ended	(13,622,134)	(4,106,109)
Weighted-average number of ordinary shares outstanding	381,773,000	321,338,024
Basic loss per share for the period ended	(0.04)	(0.01)

Diluted

The diluted earnings per share do not differ from the basic earnings per share because the MSU Energy group has no instruments that may be converted into shares.

NOTE 6 - INCOME TAX

On December 29, 2017 the Argentine Government enacted Law No 27430 ammending the Income Tax Law, including among changes, the reduction of the tax rate for capital companies and permanent establishments to 30% for fiscal years beginning on or after January 1, 2018 and to 25% for fiscal years beginning on 2020.

The income tax expense for interim periods is recognized on the basis of the best estimate made by management of the weighted average rate expected at year-end applied to income/loss before the tax for the period.

The effective tax rate in USD is 8% and 14% for the nine-month period ended September 30, 2018 and for the year ended December 31, 2017, respectively.

NOTE 7 - FINANCIAL INSTRUMENTS - CLASSIFICATION AND RISK MANAGEMENT

(a) Classification of financial instruments

The MSU Energy group uses the following hierarchy to determine the fair value of its financial instruments: 1 - Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments. 2 - Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices) and 3. - Level 3: Inputs that are unobservable.

The table below shows the classification of financial instruments held by the MSU Energy group:

		Balances as of September 30, 2018		
Item	Note	Fair value	Loans and receivables	Other financial liabilities (**)
Financial assets				
Other receivables	8 (a)	-	12,082,261	-
Financial credits		-	37,251,685	-
Trade receivables		-	24,182,383	-
Cash and cash equivalents	8 (c)	4,277,681 (*)	-	-
Total financial assets		4,277,681	73,516,329	-
Financial liabilities				
Loans	8 (e)	-	-	643,557,136
Trade accounts payable	8 (d)	-	-	36,251,745
Other liabilities	8 (f)	-	-	18,477,503
Total financial liabilities		-	-	698,286,384

		Balances as of December 31, 2017		
Item	Note	Fair value	Loans and receivables	Other financial liabilities (**)
Financial assets				
Other receivables	8 (a)	-	2,221,106	-
Trade receivables		-	7,344,029	-
Cash and cash equivalents	8 (c)	6,363,169 (*)	-	-
Total financial assets		6,363,169	9,565,135	-
Financial liabilities				
Loans	8 (e)	-	-	382,297,148
Trade accounts payable	8 (d)	-	-	149,973,223
Other liabilities	8 (f)	-	-	456,804
Total financial liabilities		-	-	532,727,175

(*) Level 1

(**) Others financial liabilities are recognized at amortized cost.

As of the date of issuance of these condensed combined interim financial statements, the balances disclosed for financial instruments are a reasonable estimate of their related fair values.

NOTE 7 - FINANCIAL INSTRUMENTS - CLASSIFICATION AND RISK MANAGEMENT (cont.)

(b) Financial risk management

As part as its business activities, MSU Group is exposed to different financial risks: market risk (including exchange rate risk, interest rate risk, and price risk); credit risk, and liquidity risk.

Combined interim financial statements do not include all the information and disclosures regarding financial risk management; therefore, they should be read together with annual financial statements as of December 31, 2017.

Since fiscal year-end, no significant changes have been introduced to risk management or to the risk management policies applied by MSU Group, except as indicated below:

Interest rate risk

It is the risk of fluctuations in the fair value or future cash flows of certain financial instruments due to changes in market interest rates based on different maturity dates and currencies in which loans have been taken out or cash has been invested.

To mitigate the interest rate risk, on February 1, 2018, MSU Group issued 7-year corporate notes at a fixed interest rate of 6.875% (Note 13).

NOTE 8 - BREAKDOWN OF THE MAIN BALANCES OF THE CONDENSED COMBINED INTERIM STATEMENT OF FINANCIAL POSITION

a) Other receivables

	09/30/2018	12/31/2017
Non current		
Credit of compensatory agreement (Note 15)	16,245,867	-
Total	16,245,867	-
Current		
Advances to suppliers	10,337,389	151,501
Shareholders’ and directors’ accounts (Note 11)	1,256,425	1,429,496
Other receivables with related companies (Note 11)	154,933	142,436
Loans to personnel	108,407	179,179
Security deposits	28,590	28,590
Expenses to be recovered	808	191,405
Advances to directors	202,909	-
Others	250,000	250,000
Credit of compensatory agreement (Note 15)	5,994,015	-
Insurance	1,005,961	23,330
Total	19,339,437	2,395,937

(b) Tax Receivables

	09/30/2018	12/31/2017
Non current		
Valued added tax receivables	4,691,942	23,564,175
Income tax receivables balance	6,657	23,839
Tax receivables balance	970,678	185,373
Deferred tax assets (Note 6)	2,149,702	904,485
Tax to be recovered	49,563	-
Others	125,248	-
Total	7,993,790	24,677,872
Current		
Valued added tax receivables	26,976,752	32,444,834
Tax to be recovered	518,670	1,147,253
Income tax receivables balance	99,107	300,278
Sales tax receivables balance	319,761	209,667
Tax receivables balance	-	108,780
Other	-	19,037
Total	27,914,290	34,229,849

NOTE 8 - BREAKDOWN OF THE MAIN BALANCES OF THE CONDENSED COMBINED INTERIM STATEMENT OF FINANCIAL POSITION (cont.)

	09/30/2018	12/31/2017
(c) Cash and cash equivalents		
Cash in banks	4,277,681	6,363,169
Total	4,277,681	6,363,169
(d) Trade accounts payable		
Ordinary	35,466,047	141,396,660
Deferred checks	346,637	424,034
Accrued expenses	371,425	8,152,529
Advances to directors to be paid	67,636	-
Total	36,251,745	149,973,223
(e) Loans		
Non current		
Parent company (Notes 11 and 13)	-	120,719,198
Senior secured notes (Note 13)	584,943,707	-
Banks loans (Note 13)	-	194,253,281
Total (*)	584,943,707	314,972,479
Current		
Parent company (Notes 11 and 13)	-	13,800,383
Senior secured notes (Note 13)	6,875,000	-
Loans with third parties (Note 13)	-	1,180,382
Bank loans (Note 13)	51,738,429	52,343,904
Total (**)	58,613,429	67,324,669
(f) Other liabilities		
Non current		
Provision for fines of Cammesa (Note 15)	13,806,561	-
Total	13,806,561	-
Current		
Shareholders' and directors' accounts (Note 11)	264,213	221,000
Provision for fines of Cammesa (Note 15)	4,278,209	-
Other payables	128,520	235,804
Total	4,670,942	456,804

(*) At September 30, 2018 and December 31, 2017 includes expenses to be deferred for financing purposes net of $ 11,344,535 and $ 1,528,867, respectively.

(**) At September 30, 2018 includes expenses to be deferred for financing purposes net of $ 54,640

NOTE 8 - BREAKDOWN OF THE MAIN BALANCES OF THE CONDENSED COMBINED INTERIM STATEMENT OF FINANCIAL POSITION (cont.)

(g) Property, plant and equipment

Balances as of September 30, 2018

	Cost				Depreciation				Net as of
Main account	At beginning of period	Additions	Transfers	At period end	Accumulated at beginning of the period	Rate %	Amount (Note 9c)	Accumulated at period end	09/30/2018
Land	2,067,790	30,000	-	2,097,790	-	-	-	-	2,097,790
Thermoelectric power plants									
Infraestructure	128,376,509	1,060,944	63,760,207	193,197,660	3,348,216	3,33%	3,289,783	6,637,999	186,559,661
Plant and equipments	191,772,111	276,667	99,689,834	291,738,612	5,704,692	(*)	7,438,327	13,143,019	278,595,593
Tools	105,126	268,983	-	374,109	4,982	10%	22,841	27,823	346,286
Computers	290,603	161,452	-	452,055	96,478	33%	89,545	186,023	266,032
Vehicles	110,183	324,877	-	435,060	16,247	20%	65,426	81,673	353,387
Facilities	1,941	4,464	-	6,405	194	20%	343	537	5,868
Furniture and fixtures	77,157	54,404	-	131,561	6,226	20%	8,967	15,193	116,368
Leasehold improvements	706,546	-	-	706,546	176,637	33%	176,636	353,273	353,273
Work in progress	161,648,839	96,323,325	(163,450,041)	94,522,123	-	-	-	-	94,522,123
Total as of September 30, 2018	485,156,805	98,505,116	-	583,661,921	9,353,672		11,091,868	20,445,540	563,216,381

(*) By units of production (see note 3.1)

NOTE 8 - BREAKDOWN OF THE MAIN BALANCES OF THE CONDENSED COMBINED INTERIM STATEMENT OF FINANCIAL POSITION (cont.)

(g) Property, plant and equipment (cont.)

Balances as of December 31, 2017

	Cost				Depreciation				Net as of
Main account	At beginning of year	Additions	Transfers	At year-end	Accumulated at beginning of year	Rate %	Amount (Note 9c)	Accumulated at year-end	12/31/2017
Land	1,440,750	627,040	-	2,067,790	-	-	-	-	2,067,790
Thermoelectric power plants									
Infraestructure	-	11,980,944	116,395,565	128,376,509	-	10%	3,348,216	3,348,216	125,028,293
Plant and equipments	-	-	191,772,111	191,772,111	-	10%	5,704,692	5,704,692	186,067,419
Tools	18,758	86,368	-	105,126	425	10%	4,557	4,982	100,144
Computers	103,026	187,577	-	290,603	17,209	33%	79,269	96,478	194,125
Vehicles	72,055	38,128	-	110,183	1,200	20%	15,047	16,247	93,936
Facilities	-	1,941	-	1,941	-	20%	194	194	1,747
Furniture and fixtures	3,835	73,322	-	77,157	192	33%	6,034	6,226	70,931
Leasehold improvements	-	706,546	-	706,546	-	20%	176,637	176,637	529,909
Work in progress	79,479,476	390,337,039	(308,167,676)	161,648,839	-	-	-	-	161,648,839
Total as of December 31,2017	81,117,900	404,038,905	-	485,156,805	19,026		9,334,646	9,353,672	475,803,133

NOTE 9 - BREAKDOWN OF THE MAIN BALANCES OF THE CONDENSED COMBINED INTERIM STATEMENT PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Revenue

On June 13, 2017 and December 29, 2017 turbines 01, 02, and 03 of General Rojo and Barker Thermoelectric Power Stations were authorized to conduct commercial operations with SADI.

As from such date, the Wholesale Demand Agreements signed with CAMMESA on August 4, 2016 and July 25, 2016 became effective, respectively.

During current period, on January 25, 2018 turbines 01, 02, and 03 of Villa Maria Thermoelectric Power Station were authorized to conduct commercial operations with SADI. From such date, the Wholesale Demand Agreement signed with CAMMESA on December 29, 2016 became effective.

	09/30/2018 (9 months)	12/31/2017 (12 months)
Revenues from generation capacity (operating lease) (Note 2.2.b)	73,648,068	20,363,677
Revenues from rendering of services - electricity generation	5,810,850	2,022,846
Total revenue	79,458,918	22,386,523

(b) Financial income and expenses -net

	09/30/2018 (9 months)	12/31/2017 (12 months)
Financial income		
Interest income	2,026,528	288,440
Total financial income	2,026,528	288,440
Financial expenses		
Interest expense	(34,555,922)	(3,585,155)
Foreign exchange loss	(42,003,042)	(8,718,085)
Total financial expenses	(76,558,964)	(12,303,240)
Total financial income and expenses - net	(74,532,436)	(12,014,800)

NOTE 9 - BREAKDOWN OF THE MAIN BALANCES OF THE CONDENSED COMBINED INTERIM STATEMENT PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (cont.)

(c) Expense by nature

Items	Cost of sales	Marketing expenses	Administrative expenses	09/30/2018 (9 months)	12/31/2017 (12 months)
Wages, salaries and social contributions	2,500,655	479,490	869,435	3,849,580	1,157,881
Other personnel-related expenses	229,979	35,750	96,153	361,882	221,579
Subcontracted labor	55,426	1,151	1,618	58,195	69,915
Professional fees	388,417	108,098	429,770	926,285	1,078,184
Direct sales expenses	485,391	-	-	485,391	520,468
Rentals	73,208	3,068	86,259	162,535	199,610
Depreciation (Note 8 g)	10,820,376	7,924	263,568	11,091,868	9,334,646
Maintenance expenses	3,879,564	299	564	3,880,427	650,580
Taxes, rates and contributions	255,825	3,890	769,483	1,029,198	584,961
Freight	124,919	1,156	5,703	131,778	50,882
Travel and per diem expenses	307,228	14,545	68,211	389,984	283,002
Utilities	59	327	3,225	3,611	5,439
Telephone and communications	180,605	12,487	34,613	227,705	120,340
Fuels and lubricants	61,345	7,385	16,186	84,916	64,445
Insurance	915,336	1,585	5,677	922,598	247,740
Office supplies	28,043	6,707	33,796	68,546	114,719
Institutional expenses	126,239	12,095	19,306	157,640	125,100
Other expenses	30,969	45,398	40,439	116,806	313,709
Total as of 09/30/2018	20,463,584	741,355	2,744,006	23,948,945	
Total as of 12/31/2017	12,645,145	182,411	2,315,644		15,143,200

NOTE 10 - CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME BY EACH OF THE CONDENSED COMBINED INTERIM ENTITES

a) For the period ended September 30, 2018 is as follows:

	Rio Energy S.A.	UGEN S.A.	UENSA S.A.	Total
Net revenue	29,185,851	26,817,194	23,455,873	79,458,918
Cost of sales	(7,201,945)	(5,219,950)	(8,041,689)	(20,463,584)
Gross profit	21,983,906	21,597,244	15,414,184	58,995,334
Marketing and administrative expenses	(2,028,061)	(778,894)	(678,406)	(3,485,361)
Other income and expenses	4,155,112	-	-	4,155,112
Operating profit	24,110,957	20,818,350	14,735,778	59,665,085
Financial income	1,170,450	474,410	381,668	2,026,528
Financial expenses	(23,827,192)	(30,201,012)	(22,530,760)	(76,558,964)
Income (loss) before income tax	1,454,215	(8,908,252)	(7,413,314)	(14,867,351)
Income (loss) tax benefit	(757,775)	1,274,376	728,616	1,245,217
Net Income (loss) for the period	696,440	(7,633,876)	(6,684,698)	(13,622,134)
Other comprehensive income	-	-	-	-
Comprehensive income (loss)	696,440	(7,633,876)	(6,684,698)	(13,622,134)

NOTE 10 - CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME BY EACH OF THE CONDENSED COMBINED INTERIM ENTITES (cont.)

b) For the year ended December 31, 2017 is as follows:

	Rio Energy S.A.	UGEN S.A.	UENSA S.A.	Total
Net revenue	22,167,425	219,098	-	22,386,523
Cost of sales	(12,508,501)	(136,644)	-	(12,645,145)
Gross profit	9,658,924	82,454	-	9,741,378
Marketing and administrative expenses	(2,222,141)	(113,912)	(162,002)	(2,498,055)
Operating profit (loss)	7,436,783	(31,458)	(162,002)	7,243,323
Financial income	164,575	26,805	97,060	288,440
Financial expenses	(5,143,492)	(3,448,183)	(3,711,565)	(12,303,240)
Income (loss) before income tax	2,457,866	(3,452,836)	(3,776,507)	(4,771,477)
Income (loss) tax expense	(850,356)	729,614	786,110	665,368
Net income (loss) for the year	1,607,510	(2,723,222)	(2,990,397)	(4,106,109)
Other comprehensive income	-	-	-	-
Comprehensive income (loss)	1,607,510	(2,723,222)	(2,990,397)	(4,106,109)

NOTE 11 - BALANCES AND TRANSACTIONS WITH EACH OF THE CONDENSED COMBINED INTERIM ENTITIES SHAREHOLDERS AND OTHER RELATED COMPANIES

1. Balances with shareholders	09/30/2018	12/31/2017
Financial credits		
MSU Energy Holding Ltd.	30,388,512	-
MSU Energy Investment Ltd.	6,863,173	-
	37,251,685	-
Other receivables		
Manuel Santos De Uribelarrea	12,578	27,820
Manuel Santos Uribelarrea	12,158	26,892
MSU Energy Investment Ltd.	1,082,113	1,077,114
MSU Energy Holding Ltd.	149,576	297,670
	1,256,425	1,429,496
Long term loans		
MSU Energy Holding Ltd.	-	74,841,920
MSU Energy Investment Ltd.	-	45,877,278
	-	120,719,198
Current term loans		
MSU Energy Holding Ltd.	-	8,518,880
MSU Energy Investment Ltd.	-	5,281,503
	-	13,800,383

NOTE 11 - BALANCES AND TRANSACTIONS WITH EACH OF THE CONDENSED COMBINED INTERIM ENTITIES SHAREHOLDERS AND OTHER RELATED COMPANIES (cont.)

	09/30/2018	12/31/2017
1. Balances with shareholders (cont.)		
Other liabilities:		
Manuel Santos Uribelarrea	264,213	221,000
2. Transactions with shareholders		
MSU Energy Holding Ltd.		
Loans received	-	78,800,000
Capitalized loans	-	4,200,000
Payment of principal and interest	84,723,929	1,400,000
Interest capitalized to Property, plant and equipment	-	5,473,664
Interest loss recognized through profit or loss	876,825	2,359,717
Loans granted	29,050,000	-
Interest income	1,338,511	-
MSU Energy Investment Ltd.		
Loans received	-	45,877,278
Capitalized loans	-	2,000,000
Payment of principal and interest	51,713,918	-
Interest loss recognized through profit or loss	115,967	-
Interest capitalized to Property, plant and equipment	414,170	5,306,978
Loan granted	6,560,000	-
Interest income	303,173	-
Manuel Santos Uribelarrea		
Interest loss recognized through profit or loss	43,213	-
3. Balance with related companies		
Other receivables		
Uonic S.A.	70,209	142,436
Other related companies	84,724	-
	154,933	142,436
4. Transaction with related companies		
Uonic S.A.		
Expenses to be recover	-	142,436
Other related companies		
Expenses to be recover	84,724	-

5. Balances and transactions with senior management and directors

In the year ended December 31, 2017, loans have been granted to directors and key management personnel for $ 185,000. As of September 30, 2018 and December 31, 2017, the oustanding amount is shown in the line of loans to personnel under other receivables (Note 8a).

During the period/year ended September 30, 2018 and December 31, 2017, the Board of Directors and Top Management were paid compensations for a total amount of $ 1,244,726 and $ 1,078,495 respectively. MSU Energy does not grant long-term benefits or share-based payments to its employees. Additionally, there are no unpaid balances or transactions that should be disclosed as of September 30, 2018 and December 31, 2017, respectively.

NOTE 12 - FINANCIAL CREDITS

On January 31, 2018, the MSU Energy group signed loan agreements with MSU Energy Holding Ltd, and MSU Energy Investment Ltd, in the amounts of $ 29,050,000 and $ 6,560,000, respectively at an annual fixed interest rate of 6,875%, which become due for payment in year 2025, In connection with such loans, as of September 30, 2018, the MSU Energy group has principal and interest receivable equivalent to the amount of $ 37,251,685.

NOTE 13 - LOANS BECOMING DUE

(a) Senior Secured Notes

On February 1, 2018, the MSU Energy group issued Senior Secured Notes described as follows:

- Principal amount: $ 600,000,000
- Gross Proceeds: $ 595,902,000
- Maturity Date: February 1, 2025
- Issue price: 99,317% of principal amount, plus accrued interest, from February 1, 2018,
- Coupon: 6,875%,
- Intrest payment dates: February 1 and August 1 of each year, commencyng on August 1, 2018,

Class	Currency	Nominal interest rate	Maturity	09/30/2018	12/31/2017
Senior Secured Notes	US dollar	6,875%	2025	591,818,707	-

(b) Loans

During 2018 the MSU Energy group signed loans agreement in the amount of $ 40,000,000 with BAF Latam Trade Finance Fund B.V, due on December 18, 2018. As of September 30, 2018, the principal and interest payable by the MSU Energy group amount to $ 40,626,936. These loan includes certain financial commitments (i.e. not to reduce the capital, provide the creditor with audited annual financial statements within 120 calendar days as from year-end, among others), which are being complied with as of September 30, 2018.

On December 21, 2017, the MSU Energy group entered into a loan agreement in the amount of $ 2,000,000 with Banco Piano. As of September 30, 2018 the principal and interest payable by the MSU Energy group amount to $ 2,042,329. This loan was fully repaid during October 2018.

On August 28, 2018, the MSU Energy group received a loan in the amount of $ 9,000,000 from Banco Galicia y Buenos Aires S.A., due on December 3, 2018. As of September 30, 2018, the principal and interest payable by the MSU Energy group amount to $ 9,069,164. As security for this loan, the MSU Energy Group assigned to Banco Galicia y Buenos Aires S.A. the collection rights amounting to $ 10,354,635 of sales liquidations issued by CAMMESA due on October 11, 2018 disclosed as of September 30, 2018 under Trade receivables.

During the period ended September 30, 2018, the MSU Energy group settled the financial loans held as of December 31, 2017 with BAF Latam Credit Fund B.V, Banco Industrial, with its parents companies MSU Energy Holding Ltd. and MSU Investment Ltd, the syndicated loan, the loan agreement payable and the loans with Mountain Top Holdings Group LTD, Orion Belt LTD, and MSB FBO Zilstar Investments LTD.

NOTE 13 - LOANS BECOMING DUE (cont.)

(b) Loans (cont.)

The breakdown of loans per class with their related rate and maturity, comparative with the prior year is as follows:

Class	Currency	Nominal interest rate	Maturity	09/30/2018	12/31/2017
Financial	US dollar	7.50%	2018	2,042,329	-
Financial	US dollar	8.50%	2018	9,069,164	-
Financial	US dollar	9%	2018	40,626,936	-
Financial	US dollar	8%	2018	-	6,945,389
Financial	US dollar	4.50%	2018	-	2,002,466
Financial	US dollar	9%	2018	-	23,605,922
Financial	US dollar	13%	2018-2020	-	35,461,804
Financial	US dollar	13%	2022	-	51,158,781
Financial	US dollar	13%	2022	-	8,602,081
Financial	US dollar	13%	2019-2022	-	39,296,915
Financial	US dollar	(1)	2018-2022	-	107,565,833
Financial	US dollar	(1)	2018-2022	-	102,904,402
Financial	US dollar	2.20%	2018	-	3,573,173
Financial	US dollar	9%	2018	-	1,180,382
				51,738,429	382,297,148

(1) The loan was agreed in US dollars, at an annual nominal rate of 6.5% up to the effective date of the guarantee of GE International Inc. and then at an annual nominal rate of 7.5%, being interest paid on a quarterly basis

NOTE 14 - CAPITAL AND PLEDGE OF SHARES

On June 30, 2017, the UGEN S.A. Shareholders' in their Extraordinary Meeting approved a capital increase by the majority shareholder MSU Energy Holding Ltd, in the amount of $ 4,200,000 (ARS 69,846,000), by which the combined capital was raised to $ 25,301,097 (ARS 347,153,000), made up of 347,153,000 common shares with a nominal value of ARS 1, one vote per share. This capital increase was registered with the Supervisory Board of Companies on January 8, 2018.

On September 30, 2017, the UENSA S.A. Shareholders in their Extraordinary Meeting approved a capital increase by the majority shareholder MSU Energy Investment Ltd, in the amount of $ 2,000,000 (ARS 34,620,000), whereby the combined capital was raised to $ 27,301,097 (ARS 381,773,000), made up of 381,773,000 common shares with a nominal value of ARS 1, one vote per share, This capital increase was registered with the Supervisory Board of Companies on January 17, 2018.

As of September 30, 2018 and December 31, 2017 the common shares per each of the combined entities is as follows:

	09/30/2018	31/12/2017
Rio Energy S.A.	224,457,000	224,457,000
UGEN S.A.	70,046,000	70,046,000
UENSA S.A.	87,270,000	87,270,000
	381,773,000	381,773,000

The capital amounts of $ 134,575 (ARS 5,551,240) as of September 30, 2018 was yet to be paid-in.

NOTE 14 - CAPITAL AND PLEDGE OF SHARES (cont.)

As of December 31, 2017, the total common shares of: a) RIO ENERGY S.A. were subject to a first pledge in favor of GE Packaged Power Inc, and General Electric International, Inc, Argentine Branch pursuant to EPC Agreements of General Rojo, and to a second pledge in favor of all its creditors that are a party to the loan from First CarVal, the lender of funds to MSU Energy Holding Ltd, that were then granted as a loan to the MSU Energy group; b) UGEN S.A. were subject to a first pledge in favor of GE Packaged Power Inc, and General Electric International, Inc, Argentine Branch pursuant to EPC Agreements of Barker, and to a second pledge in favor of all its creditors that are a party to the loan from First CarVal, the lender of funds to MSU Energy Holding Ltd, that were then granted as a loan to the MSU Energy group and c) UENSA S.A. were subject to a first pledge for the benefit of General Electric International, Inc, Argentine Branch, and GE Global Parts & Products GMBH, pursuant to EPC Agreements of Villa María, and to a second pledge for the benefit of all its creditors that are a party to the second loan from Gramercy, the lender of funds to MSU Energy Investment Ltd, that were then granted as a loan to the MSU Energy group.

Upon issuing the senior secured notes and cancelling the outstanding loans (see Note 13), each of the combined entities canceled the pledges on the shares mentioned above.

NOTE 15 - CONTRACTUAL COMMITMENTS

Agreement with CAMMESA for wholesale demand

Based on the Argentine Government's search for a comprehensive solution to the energy supply, on July 4, 2016, through SEE Resolution No, 21/2016, Rio Energy S.A. was awarded in the bidding process an average 144.22 MW of guaranteed capacity, by virtue of the purchase power agreement ("PPA"), Rio Energy S.A. agrees to add 150 MW of nominal power to SADI.

Rio Energy S.A. agrees to sell the total output capacity by means of the regulatory scheme created by SEE Resolution No, 21/2016 through the Wholesale Demand Agreement entered into by and between the Rio Energy S.A. and CAMMESA dated August 4, 2016, involving power of 144,22 MW hired for a term of ten (10) years, at a price of $ 20,900 ($/MW-month) awarded by the SEE Resolution No, 21/2016 mentioned above, Fuel is provided by CAMMESA.

On June 13, 2017, turbines 01, 02, and 03 of Thermoelectric Power Station Rojo, with a maximum capacity of approximately 50 MW each, were authorized to conduct commercial operations with SADI.

As from such date, the Wholesale Demand Agreement signed with CAMMESA on August 4, 2016 became effective.

On June 6, 2018 and by means of the provisions of Resolution No. 262 of the Ministry of Energy and Mining ("MEyM"), it was resolved that the amount of the penalties for noncompliance with the date agreed for the power stations start-up, as stated in the Wholesale Demand Agreement signed within the framework of SEE Resolution No. 21/2016, will be discounted from the amount to be received by the Power Generating Agent subject to the penalty by virtue of the related agreement. To such end, on June 11, 2018, CAMMESA notified Rio Energy S.A. that, under the terms and conditions of the Wholesale Demand Agreement signed between the parties for the construction of thermoelectric power plant in General Rojo (Central Térmica General Rojo), the penalty amounts to USD 18,084,770.

Rio Energy S.A. appeared before CAMMESA to start the process for the resolution of disputes established by the agreement signed by them, as it considered that the delay was caused due to force majeure under the terms of section 21 of that agreement. Even though the process has not been completed to date, Rio Energy S.A. recorded in these condensed interim financial statements a loss in the amount of USD 18,084,770 (Note 8 f).

Moreover, Rio Energy S.A., pursuant to section 5.3.2 of the EPC-On- Shore Contract, is entitled to claim GE International Inc. ("GEII") Sucursal Argentina for damages caused by the delay in the date of commencement of business in an amount of up to USD 22,464,640. On October 16, 2018, Rio Energy S.A. agreed with GE II the payment of the sum of USD 22,239,882 claimed, recognizing the corresponding income in these condensed interim financial statements (Note 8 a).

NOTE 15 - CONTRACTUAL COMMITMENTS (cont.)

Agreement with CAMMESA for wholesale demand (cont.)

UGEN S.A. was awarded in the bidding process an average of 145,19 MW of guaranteed capacity, By virtue of the agreement entered into for wholesale demand, UGEN S.A. agrees to add 145,19 MW of nominal power to the SADI, UGEN S.A. will sell all its generation capacity of the Barker thermoelectric power station based on the regulatory system created by Resolution No, 21/2016 of the Secretary of Energy, through the PPA signed by UGEN S.A. and CAMMESA on July 25, 2016, in connection with the hired power of 145,19 MW for a term of ten (10) years, at a price of $ 19,900 ($/MW-month) as awarded by Resolution 21/2016 issued by the Secretary of Energy the Wholesale Demand Agreement.

On December 29, 2017, turbines 01, 02, and 03 of Thermoelectric Power Station Barker, with a maximum capacity of approximately 50 MW each, were authorized to conduct commercial operations with SADI. Since that date, the Wholesale Demand Agreement signed with CAMMESA on July 25, 2016 became effective.

By virtue of the agreement entered into for wholesale demand, UENSA S.A. agrees to add 143,14 MW of nominal power to the SADI, UENSA S.A. agrees to sell the output capacity by means of the regulatory scheme created by SEE Resolution No, 21/2016 through the PPA entered into by and between the UENSA S.A. and CAMMESA dated December 29, 2016, involving power of 143,14 MW hired for a term of ten (10) years, at a price of $ 19,900 ($/MW-month) adjudged by the SEE Resolution No, 21/2016.

On January 25, 2018 turbines 01, 02, and 03 of Villa Maria Thermoelectric Power Station were authorized to conduct commercial operations with SADI. From such date, the Wholesale Demand Agreement signed with CAMMESA on December 29, 2016 became effective.

Construction agreement with A-Evangelista S.A.

In order to secure the works and supply of equipment necessary for the extension and conversion of the simple cycle power station into the combined cycle, on March 7, 2018, each of the combined entities entered into an individual contract with A-Evangelista S.A. for the supply of certain services, engineering services, procurement, construction and equipment, including a GE LM6000-PC Sprint turbine, a Baker Hughes GE steam turbine and four Vogt recovery steam generators.

NOTE 16 - RESTRICTED ASSETS

According to article 3 of Law No 23.756, in order to guarantee the issuance of the senior secured notes, (note 13) on January 5, 2018, a pledge was made on the 3 GE Sprint LM6000-PC turbines installed in each thermoelectric power station.

As mentioned in note 13 b) on September 14, 2018, the MSU Energy Group assignment to Banco Galicia y Buenos Aires S.A. the collection rights amounting to $ 10,354,635 of sales liquidations issued by CAMMESA due on October 11, 2018, disclosed as of September 30, 2018 under Trade receivables.

There are no other restricted assets as of September 30, 2018. As of December 31, 2017 must be considered the mentioned in note 14.

NOTE 17 - MERGER

On September 24, 2018, the Board of Directors approved the preliminary merger agreement by which RIO ENERGY, S.A. shall merge UGEN S.A. and UENSA S.A., effective as from January 1, 2019, and UGEN S.A. and UENSA S.A. shall be dissolved without being wound up. This merger is aimed at centralizing the business conducted by these companies in only one organization.

The merger is advisable for the following reasons:

- the identity of the business conducted by the Merging Companies, enabling them to join and supplement one another, resulting in more efficient operations;
- streamlining of the corporate structure of the Merging Companies by consolidating their business in only one legal entity;
- the synergy derived from the merger of various group companies will enable to control and manage business more efficiently;
- a higher scale obtained, enabling to increase the financing capacity to develop new projects;
- optimization in the assignment of existing resources;
- benefits resulting from a centralized management, with central decision making in terms of business policies and strategies, thus eliminating the multiplication of (legal, accounting, administrative, financing or other) costs;
- development of better career opportunities for the human resources of Merging Companies.

NOTE 18 - SUBSEQUENT EVENTS

On October 31, 2018, the Extraordinary Shareholders' Meeting decided, among other matters, to approve the merger between RIO ENERGY S.A., UGEN S.A. and UENSA S.A., and to appoint Manuel Santos de Uribelarrea as President of Rio Energy, S.A.

On November 12, 2018 after the the collection of the sales liquidation mentioned in the third paragraph of Note 13 b), the MSU Energy Group assigned the collections rights of the sales liquidations due on December 12, 2018 amounting $ 11,683,465.

Except for the indicated above and in Note 1.3, no other events or transactions have occurred from period-end to the date of issuance of these condensed combined interim financial statements that would have a material effect on the financial position of the MSU Energy group at period-end or the results of operations for the period ended September 30, 2018.

ATTACHMENT SCHEDULE (NOT SUBJECT TO AUDIT OR REVIEW)

RIO ENERGY S.A.; UGEN S.A. and UENSA S.A.

CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS
as of September 30, 2018 (in USD)

EBITDA – Reconciliation with Comprehensive Income (NOT SUBJECT TO AUDIT OR REVIEW)

The following table reconciles the EBITDA to the net income of each of the combined entities.

a) For the nine months period ended September 30, 2018 as follows:

	Rio Energy S.A. (9 months)	UGEN S.A. (9 months)	UENSA S.A. (9 months)	Total (9 months)
Comprehensive Income [1]	696,440	(7,633,876)	(6,684,698)	(13,622,134)
Financial income and expenses – net	22,656,742	29,726,602	22,149,092	74,532,436
Income tax	757,775	(1,274,376)	(728,616)	(1,245,217)
Depreciation and amortization	3,030,500	2,478,029	5,583,339	11,091,868
EBITDA	27,141,457	23,296,379	20,319,117	70,756,953

b) For the year ended December 31, 2017 as follows:

	Rio Energy S.A. (12 months)	UGEN S.A. (12 months)	UENSA S.A. (12 months)	Total (12 months)
Comprehensive Income [2]	1,607,510	(2,723,222)	(2,990,397)	(4,106,109)
Financial income and expenses - net	4,978,917	3,421,378	3,614,505	12,014,800
Income tax	850,356	(729,614)	(786,110)	(665,368)
Depreciation and amortization	9,182,134	142,976	9,536	9,334,646
EBITDA	16,618,917	111,518	(152,466)	16,577,969

(1) The General Villa Maria Thermoelectric Power Station plant held by UENSA S.A. commenced operations on January, 25 2018.

(2) The General Rojo power plant held by Río Energy commenced operations on June 13, 2017. The Barker power plant held by UGEN commenced operations on December 29, 2017.