

MSU ENERGY S.A. (formerly RIO ENERGY S.A.)

Unaudited condensed interim financial statements for
the three month period ended March 31, 2019

MSU ENERGY S.A. (formerly RIO ENERGY S.A.)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS for the three month period ended
March 31, 2019

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INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

MSU ENERGY S.A. (formerly RIO ENERGY S.A.)
Cerrito 1294 – 2nd Floor
City of Buenos Aires

Introduction

We have reviewed the accompanying condensed interim statement of financial position of MSU ENERGY S.A. (formerly RIO ENERGY S.A.) as of 31 March 2019, the condensed interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three month period then ended, and notes to the condensed interim financial statements. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with IAS 34, '*Interim Financial Reporting*'. Our responsibility is to express a conclusion on these condensed 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 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 interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements as of and for the three months ended 31 March 2019 are not prepared, in all material respects, in accordance with IAS 34 '*Interim Financial Reporting*'.

Emphasis of Matter – Comparative information

We draw attention to notes 1.1 and 2.4 to the condensed interim financial statements, which discloses that the Shareholders approved the merger into MSU ENERGY S.A. (formerly RIO ENERGY S.A.) of UGEN S.A. and UENSA S.A., effective as from January 1, 2019. The comparative information presented in the accompanying condensed interim financial statements was prepared giving retrospective effect to the merger through the aggregation of their financial statements and the elimination of transactions and balances between them considering that the three entities operated under common control since their inception. Our conclusion is not modified in respect of this matter.

We draw attention to note 2.4 to the condensed interim financial statements which discloses the change in depreciation method for certain categories of property, plant and equipment, which was applied retrospectively. Our conclusion is not modified in respect of this matter.

Emphasis of Matter – Purpose of these condensed interim financial statements

We draw attention to note 1.2 to the condensed interim financial statements, which discloses that these condensed interim financial statements were prepared by management to provide interim financial information to the financial creditors of the entity and other interested parties pursuant to the requirements of the debt issuance made by the entity in January 2018. Our conclusion is not modified in respect of this matter.

Buenos Aires (Argentina), May 13, 2019

KPMG

Tamara Vinitzky
Partner

MSU ENERGY S.A. (formerly RIO ENERGY S.A.)

Unaudited condensed interim financial statements for the three month period ended March 31, 2019

Stated in USD

GENERAL INFORMATION

Legal address: Cerrito 1294 - 2nd Floor – City of Buenos Aires

Main business: Power generation

Parent company's information:

Name: MSU Energy Holding Ltd.

Main business: Investments

Ownership interest and voting stock: 75.33%

MSU ENERGY S.A. (formerly RIO ENERGY S.A.)

UNAUDITED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION for the period ended March 31, 2019 (in USD)

	Notes	<u>03/31/2019</u>	<u>12/31/2018</u>
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8 (g)	684,764,359	649,176,598
Spare parts		5,675,994	5,095,599
Financial credits	11	38,486,340	37,875,796
Tax receivables	8 (b)	19,309,104	17,868,398
Deffered tax assets	6	455,434	1,138,675
Other receivables	8 (a)	<u>13,839,534</u>	<u>15,040,287</u>
Total non current assets		<u>762,530,765</u>	<u>726,195,353</u>
CURRENT ASSETS			
Tax receivables	8 (b)	25,039,228	31,380,027
Other receivables	8 (a)	12,701,199	10,438,454
Trade receivables		27,266,260	24,243,850
Cash and cash equivalents	8 (c)	<u>63,459,659</u>	<u>119,326,703</u>
Total current assets		<u>128,466,346</u>	<u>185,389,034</u>
Total assets		<u>890,997,111</u>	<u>911,584,387</u>
SHAREHOLDERS´ EQUITY			
Capital		30,295,440	27,301,097
Merger premium		(20,161,526)	-
Legal reserve		116,084	116,084
Other reserves		2,157,498	2,157,498
Accumulated gain (loss)		<u>4,307,269</u>	<u>(15,147,420)</u>
Total equity		<u>16,714,765</u>	<u>14,427,259</u>
LIABILITIES			
NON CURRENT LIABILITIES			
Loans	8 (e)	830,611,733	829,667,975
Trade accounts payables	8 (d)	<u>13,112,093</u>	<u>12,423,095</u>
Total non-current liabilities		<u>843,723,826</u>	<u>842,091,070</u>
CURRENT LIABILITIES			
Loans	8 (e)	11,584,587	20,116,174
Other liabilities	8 (f)	952,728	947,823
Taxes payable		215,406	81,701
Trade accounts payable	8 (d)	<u>17,805,799</u>	<u>33,920,360</u>
Total current liabilities		<u>30,558,520</u>	<u>55,066,058</u>
Total liabilities		<u>874,282,346</u>	<u>897,157,128</u>
Total liabilities and equity		<u>890,997,111</u>	<u>911,584,387</u>

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

MSU ENERGY S.A. (formerly RIO ENERGY S.A.)

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

for the three month period ended March 31, 2019 (in USD)

	<u>Notes</u>	<u>03/31/2019</u>	<u>03/31/2018</u>
Net revenue	9 (a)	26,912,180	22,831,154
Cost of sales	9 (c)	<u>(5,547,312)</u>	<u>(7,256,813)</u>
Gross profit		21,364,868	15,574,341
Other income and expenses		243,848	-
Marketing and administrative expenses	9 (c)	<u>(932,123)</u>	<u>(1,317,099)</u>
Operating profit		20,676,593	14,257,242
Finance income	9 (b)	934,137	502,562
Finance expenses	9 (b)	<u>(18,639,983)</u>	<u>(18,384,963)</u>
Net finance costs		<u>(17,705,846)</u>	<u>(17,882,401)</u>
Gain (loss) before income tax		2,970,747	(3,625,159)
Income tax (loss) benefit	6	<u>(683,241)</u>	<u> 678,638</u>
Net gain (loss) for the period		2,287,506	(2,946,521)
Other comprehensive income		<u> -</u>	<u> -</u>
Comprehensive gain (loss) for the period		<u><u>2,287,506</u></u>	<u><u>(2,946,521)</u></u>
Basic and diluted gain (loss) per share	5	0.008	(0.007)

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

MSU ENERGY S.A. (formerly RIO ENERGY S.A.)

UNAUDITED CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
for the three month period ended March 31, 2019 (in USD)

Items	Shareholders' contributions				Unappropriated (loss) gain	Total
	Capital	Merger premium	Legal reserve	Other reserves		
Balances as of December 31, 2018	27,301,097	-	116,084	2,157,498	(15,147,420)	14,427,259
Incorporation of the merger (Note 16)	2,994,343	(20,161,526)	-	-	17,167,183	-
Net gain for the period	-	-	-	-	2,287,506	2,287,506
Balances as of March 31, 2019	<u>30,295,440</u>	<u>(20,161,526)</u>	<u>116,084</u>	<u>2,157,498</u>	<u>4,307,269</u>	<u>16,714,765</u>
Balances as of December 31, 2017	27,301,097	-	2,547	288	(7,398,167)	19,905,765
Net loss for the period	-	-	-	-	(2,946,521)	(2,946,521)
Balances as of March 31, 2018	<u>27,301,097</u>	<u>-</u>	<u>2,547</u>	<u>288</u>	<u>(10,344,688)</u>	<u>16,959,244</u>

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

MSU ENERGY S.A. (formerly RIO ENERGY S.A.)

UNAUDITED CONDENSED INTERIM STATEMENT OF CASH FLOWS for the three month period ended March 31, 2019 (in USD)

CAUSES OF CHANGES IN CASH	<u>03/31/2019</u>	<u>03/31/2018</u>
Operating activities		
Gain (loss) for the period	2,287,506	(2,946,521)
Adjustments for:		
Income tax	683,241	(678,638)
Depreciation of property, plant and equipment	3,045,149	4,275,386
Foreign exchange loss	6,712,450	4,442,881
Accrued interest	10,993,396	13,389,745
Other income and expenses	(370,333)	-
Changes in operating assets and liabilities:		
Increase in accounts receivables	(4,146,215)	(10,768,427)
Decrease (Increase) in other receivables	1,089,608	(304,399)
Decrease in tax receivables	4,320,635	7,746,673
(Decrease) Increase in trade accounts payable	(1,898,347)	22,189,985
Increase in taxes payable	133,705	8,408
Increase in tax receivables due to recoverables taxes paid for property, plant and equipment	(5,574,284)	(13,289,730)
Net cash flows provided by operating activities	<u>17,276,511</u>	<u>24,065,363</u>
Changes in investment assets		
Interest income	323,593	102,316
Loans granted	-	(35,610,000)
Advanced to purchase property, plant and equipment	(3,463,398)	(43,256,134)
Acquisition of spare parts	(210,062)	(145,471)
Payments of property, plant and equipment (including unpaid amounts at the beginning of the period)	(40,056,674)	(166,062,577)
Net cash flows used in investing activities	<u>(43,406,541)</u>	<u>(244,971,866)</u>
Financing activities		
Senior secured notes	-	600,000,000
Increase in loans	-	40,141,169
Interest senior secured notes	(29,347,894)	(4,098,000)
Payments of loans	-	(379,156,047)
Payment related to financing expenses	(389,120)	(12,307,835)
Payments of taxes related loans	-	(4,880,353)
Decrease in other liabilities	-	(50,903)
Net cash flows (used in) provided by financing activities	<u>(29,737,014)</u>	<u>239,648,031</u>
Net (decrease) increase in cash	<u>(55,867,044)</u>	<u>18,741,528</u>
Cash and cash equivalents at the beginning of period	119,326,703	6,363,169
Cash and cash equivalents at the end of the period	<u>63,459,659</u>	<u>25,104,697</u>
Net (decrease) increase in cash	<u>(55,867,044)</u>	<u>18,741,528</u>

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

MSU ENERGY S.A. (formerly RIO ENERGY S.A.)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

for the three month period ended March 31, 2019 (in USD)

NOTE 1 – GENERAL INFORMATION

1.1) Merge and change of denomination

RIO ENERGY S.A., UGEN S.A. and UENSA S.A. were part of MSU group of companies. These three entities operated under common control and had the same management and board of directors. On October 31, 2018, the Shareholders, in their Extraordinary Meeting decided, among other matters, to approve the merge between RIO ENERGY S.A., UGEN S.A. and UENSA S.A., effective as from January 1, 2019. At the merger effective date UGEN S.A. and UENSA S.A were dissolved without being wound up (Notes 16).

On January 3, 2019, the Extraordinary General Shareholders' Meeting resolved to change the company's denomination from RIO ENERGY S.A. to MSU ENERGY S.A. ("MSU Energy" or "The Company")

On March 6, 2019, the General Inspection of Justice (IGJ) approved the change of denomination.

1.2) Purpose of these condensed interim financial statements

These non statutory condensed interim financial statements have been prepared by management to provide interim financial information to the financial creditors of the entity and other interested parties pursuant to requirements of the debt issuance made in January 2018 (Note 12 a).

1.3) Description of the business

Through Resolution No. 21/2016 dated March 22, 2016, the Secretary of Energy ("SEE") called for a bidding process to add new thermal capacity with the commitment of being available in the Wholesale Electric Market to meet the basic requirements of demand during 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.

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

- the General Rojo thermoelectric power plant 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 plant 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 plant 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 fore-mentioned SEE Resolution No. 21/2016, the Company will sell all the output of the Plants through multiple power purchase agreements entered into by the Company and CAMMESA in 2016, in connection with a monthly average contracted capacity 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 the Company as part of a "combined cycle (4+1)" project.

MSU ENERGY S.A. (formerly RIO ENERGY S.A.)

**NOTES TO THE UNAUDITED CONDENSED
INTERIM FINANCIAL STATEMENTS**

for the three month period ended March 31, 2019 (in USD)

NOTE 1 – GENERAL INFORMATION (cont.)

1.3) Description of the Business (cont.)

On April 6, 2018, the Company entered into a new Wholesale Demand Agreement with CAMMESA for the additional capacity coming from the installation of a fourth gas turbine and one steam turbine in each thermoelectric power plant. The associated supply agreement will be effective for a term of 15 years as from the kick-off expected by mid 2020.

NOTE 2 - BASIS OF PRESENTATION

2.1) Statement of compliance

These condensed interim financial statements have been prepared in conformity with IAS 34 *Interim Financial Reporting*.

The issuance of these condensed interim financial statements ended March 31, 2019 was authorized by the board of director's on May, 13 2019.

2.2) Basis for measurement and presentation

These condensed interim financial statements have been prepared based on historical cost.

The presentation in the condensed 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, MSU Energy reports the statement of cash flows by the indirect method.

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

2.3) Translation of condensed interim financial statements

(a) Functional currency

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

(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 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 period-end of monetary assets and liabilities with an original currency other than the US dollar. Foreign exchange differences are presented in the condensed interim statement of profit or loss and other comprehensive income under the financial income or financial expenses line.

2.4) Comparative information

As mentioned on Note 1.1) on October 31, 2018, the Shareholders, in their Extraordinary Meeting decided, among other matters, to approve the merge between MSU ENERGY S.A (former RIO ENERGY S.A.), UGEN S.A. and UENSA S.A., effective as from January 1, 2019.

MSU ENERGY S.A. (formerly RIO ENERGY S.A.)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

for the three month period ended March 31, 2019 (in USD)

NOTE 2 - BASIS OF PRESENTATION (cont.)

2.4) Comparative information (cont.)

During fiscal year 2018 these three entities operated under common control with the same management and board of directors. Comparative information has been prepared as if MSU Energy S.A. (formerly Rio Energy S.A.), UGEN S.A. and UENSA S.A. were a single organization (“MSU Energy”) through the aggregation of their financial statements and the elimination of transactions and balances between them.

The condensed interim statement of financial position is presented on a comparative basis with balances as of December 31, 2018.

The condensed interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three month period ended in March 31, 2019 are presented on a comparative basis with the three months period ended as of March 31, 2018.

During 2018, and with effective date January 1, 2018, MSU Energy changed its method to recognize the depreciation of turbines, machinery and equipment related to Thermoelectric Power Plants, from a straight line depreciation method (10 years) to units of production. The buildings that are part of these Thermoelectric Power Plants are depreciated over 30 years by applying the straight line method instead of 10 years. Also, MSU Energy has considered 30% of the cost of Thermoelectric Power Plant as residual value, which is not subject to depreciation. These changes were applied by the company as it considers that these change provides a better measurement of the profits that these assets are expected to bring to the Company. Consequently, information for the three month period ended March 31, 2018 has been modified with this retrospective adjustment for comparative purposes.

The lines that were modified in these condensed interim financial statements in the comparative column as of March 31, 2018 are the followings:

- Depreciation, Cost of sales, Gross profit, Operating profit and Loss before income tax by \$ 7,948,071 (gain)
- Income tax benefit by \$ 1,659,998 (loss)
- Net loss for the period and comprehensive loss for the period by \$ 6,288,073 (gain)
- Basic and diluted loss per share by 0.017 (gain)

2.5) Significant accounting policies

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, 2018, except the standards that shall be effective for fiscal years beginning on or after January 1, 2019.

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

(a) IFRS 16 Leases, was issued by the IASB in January 2016 and came into force on January 1, 2019 and replaces IAS 17 Leases. It contains a new control model for the identification of leases, which distinguishes between leases of an identified asset and service contracts. The standard establishes specific transition requirements for:

- The definition of tenant
- Valuation of the right to use assets and liabilities of tenants
- Sales transactions with subsequent tenant, prior to the date of the initial application.
- Previously recognized amounts in relation to business combinations.

MSU ENERGY S.A. (formerly RIO ENERGY S.A.)

**NOTES TO THE UNAUDITED CONDENSED
INTERIM FINANCIAL STATEMENTS**

for the three month period ended March 31, 2019 (in USD)

NOTE 2 - BASIS OF PRESENTATION (cont.)

2.5) Significant accounting policies (cont.)

Classification and initial measurement of assets and liabilities for leases

Leases are classified as a financial or operating lease; it will be classified as financial when it substantially transfers all the risks and advantages inherent in the ownership of an underlying asset and will be operational if substantially all the risks and advantages are not transferred to the ownership of an underlying asset.

A lessee will initially measure an asset for its rightful use at cost, which will include the initial amount of the lease liability, lease payments made before or after the commencement date, initial direct costs incurred by the lessee and an estimate of the costs incurred by the lessee in dismantling and eliminating the underlying asset.

A lessee will initially measure the liability to the present value of the following payments for the right to use the underlying asset during the term of the lessee, which consists of: fixed payments, payments for variable leasing, amounts expected to be paid by the lessee as collateral of residual value, the exercise price of a purchase option if the lessee is reasonably sure of exercising that option, and payment of penalties for terminating the lease.

Presentation and revelations

IFRS 16 requires the presentation in separate lines of the income statement of the period and other comprehensive income, the interest expense for the lease liability related to the depreciation of the asset for rightful use.

IFRS 16 requires new disclosures, in particular about its leases in which it acts as lessee, costs that a lessee has included in the carrying amount of another asset, the amount of its commitments for short-term leases, analysis of the maturity of the passive.

2.6) New and revised IFRS not yet effective

The following new or revised standards are not expected to have a significant impact on MSU ENERGY S.A.'s condensed interim financial statements:

- IFRIC 23 uncertainty over income tax treatments.
- Prepayments features with negative compensation (amendments to IFRS 9).
- Pension plan amendment, curtailment or settlement (amendments to IAS 39).
- Annual improvements to IFRS – 2015-2017 cycle - various standards
- Amendments to references to Conceptual Framework in IFRS Standards.
- IFRS 17 Insurance contracts.

NOTE 3 - USE OF JUDGMENT AND ESTIMATES

The preparation of these condensed 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.

MSU ENERGY S.A. (formerly RIO ENERGY S.A.)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

for the three month period ended March 31, 2019 (in USD)

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

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 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 interim financial statements in relation to the following:

- the assumptions to determine the amount of deferred tax assets related to estimated tax losses.

NOTE 4 - OPERATING SEGMENTS

Considering that MSU Energy has only one offtaker - CAMMESA (Note 15), which is the administrator of the Wholesale Electricity Market ("WEM") and the responsible for the supply of power into the SADI, MSU Energy has determined only one operating segment, the activity of generating and selling electricity.

All of MSU Energy's non-current assets are located in Argentina as of March 31, 2019 and December 31, 2018.

NOTE 5 - EARNINGS PER SHARE

Basic

The basic gain (loss) per share was calculated by dividing gain (loss) for the period by the number of weighted-average number of ordinary shares outstanding.

	<u>03/31/2019</u>	<u>03/31/2018</u>
Gain (loss) for the period ended	2,287,506	(2,946,521)
Weighted-average number of ordinary shares outstanding	468,159,804	381,773,000
Basic gain (loss) per share for the period ended	0.008	(0.007)

Diluted

The diluted earnings per share do not differ from the basic earnings per share because MSU Energy has no dilutive instruments.

NOTE 6 - INCOME TAX

On December 29, 2017 the Argentine Government enacted Law No 27430 amending the Income Tax Law, including among other changes, the reduction of the tax rate for companies 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 23% and 19% for the three-month period ended March 31, 2019 and March 31, 2018, respectively.

MSU ENERGY S.A. (formerly RIO ENERGY S.A.)

**NOTES TO THE UNAUDITED CONDENSED
INTERIM FINANCIAL STATEMENTS**

for the three month period ended March 31, 2019 (in USD)

NOTE 7 - FINANCIAL INSTRUMENTS - CLASSIFICATION AND RISK MANAGEMENT

(a) Classification of financial instruments

MSU Energy uses the following hierarchy to determine the fair value of its financial instruments: Level 1: Market prices (unadjusted) in active markets for identical instruments. Level 2: 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 Level 3: Unobservable inputs (inputs for the asset or liability that are not based on observable market data), when there is little or no market information, then, MSU Energy develops its own assumptions.

The table below shows the classification of financial instruments held by MSU ENERGY S.A.:

Balances as of March 31, 2019				
<u>Item</u>	<u>Note</u>	<u>Fair value</u>	<u>Loans and receivables</u>	<u>Other financial liabilities (**)</u>
<i>Financial assets</i>				
Other financial receivables	8 (a)	-	9,356,966	-
Financial credits		-	38,486,340	-
Trade receivables		-	27,266,260	-
Cash and cash equivalents	8 (c)	<u>63,459,659 (*)</u>	-	-
Total financial assets		<u>63,459,659</u>	<u>75,109,566</u>	<u>-</u>
<i>Financial liabilities</i>				
Loans	8 (e)	-	-	842,196,320
Trade accounts payable	8 (d)	-	-	30,917,892
Other liabilities	8 (f)	-	-	<u>952,728</u>
Total financial liabilities		<u>-</u>	<u>-</u>	<u>874,066,940</u>
Balances as of December 31, 2018				
<u>Item</u>	<u>Note</u>	<u>Fair value</u>	<u>Loans and receivables</u>	<u>Other financial liabilities (**)</u>
<i>Financial assets</i>				
Other financial receivables		-	11,427,965	-
Financial credits	11	-	37,875,796	-
Trade receivables		-	24,243,850	-
Cash and cash equivalents	8 (c)	<u>119,326,703 (*)</u>	-	-
Total financial assets		<u>119,326,703</u>	<u>73,547,611</u>	<u>-</u>
<i>Financial liabilities</i>				
Loans	8 (e)	-	-	849,784,149
Trade accounts payable	8 (d)	-	-	46,343,455
Other liabilities	8 (f)	-	-	<u>947,823</u>
Total financial liabilities		<u>-</u>	<u>-</u>	<u>897,075,427</u>

(*) Level 1

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

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

(b) Financial risk management

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

These condensed 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, 2018. Since fiscal year-end, no significant changes have been introduced to risk management or to the risk management policies applied by MSU Energy.

MSU ENERGY S.A. (formerly RIO ENERGY S.A.)

**NOTES TO THE UNAUDITED CONDENSED
INTERIM FINANCIAL STATEMENTS**

for the three month period ended March 31, 2019 (in USD)

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

	<u>03/31/2019</u>	<u>12/31/2018</u>
a) Other receivables		
Non current		
Credit of compensatory agreement (Note 14)	13,839,534	15,040,287
Total	<u>13,839,534</u>	<u>15,040,287</u>
Current		
Advances to suppliers	5,957,477	2,497,006
Expenses to be recovered	5,572	923
Shareholders' and directors' accounts (Note 10)	987,573	991,101
Other receivables with related companies (Note 10)	128,272	138,215
Loans to personnel (Note 10)	53,779	62,355
Security deposits	31,877	31,761
Others	250,000	250,000
Credit of compensatory agreement (Note 14)	4,332,684	5,614,129
Insurance	<u>953,965</u>	<u>852,964</u>
Total	<u>12,701,199</u>	<u>10,438,454</u>
(b) Tax Receivables		
Non current		
Valued added tax receivables	16,787,617	15,781,854
Income tax receivables balance	1,854,786	1,699,123
Tax receivables balance	576,958	387,421
Sales tax receivables balance	<u>89,743</u>	<u>-</u>
Total	<u>19,309,104</u>	<u>17,868,398</u>
Current		
Valued added tax receivables	23,979,129	30,273,017
Tax to be recovered	493,544	567,509
Income tax receivables balance	408,205	444,720
Others	<u>158,350</u>	<u>94,781</u>
Total	<u>25,039,228</u>	<u>31,380,027</u>
(c) Cash and cash equivalents		
Cash for specific use (Note 15)	52,588,695	91,833,536
Temporary investments	4,569,242	2,929,340
Cash	<u>6,301,722</u>	<u>24,563,827</u>
Total	<u>63,459,659</u>	<u>119,326,703</u>

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**NOTES TO THE UNAUDITED CONDENSED
INTERIM FINANCIAL STATEMENTS**

for the three month period ended March 31, 2019 (in USD)

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

	<u>03/31/2019</u>	<u>12/31/2018</u>
(d) Trade accounts payable		
Non current		
Ordinary	1,763,638	-
Provision for fines imposed by Cammesa (Note 14)	<u>11,348,455</u>	<u>12,423,095</u>
Total	<u>13,112,093</u>	<u>12,423,095</u>
Current		
Ordinary	12,443,292	28,264,163
Provision for fines imposed by Cammesa (Note 14)	4,521,193	4,521,193
Accrued expenses	<u>841,314</u>	<u>1,135,004</u>
Total	<u>17,805,799</u>	<u>33,920,360</u>
(e) Loans		
Non current		
Senior secured notes (Note 12)	<u>830,611,733</u>	<u>829,667,975</u>
Total (*)	<u>830,611,733</u>	<u>829,667,975</u>
Current		
Senior secured notes (Note 12)	<u>11,584,587</u>	<u>20,116,174</u>
Total (*)	<u>11,584,587</u>	<u>20,116,174</u>
(f) Other liabilities		
Shareholders' and directors' accounts (Note 10)	794,208	789,303
Other payables	<u>158,520</u>	<u>158,520</u>
Total	<u>952,728</u>	<u>947,823</u>

(*) At March 31, 2019 and December 31, 2018 includes expenses to be deferred for financing purposes net of \$ 15,968,192 and \$ 16,767,710 respectively.

MSU ENERGY S.A. (formerly RIO ENERGY S.A.)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

for the three month period ended March 31, 2019 (in USD)

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

(g) Property, plant and equipment

Main account	Balances as of March 31, 2019								Net as of 03/31/2019
	Cost				Depreciation				
	At beginning of period	Additions	Transfers	At period end	Accumulated at beginning of the period	Rate %	Amount (Note 9.c)	Accumulated at period end	
Land	2,127,790	-	-	2,127,790	-	-	-	-	2,127,790
<i>Thermoelectric power plants</i>									
Infraestructure	193,197,660	-	-	193,197,660	7,841,284	3,33%	1,021,877	8,863,161	184,334,499
Plant and equipments	291,738,612	-	-	291,738,612	14,124,662	(*)	1,884,553	16,009,215	275,729,397
Tools	412,029	-	-	412,029	38,733	10%	10,497	49,230	362,799
Computers	477,341	853	-	478,194	224,068	33%	35,799	259,867	218,327
Vehicles	472,787	-	-	472,787	110,468	20%	30,053	140,521	332,266
Facilities	6,405	-	-	6,405	697	20%	160	857	5,548
Furniture and fixtures	133,399	-	-	133,399	18,508	20%	3,331	21,839	111,560
Leasehold improvements	706,546	-	-	706,546	412,152	20%	58,879	471,031	235,515
Work in progress	182,674,601	38,632,057 (**)	-	221,306,658	-	-	-	-	221,306,658
Total as of March 31, 2019	671,947,170	38,632,910	-	710,580,080	22,770,572		3,045,149	25,815,721	684,764,359
	Balances as of December 31, 2018								
	Cost				Depreciation				Net as of
	At beginning of year	Additions	Transfers	At year-end	Accumulated at beginning of year	Rate %	Amount	Accumulated at year-end	12/31/2018
Land	2,067,790	60,000	-	2,127,790	-	-	-	-	2,127,790
<i>Thermoelectric power plants</i>									
Infraestructure	128,376,509	1,060,944	63,760,207	193,197,660	3,348,216	3,33%	4,493,068	7,841,284	185,356,376
Plant and equipments	191,772,111	276,667	99,689,834	291,738,612	5,704,692	(*)	8,419,970	14,124,662	277,613,950
Tools	105,126	306,903	-	412,029	4,982	10%	33,751	38,733	373,296
Computers	290,603	186,738	-	477,341	96,478	33%	127,590	224,068	253,273
Vehicles	110,183	362,604	-	472,787	16,247	20%	94,221	110,468	362,319
Facilities	1,941	4,464	-	6,405	194	20%	503	697	5,708
Furniture and fixtures	77,157	56,242	-	133,399	6,226	20%	12,282	18,508	114,891
Leasehold improvements	706,546	-	-	706,546	176,637	20%	235,515	412,152	294,394
Work in progress	161,648,839	184,475,803 (**)	(163,450,041)	182,674,601	-	-	-	-	182,674,601
Total as of December 31, 2018	485,156,805	186,790,365	-	671,947,170	9,353,672		13,416,900	22,770,572	649,176,598

(*) By units of production.

(**) Includes capitalized cost related to financial liabilities by \$ 10,226,557 and \$ 9,220,319 as of March 31, 2019 and December 31, 2018, respectively.

MSU ENERGY S.A. (formerly RIO ENERGY S.A.)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

for the three month period ended March 31, 2019 (in USD)

NOTE 9 - BREAKDOWN OF THE MAIN ACCOUNT BALANCES OF THE CONDENSED 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 Plants 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.

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

	<u>03/31/2019</u>	<u>03/31/2018</u>
Revenues from generation capacity	25,453,915	21,129,921
Revenues from electricity dispatched	<u>1,458,265</u>	<u>1,701,233</u>
Total revenue	<u>26,912,180</u>	<u>22,831,154</u>

(b) Net finance costs

	<u>03/31/2019</u>	<u>03/31/2018</u>
<u>Financial income</u>		
Interest income	<u>934,137</u>	<u>502,562</u>
Total financial income	<u>934,137</u>	<u>502,562</u>
<u>Financial expenses</u>		
Interest expense	(11,927,533)	(13,942,082)
Foreign exchange loss	<u>(6,712,450)</u>	<u>(4,442,881)</u>
Total net finance costs	<u>(18,639,983)</u>	<u>(18,384,963)</u>

(c) Expense by nature

<u>Items</u>	<u>Cost of sales</u>	<u>Marketing expenses</u>	<u>Administrative expenses</u>	<u>03/31/2019</u>	<u>03/31/2018</u>
Wages, salaries and social contributions	794,910	129,454	242,009	1,166,373	1,412,343
Other personnel-related expenses	53,967	3,112	23,086	80,165	222,163
Subcontracted labor	51,392	-	6,304	57,696	7,954
Professional fees	58,716	9,782	117,412	185,910	419,306
Direct sales expenses	85,594	-	-	85,594	217,927
Rentals	1,205	2,716	31,093	35,014	141,972
Depreciation (Note 8 g)	2,946,897	3,641	94,611	3,045,149	4,275,386
Maintenance expenses	1,176,673	1,236	1,817	1,179,726	664,313
Taxes, rates and contributions	98,504	362	173,520	272,386	423,926
Freight	4,386	142	142	4,670	72,893
Travel and per diem expenses	14,457	4,206	5,560	24,223	166,416
Telephone and communications	54,186	4,053	32,766	91,005	62,564
Insurance	191,063	1,182	2,656	194,901	236,340
Office supplies	6,084	1,424	8,048	15,556	34,371
Institutional expenses	6,430	9,563	15,110	31,103	91,699
Other expenses	<u>2,848</u>	<u>-</u>	<u>7,116</u>	<u>9,964</u>	<u>124,339</u>
Total as of 03/31/2019	<u>5,547,312</u>	<u>170,873</u>	<u>761,250</u>	<u>6,479,435</u>	
Total as of 03/31/2018	<u>7,256,813</u>	<u>122,612</u>	<u>1,194,487</u>		<u>8,573,912</u>

MSU ENERGY S.A. (formerly RIO ENERGY S.A.)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

for the three month period ended March 31, 2019 (in USD)

NOTE 10 - BALANCES AND TRANSACTIONS WITH SHAREHOLDERS AND OTHER RELATED COMPANIES

1. Balances with shareholders	<u>03/31/2019</u>	<u>12/31/2018</u>
Financial credits		
MSU Energy Holding Ltd.	31,395,162	30,897,368
MSU Energy Investment Ltd.	<u>7,091,178</u>	<u>6,978,428</u>
	<u>38,486,340</u>	<u>37,875,796</u>
Other receivables		
Manuel Santos De Uribe Larrea	11,968	13,762
Manuel Santos Uribe Larrea	11,569	13,303
MSU Energy Investment Ltd.	<u>964,036</u>	<u>964,036</u>
	<u>987,573</u>	<u>991,101</u>
Other liabilities:		
MSU Energy Holding Ltd.	520,077	520,077
Manuel Santos Uribe Larrea	<u>274,131</u>	<u>269,226</u>
	<u>794,208</u>	<u>789,303</u>
2. Transactions with shareholders	<u>03/31/2019</u>	<u>03/31/2018</u>
MSU Energy Holding Ltd.		
Payment of principal and interest	-	84,723,929
Interest loss recognized through profit or loss	-	876,825
Loans granted	-	29,050,000
Interest income	497,794	326,332
MSU Energy Investment Ltd.		
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
Loans granted	-	6,560,000
Interest income	112,750	73,914
3. Balance with related companies	<u>03/31/2019</u>	<u>12/31/2018</u>
Other receivables		
Uonic S.A.	67,732	76,862
Other related companies	<u>60,540</u>	<u>61,353</u>
	<u>128,272</u>	<u>138,215</u>
4. Transaction with related companies	<u>03/31/2019</u>	<u>03/31/2018</u>
Uonic S.A.		
Expenses to be recover	1,021	-
Other related companies		
Expenses to be recover	5,288	-
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 March 31, 2019 and December 31, 2018, the outstanding amount is shown in the line of loans to personnel under other receivables (Note 8a).

During the period ended March 31, 2019 and 2018, the Board of Directors and Top Management were paid compensations in the total amount of \$ 244,667 and \$ 513,672 respectively, which are considered short-term benefits and entail the only benefits granted to the Board of Directors and Top Management, 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 March 31, 2019 and December 31, 2018, respectively.

MSU ENERGY S.A. (formerly RIO ENERGY S.A.)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

for the three month period ended March 31, 2019 (in USD)

NOTE 11 - FINANCIAL CREDITS

On January 31, 2018, MSU Energy signed loans 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 March 31, 2019 and December 31, 2018, MSU Energy has principal and interest receivable equivalent to the amount of \$ 38,486,340 and \$ 37,875,796, respectively.

NOTE 12 - LOANS BECOMING DUE

(a) Senior Secured Notes (filled with the CNV)

On February 1, 2018, MSU ENERGY S.A. 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%,
- Interest payment dates: February 1 and August 1 of each year, commencing on August 1, 2018,

In connection with this Senior Secured Notes MSU Energy has principal and interest debt (net of expenses for financing purposes to be deferred) equivalent to the amount of \$ 593,214,057 and \$ 602,890,452 (Note 8 e) as of March 31, 2019 and December 31, 2018 respectively.

The proceeds from the placement of corporate bonds were used to settle trade and financial liabilities recognized as of December 31, 2017 owed to General Electric, BAF Latam Credit Fund B.V, and to its parent companies MSU Energy Holding Ltd. and MSU Investment Ltd, as well as 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.

(b) Private Senior Secured Notes

On November 30, 2018, MSU Energy issued Senior Secured Notes described as follows:

- Principal amount: \$ 250,000,000.
- Gross Proceeds: \$ 246,875,000.
- Maturity Date: November 30, 2023.
- Issue price: 98.75% of principal amount.
- Coupon: LIBOR plus 11.25%.
- Amortization: capital shall be amortized in 11 quarterly equal and consecutive installments after 30 months from the date of issue.
- Interest payment dates: to be paid quarterly on each February 28 and every 30th day of May, August and November.

MSU ENERGY S.A. (formerly RIO ENERGY S.A.)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

for the three month period ended March 31, 2019 (in USD)

NOTE 12 - LOANS BECOMING DUE (cont.)

(b) Private Senior Secured Notes (cont.)

In connection with this Private Senior Secured Notes MSU Energy has principal and interest debt (net of expenses for financing purposes to be deferred) equivalent to the amount of \$ 248,982,263 and \$ 246,893,697 (Note 8 e) as of March 31, 2019 and December 31, 2018 respectively.

The proceeds from the issuance of the private senior secured notes were used to settle BAF Latam Trade Finance Fund B.V. and trade payables related to the construction agreement entered into with A-Evangelista S.A. (Note 14).

In addition to what is stated in the last paragraph of Note 13 and in Note 15, private senior secured notes are secured by the fiduciary assignment of the collection rights arising from the purchase-sale agreement related to combined cycle capacity.

Pursuant to the Amendment of IAS 7 – Statement of cash flows – Disclosure Initiatives, below are the changes from financing cash flows and from non-cash items:

	<u>31/03/2019</u>	<u>31/03/2018</u>
Balances at beginning of the period	849,784,149	382,297,148
<i>Cash flows from financing activities:</i>		
Senior secured notes	-	600,000,000
Increase in loans	-	40,141,169
Payments of loans	-	(379,156,047)
Interest senior secured notes	(29,347,894)	(4,098,000)
Payment related to financing expenses	(107,669)	(12,221,811)
<i>Non-cash items changes:</i>		
Interest accrued	<u>21,867,734</u>	<u>13,806,283</u>
Balances at period-end	<u>842,196,320</u>	<u>640,768,742</u>

NOTE 13 - CAPITAL AND PLEDGE OF SHARES

As of December 31, 2018, the Company's capital amounted to \$ 27,301,097 (ARS 381,773,000), represented by 381,773,000 non endorsable, registered, common shares, with a nominal value of ARS 1 each, one vote per share (224,457,000 common shares of MSU Energy S.A., formerly Rio Energy S.A.; 70,046,000 common shares of UGEN S.A. and 87,270,000 common shares of UENSA S.A.), and it is fully paid-in and registered with the Supervisory Board of Companies.

On October 31, 2018, the Extraordinary Shareholders' Meeting approved the merger of MSU ENERGY S.A. (formerly, Rio Energy S.A. (merging company)), UGEN S.A. and UENSA S.A (merged companies). Accordingly, the capital stock increase was also approved considering the related exchange relation based on the effective merger (January 1, 2019), in the amount of \$ 2,994,343. Thus, the capital stock was increased to \$ 30,295,440.

As of March 31, 2019, the Company's capital amounted to \$ 30,295,440 (ARS 468,159,804), represented by 468,159,804 non endorsable, registered, common shares, with a nominal value of ARS 1 each, one vote per share and it is fully paid-in and registered with the Supervisory Board of Companies.

As of March 31, 2019, the amount of 465,982,166 common shares that account for 99.53% of MSU ENERGY S.A. capital (224,389,650 common shares that account for 99.97% of MSU ENERGY S.A. capital as of December 31, 2018) is subject to a first pledge for the benefit of Citibank NA as security agent, in accordance with the note purchase agreement regarding the private senior secured notes issued by MSU Energy (Note 12 b).

MSU ENERGY S.A. (formerly RIO ENERGY S.A.)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

for the three month period ended March 31, 2019 (in USD)

NOTE 13 - CAPITAL AND PLEDGE OF SHARES (cont.)

As of December 31, 2018, 224,389,650 common shares representing 99.97% of RIO ENERGY S.A.'s capital, 70,034,000 common shares representing 99.98% of UGEN S.A.'s capital and 85,690,500 common shares representing 98.19% of UENSA's capital are subject to a first ranking pledge for the benefit of Citibank N.A. as security agent, pursuant to the note purchase agreement regarding the private senior secured notes issued by the co-issuers (now merged under MSU Energy) (Note 12 b).

NOTE 14 - CONTRACTUAL COMMITMENTS

Agreement with CAMMESA for wholesale demand – General Rojo Plant

MSU Energy agrees to sell the total installed capacity subject to the regulatory scheme created by Resolution No. 21 of the Department of Energy (SEE) through the Wholesale Demand Agreement entered into by and between MSU Energy and CAMMESA dated August 4, 2016, involving power of 142,22 MW for a term of ten (10) years, at a price of USD 20,900 (USD/MW-month) adjudged by SEE Resolution No. 21/2016 mentioned above. Fuel is provided by CAMMESA.

On June 13, 2017, turbines 01, 02 and 03 of General Rojo Thermal Plant were authorized to operate with the Argentine Interconnection Grid (SADI) at a maximum capacity of approximately 50 MW each.

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 penalty for noncompliance with the date committed for the power plant completion, 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 (the Company). To such end, on June 11, 2018, CAMMESA notified the Company that, under the terms and conditions of the Wholesale Demand Agreement signed between the parties for the construction of thermoelectric power plant General Rojo, the penalty amounts to \$ 18,084,770. The Company appeared before CAMMESA and applied for the proceedings for the resolution of disputes stated in the Agreement, as it considers that the delay arose out of force majeure events, as provided for by section 21 of the referred Wholesale Demand Agreement. Although such proceedings have not been concluded to date, the Company has recognized a loss equivalent to \$ 18,084,770 in its financial statements as of December 31, 2018. As of March 31, 2019 and December 31, 2018, liabilities in this regard amount to \$ 15,869,648 and \$ 16,944,288 respectively (note 8 d).

Additionally, MSU Energy, as provided for by section 5.3.2 of "EPC-On- Shore Contract", is entitled to claim GE International Inc. (GEII) Sucursal Argentina for the damage suffered by the delay in the start of operations up to the total amount of \$ 22,464,640. On October 16, 2018, the Company agreed with GE II the payment of the amount claimed which adds to \$ 22,239,882, the related income was recognized in the fiscal year ended December 31, 2018. As of March 31, 2019 and December 31, 2018, receivables in this regard amount to \$ 18,172,218 and \$ 20,654,416 respectively (note 8 a).

Agreement with Cammessa for wholesale demand - Barker Plant

By virtue of the wholesale demand agreement signed, the Company agrees to add 145.19 MW of nominal capacity to SADI, out of which, all its generation capacity will be sold subject to the regulatory scheme regulated by SEE Resolution No. 21, under the purchase power agreement (PPA) entered into by and between MSU Energy and CAMMESA on July 25, 2016, comprised of 145.19 MW contracted for a term of ten (10) years, at a price of \$ 19,900 (\$/MW-month) adjudged by the SEE Resolution No. 21/2016 mentioned above.

On December 29, 2017, turbines 01, 02 and 03 of Baker Thermal Plant were authorized to operate with SADI at a maximum capacity of approximately 50 MW each. As from such date, the Wholesale Demand Agreement signed with CAMMESA on July 25, 2016 became effective.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

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NOTE 14 - CONTRACTUAL COMMITMENTS (cont.)

Agreement with Cammesa for wholesale demand - Villa María Plant

By virtue of the wholesale demand agreement signed, MSU Energy agrees to add 143.14 MW of nominal capacity to SADI. The Company agrees to sell the total installed capacity subject to the regulatory scheme created by SEE Resolution No. 21/2016 under the PPA entered into by and between MSU Energy and CAMMESA on December 29, 2016, comprised of 143.14 MW contracted 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 María Thermal Plant were authorized to operate with SADI at a maximum capacity of approximately 50 MW each. As from such date, the Wholesale Demand Agreement signed with CAMMESA on December 29, 2016 became effective.

New Agreements with Cammesa for wholesale demand

On October 17, 2017, by means of SEE Resolution 926-E/2017, CAMMESA entered into a new Wholesale Demand Agreement with MSU Energy related to the fact that the Company was awarded the project for “completing the combined cycle (4+1)”. On April 6, 2018, the Company signed the new agreements with CAMMESA, involving an average capacity of 105.367 MW contracted at a price of USD 18,900 (USD/MW-month) in General Rojo Plant; of 105 MW at a price of USD 19,900 (USD/MW-month) in Barker Plant and 100.2 MW, respectively were contracted at a price of USD 19,900 (USD/MW-month) in Villa Maria Plant. The agreements have been signed for a term of fifteen (15) years.

Service contract agreement with General Electric Packaged Power Inc. and GE International Inc.

The Company has entered into a long term service contract with General Electric Packaged Power Inc. (manufacturer of the turbines and equipment set up at the Plants) and GE International Inc. in order to guarantee availability and compliance with the Wholesale Demand Agreements mentioned above, by providing maintenance services, spare parts and remote monitoring system.

Construction agreement with A-Evangelista S.A.

In order to secure the works and supply of equipment necessary for the expansion and conversion of the simple cycle power plants into combined cycle plants, on March 7, 2018, MSU Energy and A-Evangelista S.A. entered into a contract for the supply of certain services, engineering services, procurement, construction and equipment (Engineering, Procurement and Construction, “EPC”), including three GE LM6000-PC Sprint turbines, three Baker Hughes GE steam turbines and twelve Vogt heat recovery steam generators.

NOTE 15 - RESTRICTED ASSETS

According to article 3 of Law No 23.756, in order to guarantee the issuance of the senior secured notes (Note 12 a) on January 5, 2018, a pledge was made on the additional GE Sprint LM6000-PC turbine installed in each thermoelectric power plant and for the steam turbine BHGE MT MID-SIZED to be installed during 2019 in each plant.

Cash for specific use (Note 8c) will settle trade payables arising in 2019 in relation to the construction agreement entered into with A-Evangelista S.A. (Note 14).

There are no other restricted assets as of March 31, 2019 and December 31, 2018 but it must be considered Note 13 reference.

NOTE 16 - MERGER

On October 31, 2018, the Extraordinary Shareholders’ Meeting decided, among other matters, to approve the merger between MSU ENERGY S.A. (former RIO ENERGY S.A.), 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, increasing MSU ENERGY S.A.’s (former RIO ENERGY S.A) capital by AR\$ 243,702,804 (243,702,804 shares with a nominal value of \$1 per share). As a result, a reserve known as “merger premium” in the amount of AR\$ (473,368,048) is set up.

MSU ENERGY S.A. (formerly RIO ENERGY S.A.)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

for the three month period ended March 31, 2019 (in USD)

NOTE 16 – MERGER (cont.)

The following swap ratio has been established between the shares to be settled by the merged companies and those to be received by the merging company.

<u>Company</u>	<u>Nominal value (\$)</u>	<u>Shares to be settled</u>	<u>Swap ratio</u>	<u>Shares to be issued by RIO ENERGY S.A.</u>
UGEN S.A.	1	70,046,000	1.832	128,320,550
UENSA S.A.	1	87,270,000	1.322	<u>115,382,254</u>
				<u>243,702,804</u>

This merger aims to centralize the business activities into one organization.

NOTE 17 - SUBSEQUENT EVENTS

No events or transactions have occurred from period-end to the date of issuance of these condensed interim financial statements that would have a material effect on the financial position of MSU ENERGY S.A. at period-end or the results of operations for the period ended March 31, 2019.

ATTACHEMENT SCHEDULE

MSU ENERGY S.A. (formerly RIO ENERGY S.A.)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS for the three month period ended March 31, 2019 (in USD)

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

The following table reconciles the EBITDA to the net income.

a) For the three month period ended March 31, 2019 as follows:

Comprehensive income	2,287,506
Net finance costs	17,705,846
Income tax	683,241
Depreciation and amortization	<u>3,045,149</u>
EBITDA	<u>23,721,742</u>

b) For the three month period ended March 31, 2018 as follows:

Comprehensive loss ⁽¹⁾	(2,946,521)
Financial income and expenses - net	17,882,401
Income tax	(678,638)
Depreciation and amortization	<u>4,275,386</u>
EBITDA	<u>18,532,628</u>

(1) The Villa Maria Thermoelectric Power plant commenced operations on January, 25 2018.