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

Unaudited condensed interim financial statements for the nine-month period ended September 30, 2019

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS for the nine-month period ended September 30, 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 September 30, 2019, the condensed interim statements of profit or loss and other comprehensive income for the three-month and nine-month periods then ended, changes in shareholders'equity and cash flows for the nine-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 nine months ended September 30, 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 2 and 3.2 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.

Emphasis of Matter – Purpose of these condensed interim financial statements

We draw attention to note 3.1 to the condensed interim financial statements, which discloses the basis of preparation, including the approach and the purposes for preparing them. Our conclusion is not modified in respect of this matter.

Buenos Aires (Argentina), November 8, 2019

KPMG
Tamara Vinitzky
Partner

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

Unaudited condensed interim financial statements for the nine-month period ended September 30, 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

as of September 30, 2019 (in USD)

	Notes	09/30/2019	12/31/2018
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8 (g)	853,329,309	654,272,197
Loans granted	11	39,727,779	37,875,796
Tax assets	8 (b)	16,659,309	17,868,398
Deferred tax assets	6	-	1,138,675
Other assets	8 (a)	6,475,415	15,040,287
Total non-current assets		916,191,812	726,195,353
CURRENT ASSETS			
Tax assets	8 (b)	26,423,599	31,380,027
Other assets	8 (a)	10,994,199	10,438,454
Trade receivables		27,108,400	24,243,850
Cash and cash equivalents	8 (c)	26,105,261	119,326,703
Total current assets		90,631,459	185,389,034
Total assets		1,006,823,271	911,584,387
SHAREHOLDERS´ EQUITY			
Share capital		30,295,440	27,301,097
Merger premium	2	(20,161,526)	-
Legal reserve		202,266	116,084
Other reserves		2,157,498	2,157,498
Retained earnings (accumulated loss)		6,748,444	(15,147,420)
Total equity		19,242,122	14,427,259
LIABILITIES			
NON CURRENT LIABILITIES			
Deferred tax liability	6	6,097,320	-
Loans	8 (e)	832,300,771	829,667,975
Trade and other payable	8 (d)	9,935,424	12,423,095
Total non-current liabilities		848,333,515	842,091,070
CURRENT LIABILITIES			
Loans	8 (e)	30,051,115	20,116,174
Other liabilities	8 (f)	746,131	947,823
Taxes payable		1,775,512	81,701
Trade and other payable	8 (d)	106,674,876	33,920,360
Total current liabilities		139,247,634	55,066,058
Total liabilities		987,581,149	897,157,128
Total liabilities and equity		1,006,823,271	911,584,387

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 nine and three months period ended September 30, 2019 (in USD)

	Notes	09/30/2019 (3 months)	09/30/2018 (3 months)	09/30/2019 (9 months)	09/30/2018 (9 months)
Net revenue	9 (a)	30,124,180	28,977,662	86,492,203	79,458,918
Cost of sales	9 (c)	(5,911,877)	(5,857,160)	(17,622,096)	(20,463,584)
Gross profit		24,212,303	23,120,502	68,870,107	58,995,334
Other income		11,723	4,155,112	255,195	4,155,112
General and administrative expenses	9 (c)	(811,904)	(982,834)	(2,245,022)	(3,485,361)
Operating profit		23,412,122	26,292,780	66,880,280	59,665,085
Finance income	9 (b)	938,952	695,503	3,222,094	2,026,528
Finance expenses	9 (b)	(30,639,456)	(27,583,042)	(58,051,516)	(76,558,964)
Net finance costs		(29,700,504)	(26,887,539)	(54,829,422)	(74,532,436)
Net income (loss) before income tax		(6,288,382)	(594,759)	12,050,858	(14,867,351)
Income tax (loss) Benefit	6	(2,756,420)	(937,901)	(7,235,995)	1,245,217
Net income (loss) for the period		(9,044,802)	(1,532,660)	4,814,863	(13,622,134)
Other comprehensive income		-	-	-	-
Comprehensive income (loss) for the period		(9,044,802)	(1,532,660)	4,814,863	(13,622,134)

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 nine-month period ended September 30, 2019 (in USD)

Items	Share capital	Merger premium	Legal reserve	Other reserves	Retained earnings (accumulated loss)	Total
Balances as of December 31, 2018	27,301,097	-	116,084	2,157,498	(15,147,420)	14,427,25
Issue of ordinary shares related to the merger (Notes 2 and 13)	2,994,343	(20,161,526)	-	-	17,167,183	-
Appropriation to statutory reserves (1)	-	-	86,182	-	(86,182)	-
Net gain for the period	-	-	-	-	4,814,863	4,814,86
Balances as of September 30, 2019	30,295,440	(20,161,526)	202,266	2,157,498	6,748,444	19,242,12
Balances as of December 31, 2017	27,301,097	-	2,547	288	(7,398,167)	19,905,76
Appropriation to statutory reserves (2)	-	-	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)	6,283,63

(1) As voted at the MSU ENERGY Sociedad Anónima Ordinary Shareholder's Meeting on April 29, 2019
(2) As voted at the RIO ENERGY Sociedad Anónima Ordinary Shareholder's Meeting on April 24, 2018

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 nine-month period ended September 30, 2019 (in USD)

CAUSES OF CHANGES IN CASH	09/30/2019 (9 months)	09/30/2018 (9 months)
Operating activities		
Net income (loss) for the period	4,814,863	(13,622,134)
Adjustments for:		
Income tax	7,235,995	(1,245,217)
Depreciation of property, plant and equipment	10,462,412	11,091,868
Foreign exchange loss, net	22,936,796	42,003,042
Accrued interest	31,892,626	32,529,394
Other income	-	(4,155,112)
Changes in operating assets and liabilities:		
Increase in trade receivables	(5,505,111)	(15,120,722)
Decrease (increase) in other assets	8,648,157	(631,126)
Decrease in tax assets	16,184,167	11,983,673
(Decrease) increase in trade and other payable	(7,137,907)	7,728,426
Decrease in other liabilities	(216,569)	-
Increase in taxes payable	922,297	23,888
Increase in tax assets due to recoverables taxes related to property, plant and equipment	(28,409,885)	(18,845,253)
Increase in tax assets due to recoverables taxes related to financing activities	-	(5,065,129)
Net cash flows provided by operating activities	**61,827,841**	**46,675,598**
Investing activities		
Interest received	238,315	384,843
Loans granted	-	(35,610,000)
Advances to purchase property, plant and equipment	-	(10,318,359)
Payments for acquisition of property, plant and equipment	(103,660,596)	(223,049,840)
Net cash flows used in investing activities	**(103,422,281)**	**(268,593,356)**
Financing activities		
Proceeds from senior secured notes	-	595,902,000
Loans received	16,700,000	49,000,000
Payment of loans, interest and financing expenses	(68,327,002)	(425,069,730)
Net cash flows (used in) provided by financing activities	**(51,627,002)**	**219,832,270**
Net decrease in cash	(93,221,442)	(2,085,488)
Cash and cash equivalents at the beginning of year	119,326,703	6,363,169
Cash and cash equivalents at the end of the period	26,105,261	4,277,681
Net decrease in cash	(93,221,442)	(2,085,488)

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

NOTE 1 – GENERAL INFORMATION

1.1) Description of business

MSU ENERGY S.A. ("MSU Energy" or "the Company") is engaged in the development and operation of power generation projects in Argentina. The Company owns and operates three thermal power generation plants with 200 MW of nominal generation capacity each ("the Plants") with a total aggregate capacity of 600 MW:

- 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 Compañía Administradora del Mercado Mayorista Eléctrico S.A. ("CAMMESA") to conduct commercial operations with the Argentine Interconnection Grid ("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 María 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.

The Company's power plants utilize General Electric turbines and other equipment, and were constructed on a turnkey basis by affiliates of General Electric, pursuant to engineering, procurement and construction contracts. All of these turbines are model GE LM6000-PC Sprint with dual fuel capacity (designed to run on natural gas and diesel oil).

Under the regulatory system created by Resolution No 21/2016 of the Secretary of Energy ("SEE") dated March 22, 2016, the Company will sell the output of the Plants through multiple power purchase agreements entered into by the Company and CAMMESA in 2016 ("PPAs"), 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 SEE ("the Wholesale Demand Agreements") (Note 14).

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.

On April 6, 2018, the Company entered into new wholesale demand agreement with CAMMESA ("New PPAs") for the new capacity resulting from the installation of a fourth gas turbine and one steam turbine in each thermoelectric power plant. (Note 14)

1.2) Financial situation

As detailed in Note 14, MSU Energy S.A. and A-Evangelista S.A., entered into an agreement to provide certain engineering, procurement, construction and equipment provision services ("EPC") needed to expand and convert the thermoelectrical stations from a simple to a combined cycle.

As of September 30, 2019, the Company discloses a negative working capital of $ 48,616,175, primarily derived from the commitments assumed by virtue of this agreement and not yet overdue.

By starting to operate in a combined cycle as from March 2020 (General Rojo Plant) and May 2020 (Barker and Villa María Plants), there will be greater cash flows as from the beginning of operations. Since a considerable portion of the commitments assumed will become due after the dates on which such operations will start, primarily during the period ranging from July and September 2020, the Company believes that their current liabilities will be paid as required.

NOTE 2 - MERGER AND CHANGE OF COMPANY'S DENOMINATION

RIO ENERGY S.A., UGEN S.A. and UENSA S.A. were part of the MSU group of companies. These three entities operated under common control and had the same management and board of directors since their incorporation. On October 31, 2018, their shareholders, in their extraordinary meeting decided, among other matters, to approve the merger between RIO ENERGY S.A., UGEN S.A. and UENSA S.A. in RIO ENERGY S.A., effective as from January 1, 2019. This merger sought to centralize the business activities in one organization.

The transaction was recognized by RIO ENERGY S.A. at book value, considering that it is a common control transaction. The net assets of UGEN S.A. and UENSA S.A. were combined with RIO ENERGY S.A.'s net assets to form the merged entity.

RIO ENERGY S.A's share capital was increased by Argentine pesos (AR$) 243,702,804 equivalent to $ 15,358,837 (243,702,804 shares with a nominal value of AR$1 per share) (Note 13). Considering that as of December 31, 2018, the share capital of UGEN S.A. and UENSA S.A. was AR$ 157,316,000, equivalent to $ 12,364,494 the merger resulted on a capital increase of AR$ 86,386,804 equivalent to $ 2,994,343 (86,386,804 shares with a nominal value of AR$1 per share).

As of December 31, 2018, the accumulated losses of UGEN S.A. and UENSA S.A. amounted to $ 17,167,183. As a result, a negative merger premium reserve of $ 20,161,526 (AR$ 473,368,048) was recorded.

On January 3, 2019, the Shareholders at their extraordinary meeting resolved to change the Company's denomination from RIO ENERGY S.A. to MSU ENERGY S.A.

NOTE 3 - BASIS OF ACCOUNTING

These condensed interim financial statements have been prepared in conformity with IAS 34 *Interim Financial Reporting* and should be read in conjunction with the last annual combined financial statements as at and for the year ended December 31, 2018 ("last annual financial statements"). They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company´s financial position and performance since the last annual financial statements.

This is the first set of the Company´s financial statements in which IFRS 16 has been applied. Changes to significant accounting policies are described in Note 3.3.

These condensed interim financial statements ended September 30, 2019 were authorized for issue by the Company's Chief of Finance Director ("CFO") on November 8, 2019.

3.1) 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).

3.2) Comparative information

As mentioned in Note 2, on October 31, 2018, the Shareholders, at their extraordinary meeting decided, among other matters, to approve the merger between MSU ENERGY S.A (formerly RIO ENERGY S.A.), UGEN S.A. and UENSA S.A., effective as from January 1, 2019.

During fiscal year 2018 these three entities operated under common control with the same management and board of directors. Comparative information is presented as if MSU Energy S.A. (formerly Rio Energy S.A.), UGEN S.A. and UENSA S.A. were a single organization throughout 2018 by aggregating their financial statements and eliminating transactions and balances between them.

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

NOTE 3 - BASIS OF ACCOUNTING (CONT).

3.2) Comparative information (cont.)

The condensed interim statements of profit or loss and other comprehensive income the three-month and nine-months periods ended as of September 30, 2019 are presented on a comparative basis with comparable interim periods ended as of September 30, 2018. The condensed interim statements of changes in shareholders' equity and cash flows for the nine-month period ended in September 30, 2019 are presented on a comparative basis with the nine months ended as of September 30, 2018.

3.3) Significant accounting policies

Except as described below, the accounting policies applied in these condensed interim financial statements are the same as those applied in the last annual financial statements. (The policy for recognizing and measuring income tax in the interim period is described in Note 6).

The Company has initially adopted IFRS 16 *Leases* from January 1, 2019. A number of other new standards are effective from January 1, 2019 but they do not have a material effect on the financial statements.

IFRS 16 introduced a single, on-balance sheet accounting model for leases. As a result, the Company, as a lessee, has to recognize right of use assets representing its rights to use the underlying assets and liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previuos accounting policies.

Definition of lease

Previously, the Company determined at contract inception weather an arrangement was or contained a lease under IFRIC 4 *Determining Whether an Arrangement contains a Lease*. Tha Company now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

The Company has no significant leases acting as a lessee. The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor

The accounting policies applicable to the Company as a lessor under IFRS 16 do not differ in a significant manner from those previously applied and thus, the Company is not required to make any adjustments resulting from the adoption of the new standard.

NOTE 4 - USE OF JUDGMENT AND ESTIMATES

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

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. Actual 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 items eligible for capitalization requires a high degree of professional judgment.

NOTE 4 - USE OF JUDGMENT AND ESTIMATES (CONT).

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

NOTE 5 - OPERATING SEGMENTS

The Board of Directors is the chief operating decision maker, who receives and reviews financial information considering that MSU Energy S.A. has only one operating segment. This is based on the fact that MSU Energy S.A. has only one customer - CAMMESA (Note 14), to whom provides with the availability of contractual capacity and the supply of power.

All of MSU Energy Group's non-current assets are located in Argentina as of September 30, 2019 and December 31, 2018.

NOTE 6 - INCOME TAX

(a) Changes in income tax rate

On December 29, 2017 the Argentine Government enacted Law No 27.430 which ammends the Income Tax Law, by introducing the following, 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 after January 1, 2020 and
- the dividends distributed to individuals and foreign beneficiaries by the referred entities are to be levied at the 7% and 13% rates, respectively.

As a consequence of the reduction in the tax rate, the Company has measured its deferred tax assets and liabilities at the 30% or 25% rates, depending on the fiscal year in which the recognized effects of temporary differences are expected to reverse.

(b) Tax inflation adjustment

Law 27.430, subsequently amended by Law 27.468, provides that as from fiscal years beginning on or after January 1, 2018, the inflation adjustment calculated based on the procedure described in Income Tax Law shall be deducted or included in the tax income/loss, to the extent that the general level Consumer Price Index (IPC), accumulated over the 36 months prior to the end of the year that is calculated exceeds 100%.

During the first three years as from January 1, 2018, the tax inflation adjustment shall be applicable to the extent that the change in IPC exceeds 55%, 30% and 15%, respectively in each of those years. The resulting inflation adjustment, either a gain or a loss, shall be recognized evenly over three fiscal years for the purpose of determining the taxable income. The first third of the gain or loss is computed in the current year and two thirds are deferred and applied in the following two fiscal years. As from the fourth year, the full amount of the tax inflation adjustment is recognized in the same fiscal year.

The Company estimates that in the current year, the change in IPC will exceed 30% and, consequently, it has given effect of the tax inflation adjustment to its estimate of income tax expense. In line with the transition methodology provided for in the tax rule, one third is computed to calculate the tax income/loss for the year. The remaining two thirds are considered a temporary difference and recognized in the deferred tax balance.

(c) Income tax expense

The income tax expense for interim periods is recognized on the basis of the best estimate made by Management of the weighted average rate that is expected at year end, applied to income before taxes for the period and considering the disclosures made in preceding paragraphs.

NOTE 6 - INCOME TAX (CONT).

The effective tax rate was 60% and 8% for the nine-month periods ended September 30, 2019 and September 30, 2018, respectively. The variation in the effective rate is explained mainly by the estimated impact of the inflation for tax purposes and the devaluation of the Argentine peso in relation to the US dollar

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: quoted prices (unadjusted) in active markets for identical assets and liabilities; level 2: imputs other than quoted prices included in Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices), and level 3: inputs for the asset or liability that are not based on observable market data.

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

		Balances as of September 30, 2019		
Item	Note	Fair value	Financial assets at amortized cost	Other financial liabilities (**)
Financial assets				
Other financial receivables		-	7,363,728	-
Loans granted	11		39,727,779	-
Trade receivables		-	27,108,400	-
Cash and cash equivalents	8 (c)	26,105,261 (*)	-	-
Total financial assets		26,105,261	74,199,907	-
Financial liabilities				
Loans	8 (e)	-	-	862,351,886
Trade and other payable	8 (d)	-	-	116,610,300
Other liabilities	8 (f)	-	-	746,131
Total financial liabilities		-	-	979,708,317

		Balances as of December 31, 2018		
Item	Note	Fair value	Financial assets at amortized cost	Other financial liabilities (**)
Financial assets				
Other financial receivables		-	11,427,965	-
Loans granted	11	-	37,875,796	-
Trade receivables		-	24,243,850	-
Cash and cash equivalents	8 (c)	119,326,703 (*)	-	-
Total financial assets		119,326,703	73,547,611	-
Financial liabilities				
Loans	8 (e)	-	-	849,784,149
Trade and other payable	8 (d)	-	-	46,343,455
Other liabilities	8 (f)	-	-	947,823
Total financial liabilities		-	-	897,075,427

(*) Level 1
(**) Other financial liabilities are recognized at amortized cost.

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

As of the date of these condensed interim financial statements, the carrying balances of financial instruments are a reasonable estimate of their related fair values except in loans (liability) for which the fair value (Level 2) is $ 528,112,655 and $ 725,502,554 as of September 30, 2019 and December 31, 2018, respectively.

As of September 30, 2019 and December 31, 2018, there are no significant expected credit losses (“ELC”) to be recognized following the impairment evaluation of financial assets carried at cost.

(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 in conjunction with the annual financial statements as of December 31, 2018. No significant changes have been introduced thereafter to the risk management process or to the risk management policies applied by MSU Energy.

(c) Exchange rate risk

On September 1, 2019, Decree 609/2019 was published by the Executive Branch, whereby certain extraordinary and temporary provisions are stated related to the transfers abroad and exchange market operations. Accordingly, on the same date, the Argentine Central Bank (BCRA) issued Communication “A” 6770, whereby the following measures, among others, are set out up to December 31, 2019:

- Any funds from new external financial debts disbursed as from September 1, 2019 shall be brought into the country and converted into local currency.

- Access to the foreign exchange market in relation to liabilities in foreign currency, between Argentine residents, documented in public records or notarized instruments as of August 30, 3019 is allowed upon their maturity. However, access to the foreign exchange market to pay debts and other liabilities in foreign currency agreed by Argentine residents is forbidden as from September 1, 2019.

Access to the foreign exchange market to conduct the following transactions shall require the BCRA’s prior authorization:

- Wiring of profits and dividends;
- Payment of services to foreign related companies;
- Prepayment of financial debts (principal or interest) more than 3 days before maturity.

The Company estimates that the referred measures will not significantly affect the ordinary course of business.

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

	09/30/2019	12/31/2018
a) Other assets		
Non current		
Credit of compensatory agreement (Note 14)	6,475,415	15,040,287
Total	6,475,415	15,040,287
Current		
Advances to suppliers	46,226	2,497,006
Parent company and other related parties (Note 10)	1,120,365	1,129,316
Loans to personnel	40,351	62,355
Security deposits	18,000	31,761
Others	261,929	250,923
Credit of compensatory agreement (Note 14)	8,677,573	5,614,129
Prepaid insurance	829,755	852,964
Total	10,994,199	10,438,454
(b) Tax assets		
Non current		
Valued added tax	14,549,199	15,781,854
Income tax net advances	2,110,110	2,086,544
Total	16,659,309	17,868,398
Current		
Valued added tax	25,561,957	30,273,017
Custom tax	373,854	662,290
Other tax balances	487,788	444,720
Total	26,423,599	31,380,027

Value added tax ("VAT") balances maily relate to the purchase of Property, plant and equipment. These balances are to be used to offset VAT payable related to the generation capacity and the supply of power.

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

	09/30/2019	12/31/2018
(c) Cash and cash equivalents		
Temporary investments	3,131	2,929,340
Cash (*)	26,102,130	116,397,363
Total	26,105,261	119,326,703

(*) As of September 30, 2019 and December 31, 2018 and pursuant to specific conditions set forth in the private senior secured notes agreement $ 13,011,385 and $ 91,833,536 will be used to settle trade payables arising in 2019 in relation to the construction agreement entered into with A-Evangelista S.A. (Note 14).

	09/30/2019	12/31/2018
(d) Trade and other payable		
Non current		
Suppliers	893,039	-
Fines imposed by Cammesa (Note 14)	9,042,385	12,423,095
Total	9,935,424	12,423,095
Current		
Suppliers	101,682,931	28,264,163
Fines imposed by Cammesa (Note 14)	4,521,193	4,521,193
Accrued expenses	470,752	1,135,004
Total	106,674,876	33,920,360
(e) Loans		
Non current		
Senior secured notes (Note 12) (*)	832,300,771	829,667,975
Total	832,300,771	829,667,975
Current		
Senior secured notes (Note 12) (*)	13,180,933	20,116,174
Loans (**)	16,870,182	-
Total	30,051,115	20,116,174
(f) Other liabilities		
Parent company and other related parties (Note 10)	587,611	789,303
Other payables	158,520	158,520
Total	746,131	947,823

(*) At September 30, 2019 and December 31, 2018 includes net transactions costs of $ 17,699,229 and $ 20,332,024 respectively.

(**) At September 30, 2019 include net transaction cost of $ 30,783.

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

(g) Property, plant and equipment

Balances as of September 30, 2019

	Cost				Depreciation					Net as of
Main account	At beginning of year	Additions/ disposals	Transfers	At period end	Accumulated at beginning of the period	Rate %	Disposals	Amount (Note 9.c)	Accumulated at period end	09/30/2019
Land	2,127,790	-	-	2,127,790	-	-	-	-	-	2,127,790
Thermoelectric power plants										
Infraestructure	193,197,660		56,333,765	249,531,425	7,841,284	3,33%	-	3,717,161	11,558,445	237,972,980
Plant and equipments	291,738,612		65,379,003	357,117,615	14,124,662	(*)	-	6,328,672	20,453,334	336,664,281
Facilities and other fixed assets	2,208,507	32,726	-	2,241,233	804,626	(**)	8,900	416,579	1,212,305	1,028,928
Spare parts	5,095,599	1,075,349	-	6,170,948	-		-	-	-	6,170,948
Under construction	182,674,601	208,402,549(***)	(121,712,768)	269,364,382	-	-	-	-	-	269,364,382
Total as of September 30, 2019	677,042,769	209,510,624	-	886,553,393	22,770,572		8,900	10,462,412	33,224,084	853,329,309

Balances as of December 31, 2018

	Cost				Depreciation				Net as of
Main account	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
Thermoelectric power plants									
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
Facilities and other fixed assets	1,291,556	916,951	-	2,208,507	300,764	(**)	503,862	804,626	1,403,881
Spare parts	1,871,840	3,223,759	-	5,095,599	-	-	-	-	5,095,599
Under construction	161,648,839	184,475,803 (***)	(163,450,041)	182,674,601	-	-	-	-	182,674,601
Total as of December 31,2018	487,028,645	190,014,124	-	677,042,769	9,353,672		13,416,900	22,770,572	654,272,197

(*) By units of production.
(**) Tools, 10%. Vehicules, furnitures and other facilities, 20%. Computers, 33%.
(***) Includes capitalized borrowing costs by $ 31,078,824 and $ 9,220,319 as of September 30, 2019 and December 31, 2018, respectively.

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.

Turbines 04 of General Rojo, Villa Maria and Barker Thermoelectric Power Plants were authorized to conduct commercial operations with SADI on April 30, 2019, May 17, 2019 and July 12, 2019 respectively. While these newly installed gas turbines are committed under the New PPAs, until completion of our expansion project and conversion of our plants from simple cycle to combined cycle and once we have reached the corresponding Commercial Operation Date ("COD"), revenues from generation capacity and electricity dispatched of these turbines is sold to CAMMESA under the framework of Resolution SE 95/2013, as amended, including Resolution SRRME 1/2019.

	09/30/2019 (3 months)	09/30/2018 (3 months)	09/30/2019 (9 months)	09/30/2018 (9 months)
Revenues from generation capacity	28,529,141	26,821,678	81,525,998	73,648,068
Revenues from supply of power	1,595,039	2,155,984	4,966,205	5,810,850
Total revenue	30,124,180	28,977,662	86,492,203	79,458,918

(b) Net finance costs

	09/30/2019 (3 months)	09/30/2018 (3 months)	09/30/2019 (9 months)	09/30/2018 (9 months)
Financial income				
Interest income	938,952	695,503	3,222,094	2,026,528
Total financial income	938,952	695,503	3,222,094	2,026,528
Financial expenses				
Interest expense	(13,589,063)	(11,635,359)	(35,114,720)	(34,555,922)
Foreign exchange loss	(17,050,393)	(15,947,683)	(22,936,796)	(42,003,042)
Total financial expenses	(30,639,456)	(27,583,042)	(58,051,516)	(76,558,964)

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

(c) Expense by nature

Items	Cost of sales	General and administrative expenses	09/30/2019 (9 months)	09/30/2018 (9 months)
Salaries and other personnel-related expenses	2,005,920	512,641	2,518,561	4,211,462
Depreciation (Note 8 g)	10,168,457	293,955	10,462,412	11,091,868
Maintenance expenses	3,171,858	8,725	3,180,583	3,965,343
Taxes, rates and contributions	263,694	726,840	990,534	1,029,198
Insurance	887,625	7,626	895,251	922,598
Other expenses	1,124,542	695,235	1,819,777	2,728,476
Total as of 09/30/2019	17,622,096	2,245,022	19,867,118	
Total as of 09/30/2018				23,948,945

Items	Cost of sales	General and administrative expenses	09/30/2019 (3 months)	09/30/2018 (3 months)
Salaries and other personnel-related expenses	507,001	117,318	624,319	1,071,279
Depreciation	3,531,007	97,683	3,628,690	2,443,190
Maintenance expenses	965,290	2,127	967,417	1,977,021
Taxes, rates and contributions	39,658	280,631	320,289	413,086
Insurance	465,462	2,058	467,520	308,308
Other expenses	403,459	312,087	715,546	627,110
Total as of 09/30/2019 (3 months)	5,911,877	811,904	6,723,781	
Total as of 09/30/2018 (3 months)				6,839,994

NOTE 10 - BALANCES AND TRANSACTIONS WITH PARENT COMPANY AND OTHER RELATED PARTIES

1. Balances with parent company – MSU Energy Holding Ltd.	09/30/2019	12/31/2018
Loans granted	32,407,343	30,897,368
Other liabilities	303,508	520,077

2. Transactions with parent company – MSU Energy Holding Ltd.	09/30/2019	09/30/2018
Loans granted	-	29,050,000
Interest income	1,509,975	1,338,511
Management fee (*)	139,232	-
Interest loss	-	876,825

3. Balance with related parties	09/30/2019	12/31/2018
Loans granted	7,320,436	6,978,428
Other assets	1,120,365	1,129,316
Other liabilities	284,103	269,226

4. Transaction with related parties	09/30/2019	09/30/2018
Loans granted	-	6,560,000
Management fee (*)	37,866	-
Interest income	342,008	303,173
Interest loss	14,877	573,350
Expenses to be recovered	24,659	84,724

(*) It relates to management, administrative and corporate services, including management, supervision, financial, accounting, investment advice. The price was determined on an arm-lengh basis

NOTE 10 - BALANCES AND TRANSACTIONS WITH PARENT COMPANY AND OTHER RELATED PARTIES (cont.)

5. Balances and transactions with key management (Board of Directors and senior management)

In the year ended December 31, 2017, loans have been granted to key management for $ 185,000. As of September 30, 2019 and December 31, 2018, the oustanding amount is shown in the line of loans to personnel under other assets (Note 8a).

During the period ended September 30, 2019 and 2018, key management received compensations in the total amount of $ 707,790 and $ 513,672 respectively, which are considered short-term benefits and entail the only benefits granted to the Board of Directors and senior Management. MSU Energy does not grant long-term benefits or share-based payments to its employees.
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NOTE 11 - LOANS GRANTED

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 September 30, 2019 and December 31, 2018, MSU Energy has principal and interest receivables equivalent to the amount of $ 39,727,779 and $ 37,875,796, respectively. This transaction was priced on an arm's length basis and the balances are no secured.

NOTE 12 - LOANS

(a) Senior Secured Notes

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
- Amortization: capital shall be amortized in one installment on the maturity date
- Issue price: 99.317% of principal amount, plus accrued interest, from February 1, 2018,
- Interest rate: 6.875% fixed anual rate
- Interest payment dates: February 1 and August 1 of each year, commencing on August 1, 2018.
- Guarantee: The notes are secured by:
  - Debt Service Reserve Account to cover one interest payment (founded either with cash or Stand by Letters of Credit).
  - A first degree pledge on GE Sprint LM6000-PC turbines 01, 02 and 03 installed in each thermoelectric power plant. The net book value as of September 30, 2019 is $ 174,259,416.

NOTE 12 – LOANS (cont.)

(a) Senior Secured Notes (cont.)

In connection with these Senior Secured Notes MSU Energy has principal and interest debt (net of deferred transactions costs) equivalent to the amount of $ 594,486,895 and $ 602,890,452 (Note 8 e) as of September 30, 2019 and December 31, 2018 respectively.

As of September 30, 2019 and December 31, 2018, the Company is in compliance with Senior Secured Note´s covenants that include, among others, the restriction to pay dividens.

(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.
- Interest rate: LIBOR (three months) plus 11.25%.
- Amortization: capital shall be amortized in 11 quarterly equal and consecutive installments after 30 months from the date of issuance.
- Interest payment dates: to be paid quarterly on each February 28 and every 30th day of May, August and November.
- Guarantee: The notes are secured by:
  - A first degree pledge on GE Sprint LM6000-PC turbine 04 installed in each thermoelectric power plant and a first degree pledge on the steam turbine BHGE MT MID-SIZED to be installed during 2019 in each plant. The net book value as of September 30, 2019 is $ 60,335,951.
  - As of September 30, 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 degree pledge for the benefit of Citibank NA as security age. 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.
  - Fiduciary assignment of the collection rights arising from the new PPA´s related to combined cycle capacity. (Note 14)

In connection with these Private Senior Secured Notes MSU Energy has principal and interest debt (net of transactions costs deferred) equivalent to the amount of $ 250,994,809 and $ 246,893,697 (Note 8 e) as of September 30, 2019 and December 31, 2018 respectively.

As of September 30, 2019 and December 31, 2018, the Company is in compliance with Private Senior Secured Note´s convenants.

NOTE 12 – LOANS (cont.)

(b) Private Senior Secured Notes (cont.)

Changes from financing cash flows and from non-cash items:

	30/09/2019	30/09/2018
Balances at beginning of the year	849,784,149	382,297,148
Cash flows from financing activities:		
Senior secured notes	-	595,902,000
New loans	16,700,000	49,000,000
Payments of loans, interest and financing expenses	(68,101,314)	(404,380,659)
Non-cash items changes:		
Interest accrued	63,969,051	20,738,647
Balances at period-end	862,351,886	643,557,136

(c) Loans

On July 9, 2019, the Company received a loan in the amount $ 700,000 from Banco Piano, due on January 5, 2020. As of September 30, 2019, the principal and interest payable by the Company amount to $ 710,733.

On July 18, 2019, the Company received loans in the amount of $ 5,000,000 and $ 1,000,000 from Banco Hipotecario and Banco Supervielle, due on October 16, 2019 and January 11, 2020, respectively. As of September 30, 2019, the principal and interest payable by the Company amount of $ 5,162,192 and $ 992,183, respectively.

On October 16, 2019, the Company amortized capital in the amount of $ 2,500,000 resulting from a loan granted by Banco Hipotecario, and the remaining balance expires on November 19, 2019.

On August 22, 2019, the Company received a loan in the amount $ 10,000,000 from Banco Provincia, due on February 18, 2020. As of September 30, 2019, the principal and interest payable by the Company amount to $ 10,005,074.

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	09/30/2019	12/31/2018
Financial	US dollar	16	10/2019	5,162,192	-
Financial	US dollar	8	01/2020	710,733	-
Financial	US dollar	7,5	02/2020	10,005,074	-
Financial	US dollar	7	02/2020	992,183	-
				16,870,182	-

NOTE 13 - CAPITAL

	$		Quantity of Shares	
	2019	2018	2019	2018
In issue at January 1	14,936,603	14,936,603	224,457,000	224,457,000
Issue of ordinary shares related to the merger (Note 2)	15,358,837	-	243,702,804	-
In issue at September 30 - fully paid	30,295,440	14,936,603	468,159,804	224,457,000

As of September 30, 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.

NOTE 14 - CONTRACTUAL COMMITMENTS

Agreement with CAMMESA for wholesale demand – General Rojo Plant

By virtue of the Wholesale Demand Agreement, the Company agrees to add 144.22 MW of nominal capacity to SADI, out of which, all its generation capacity from turbines 01, 02 and 03 will be sold subject to the regulatory scheme regulated by SEE Resolution No. 21, under the PPA entered into by and between the Company and CAMMESA on August 4, 2016, comprised of 144.22 MW contracted for a term of ten (10) years, at a price of $ 20,900 ($/MW-month). Price of electricity dispatched using gas or diesel oil will be $ 8.5 per MWh and $ 12.50 per MWh, respectively. 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 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, to be paid in 48 monthly settlements at a 1.7% interest annual nominal rate. 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.

On January 31, 2018 GE International (GEII) granted a stand-by letter of credit for an amount exceeding the penalty claimed by CAMMESA in order to fully cover any loss the Group may incur in this regard. No loss was recognized as of June 30, 2018 taking into account that the reimbursement from GE was virtually certain.

Although such proceedings have not been concluded to date, the Company has recognized a loss equivalent to $ 18,084,770. As of September 30, 2019 and December 31, 2018, liabilities in this regard amount to $ 13,563,578 (current portion $ 4,521,193 and non-current portion $ 9,042,385) and $ 16,944,288 (current portion $ 4,521,193 and non-current portion $ 12,423,095) 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 amount of $ 22,239,882, the related income was recognized in the fiscal year ended December 31, 2018. As of September 30, 2019 and December 31, 2018, receivables in this regard amounts to $ 15,152,988 and $ 20,654,416 respectively (note 8 a).

Agreement with CAMMESA 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 from turbines 01, 02 and 03 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). Price of electricity dispatched using gas or diesel oil will be $8.5 per MWh and $12.50 per MWh, respectively. Fuel is provided by CAMMESA.

On December 29, 2017 and in compliance with the commited date, 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.

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 installed capacity from turbines 01, 02 and 03 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). Price of electricity dispatched using gas or diesel oil will be $ 8.5 per MWh and $12.50 per MWh, respectively. Fuel is provided by CAMMESA.

On January 25, 2018 and in compliance with the commited date, 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 three new agreements (one for each plant) with CAMMESA, involving an average capacity of 105.367 MW contracted at a price of $ 18,900 (MW-month) in General Rojo Plant; of 105 MW at a price of $ 19,900 (MW-month) in Barker Plant and 100.2 MW, respectively were contracted at a price of $ 19,900 (MW-month) in Villa Maria Plant. Price of energy dispatched using gas will be $ 10.40 per MWh in case of Gral. Rojo plant, $8.80 per MWh for Barker plant and $ 12.70 per MWh for Villa María plant.

The agreements have been signed for a term of fifteen (15) years commencing in the COD, commited to March 2020 (General Rojo plant) and May 2020 (Barker and Villa Maria plants).

As per SEE Resolution 287/2017, once the conversion of the Power Plants from simple cycle to combined cycle be completed, the Group will be required, for all PPAs, to obtain fuel from third parties, and CAMMESA will reimburse the fuel at a specified cost.

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.

The contract total value is $ 324,860,104 and Euros 24,196,040 ($ 27,702,046). As of September 30, 2019 the amount outstanding and not due is $ 121,590,845 and Euros 13,307,822 ($ 18,006,330).

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

The Company entered into a long term service contract (10 years) 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.

NOTE 15 - SUBSEQUENT EVENTS

On October 3, 2019, the Company was granted a loan in the amount of ARS 270,000,000 by Industrial and Commercial Bank of China, S.A. ("ICBC"), payable in 2 installments, the first one maturing on October 31, 2019 and the second one on December 3, 2019. The Company issued a promissory note in the amount of ARS 270,000,000, plus compensatory interest, and assigned collection rights in the amount of ARS 436,582,900 maturing in November 2019, which as of September 30, 2019 were disclosed in line trade receivables.

Except for the indicated above and Note 12.c, 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 Company at period-end or the results of operations for the period ended September 30, 2019.

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

The following table reconciles the EBITDA (calculated by adding back to net income (loss) for the period: (i) net finance costs, (ii) income tax expense or benefit and (iii) depreciation and amortization expense) to the net income (loss).

a) For the nine-month period ended September 30, 2019 as follows:

Net income	4,814,863
Net finance costs	54,829,422
Income tax expense	7,235,995
Depreciation and amortization	10,462,412
EBITDA	77,342,692

b) For the nine-month period ended September 30, 2018 as follows:

Net loss [(1)]	(13,622,134)
Net finance costs	74,532,436
Income tax benefit	(1,245,217)
Depreciation and amortization	11,091,868
EBITDA	70,756,953

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