

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

Financial statements as of December 31, 2019

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

## **Financial statements as of December 31, 2019**

### **Contents**

### **Page**

Independent Auditors' Report on Financial Statements	
General Information	1
Statement of Financial Position	2
Statement of Profit or Loss and Other Comprehensive Income	3
Statement of Changes in Shareholders' Equity	4
Statement of Cash Flows	5
<b>NOTES TO THE FINANCIAL STATEMENTS</b>	
<b>NOTE 1 - GENERAL INFORMATION</b>	<b>6</b>
1.1) Description of the business	6
1.2) Financial situation	6
1.3) Purpose of these financial statements	6
<b>NOTE 2 - MERGER AND CHANGE OF DENOMINATION</b>	<b>7</b>
<b>NOTE 3 - BASIS OF ACCOUNTING</b>	<b>7</b>
3.1) Statements of compliance	7
3.2) Comparative information	7
3.3) Changes in significant accounting policies	7
3.3.1. IFRS 16 Leases	8
3.3.2. IFRIC 23 - Uncertainty over income tax treatments	8
3.4) Significant accounting policies	9
3.4.1) Foreign currency	9
3.4.2) Revenue recognition	9
3.4.3) Employee benefits	9
3.4.4) Finance income and expense	10
3.4.5) Income tax	10
3.4.6) Property, plant and equipment	11
3.4.7) Financial instruments	12
3.4.8) Impairment of non-financial assets	15
3.4.9) Cash and cash equivalents	15
3.5) Standards issued but not yet effective	15
<b>NOTE 4 - USE OF JUDGMENT AND ESTIMATES</b>	<b>15</b>
<b>NOTE 5 - OPERATING SEGMENTS</b>	<b>16</b>
<b>NOTE 6 - INCOME TAX</b>	<b>16</b>
<b>NOTE 7 - FINANCIAL INSTRUMENTS - CLASSIFICATION AND RISK MANAGEMENT</b>	<b>17</b>
<b>NOTE 8 - BREAKDOWN OF THE MAIN ACCOUNT BALANCES OF THE STATEMENT OF FINANCIAL POSITION</b>	<b>22</b>
<b>NOTE 9 - BREAKDOWN OF THE MAIN ACCOUNT BALANCES OF THE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>	<b>25</b>
<b>NOTE 10 - BALANCES AND TRANSACTIONS WITH PARENT COMPANY AND OTHER RELATED PARTIES</b>	<b>26</b>
<b>NOTE 11 - LOANS GRANTED</b>	<b>27</b>
<b>NOTE 12 - LOANS</b>	<b>27</b>
<b>NOTE 13 - CAPITAL</b>	<b>29</b>
<b>NOTE 14 - CONTRACTUAL COMMITMENTS</b>	<b>30</b>
<b>NOTE 15 - EARNINGS BEFORE INTERESTS, TAX, DEPRECIATIONS AND AMORTIZATIONS (EBITDA)</b>	<b>32</b>
<b>NOTE 16 - SUBSEQUENT EVENTS</b>	<b>32</b>
<b>SCHEDULE EBITDA RECONCILIATION WITH NET INCOME (LOSS) (NOT SUBJECT TO AUDIT OR REVIEW)</b>	<b>33</b>



## **INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS**

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

### *Opinion*

We have audited the financial statements of MSU ENERGY S.A. (formerly RIO ENERGY S.A.), which comprise the statement of financial position as of December 31, 2019, the statements of profit or loss and other comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material aspects, the financial position of the MSU Energy S.A as of December 31, 2019 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB.

### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the MSU Energy S.A in accordance with the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Emphasis of Matter – Comparative information*

We draw attention to notes 2 and 3.2 to the 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 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 financial statements*

We draw attention to note 1.3 to the financial statements, which discloses the basis of preparation, including the approach and the purposes for preparing them. Our opinion is not modified in respect of this matter.

### *Responsibility of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the ability the MSU Energy S.A., to continue as a going concern; for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting unless management either intends to liquidate MSU Energy S.A., or to cease operations or has no realistic alternative but to do so.



Those charged with governance are responsible for overseeing the financial reporting process that results in the issuance of the accompanying financial statements.

*Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control within the MSU Energy S.A
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubts about the ability of the entity to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Buenos Aires (Argentina), March 6, 2019

KPMG

Tamara Vinitzky  
*Partner*

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

Financial statements as of December 31, 2019

Stated in United States Dollars (USD)

GENERAL INFORMATION

Legal address: Cerrito 1294 - 2<sup>nd</sup> 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.)

### STATEMENT OF FINANCIAL POSITION as of December 31, 2019 (in USD)

	Notes	<u>12/31/2019</u>	<u>12/31/2018</u>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8 (g)	866,693,539	654,272,197
Loans granted	11	40,363,564	37,875,796
Tax assets	8 (b)	2,205,762	17,868,398
Deferred tax assets	6	12,979,434	1,138,675
Other assets	8 (a)	<u>7,153,892</u>	<u>15,040,287</u>
Total non-current assets		<u>929,396,191</u>	<u>726,195,353</u>
<b>CURRENT ASSETS</b>			
Tax assets	8 (b)	34,634,321	31,380,027
Other assets	8 (a)	9,220,530	10,438,454
Trade receivables		47,487,199	24,243,850
Cash and cash equivalents	8 (c)	<u>21,125,794</u>	<u>119,326,703</u>
Total current assets		<u>112,467,844</u>	<u>185,389,034</u>
Total assets		<u>1,041,864,035</u>	<u>911,584,387</u>
<b>SHAREHOLDERS' EQUITY</b>			
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)		<u>35,542,231</u>	<u>( 15,147,420)</u>
Total equity		<u>48,035,909</u>	<u>14,427,259</u>
<b>LIABILITIES</b>			
<b>NON CURRENT LIABILITIES</b>			
Loans	8 (e)	833,192,242	829,667,975
Trade and other payable	8 (d)	<u>8,799,925</u>	<u>12,423,095</u>
Total non-current liabilities		<u>841,992,167</u>	<u>842,091,070</u>
<b>CURRENT LIABILITIES</b>			
Loans	8 (e)	36,668,614	20,116,174
Other liabilities	8 (f)	744,649	947,823
Taxes payable		5,677,574	81,701
Trade and other payable	8 (d)	<u>108,745,122</u>	<u>33,920,360</u>
Total current liabilities		<u>151,835,959</u>	<u>55,066,058</u>
Total liabilities		<u>993,828,126</u>	<u>897,157,128</u>
Total liabilities and equity		<u>1,041,864,035</u>	<u>911,584,387</u>

The accompanying notes are part of these financial statements.

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

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
for the year ended December 31, 2019 (in USD)

	Notes	<u>12/31/2019</u>	<u>12/31/2018</u>
Net revenues	9 (a)	119,777,846	106,789,921
Cost of sales	9 (c)	<u>( 25,131,732)</u>	<u>( 26,998,231)</u>
<b>Gross profit</b>		94,646,114	79,791,690
Other income and expenses-net	14	249,890	4,740,179
General and administrative expenses	9 (c)	<u>( 3,562,361)</u>	<u>( 6,500,532)</u>
<b>Operating profit</b>		91,333,643	78,031,337
Financial income	9 (b)	4,185,593	2,713,189
Financial expenses	9 (b)	<u>( 73,751,345)</u>	<u>( 86,457,222)</u>
<b>Net finance costs</b>		<u>( 69,565,752)</u>	<u>( 83,744,033)</u>
<b>Net income (loss) before income tax</b>		21,767,891	( 5,712,696)
Income tax Benefit	6	<u>11,840,759</u>	<u>234,190</u>
<b>Net income (loss) for the year</b>		33,608,650	( 5,478,506)
<b>Other comprehensive income</b>		<u>                  -</u>	<u>                  -</u>
<b>Comprehensive income (loss) for the year</b>		<u>33,608,650</u>	<u>( 5,478,506)</u>

The accompanying notes are part of these financial statements.

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

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
for the year ended December 31, 2019 (in USD)

Items	Share capital	Merger premium	Legal reserve	Other reserves	Retained earnings (accumulated loss)	Total
<b>Balances as of December 31, 2017</b>	<u>27,301,097</u>	<u>-</u>	<u>2,547</u>	<u>288</u>	<u>( 7,398,167)</u>	<u>19,905,765</u>
Appropriation to statutory reserves (1)	-	-	113,537	2,157,210	( 2,270,747)	-
Net loss for the year	-	-	-	-	<u>( 5,478,506)</u>	<u>( 5,478,506)</u>
<b>Balances as of December 31, 2018</b>	<u>27,301,097</u>	<u>-</u>	<u>116,084</u>	<u>2,157,498</u>	<u>(15,147,420)</u>	<u>14,427,259</u>
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 (2)	-	-	86,182	-	( 86,182)	-
Net income for the year	-	-	-	-	<u>33,608,650</u>	<u>33,608,650</u>
<b>Balances as of December 31, 2019</b>	<u>30,295,440</u>	<u>(20,161,526)</u>	<u>202,266</u>	<u>2,157,498</u>	<u>35,542,231</u>	<u>48,035,909</u>

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

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

The accompanying notes are part of these financial statements.



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

### STATEMENT OF CASH FLOWS for the year ended December 31, 2019 (in USD)

CAUSES OF CHANGES IN CASH	<u>12/31/2019</u>	<u>12/31/2018</u>
<b>Operating activities</b>		
Income (loss) for the year	33,608,650	( 5,478,506)
Adjustments for:		
Income tax	( 11,840,759)	( 234,190)
Depreciation of property, plant and equipment	14,057,857	13,416,900
Foreign exchange loss, net	24,353,611	39,580,973
Accrued interest, net	45,212,141	44,163,060
Other income	-	( 4,090,037)
Changes in operating assets and liabilities:		
Increase in trade receivables	( 25,242,976)	( 15,241,145)
Decrease in other assets	10,022,226	68,618
Decrease in tax assets	19,958,942	15,849,341
Increase in trade and other payable	6,313,781	11,573,515
Increase in taxes payable	200,134	28,812
(Decrease) increase in other liabilities	( 223,064)	491,019
Increase in tax assets due to recoverables taxes related to property, plant and equipment	( 29,950,266)	( 38,228,769)
Increase in tax assets due to recoverables taxes related to financing activities	-	( 6,427,128)
<b>Net cash flows provided by operating activities</b>	<u>86,470,277</u>	<u>55,472,463</u>
<b>Investing activities</b>		
Interest received	499,377	447,393
Loans granted	-	( 35,610,000)
Advanced to purchase property, plant and equipment	-	( 2,497,006)
Payments for acquisition of property, plant and equipment	(120,857,911)	(315,447,829)
<b>Net cash flows used in investing activities</b>	<u>(120,358,534)</u>	<u>(353,107,442)</u>
<b>Financing activities</b>		
Proceeds from senior secured notes	-	842,777,000
Loans received	21,000,000	49,000,000
Payments of loans, interest and financing expenses	( 85,312,652)	(481,178,487)
<b>Net cash flows (used in) provided by financing activities</b>	<u>( 64,312,652)</u>	<u>410,598,513</u>
<b>Net (decrease) increase in cash</b>	<u>( 98,200,909)</u>	<u>112,963,534</u>
Cash and cash equivalents at the beginning of year	119,326,703	6,363,169
Cash and cash equivalents at the end of the year	<u>21,125,794</u>	<u>119,326,703</u>
<b>Net (decrease) increase in cash</b>	<u>( 98,200,909)</u>	<u>112,963,534</u>

The accompanying notes are part of these financial statements.

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

## NOTES TO THE FINANCIAL STATEMENTS

as of December 31, 2019 (in USD)

### NOTE 1 – GENERAL INFORMATION

#### **1.1) Description of the 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 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 December 31, 2019, the Company discloses a negative working capital of \$ 39,368,115, 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 May 2020 (General Rojo Plant) and July 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 the Company believes that their current liabilities will be paid as required.

#### **1.3) Purpose of these financial statements**

These non statutory financial statements have been prepared by management to provide 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).

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

### **NOTES TO THE FINANCIAL STATEMENTS**

as of December 31, 2019 (in USD)

#### **NOTE 2 - MERGER AND CHANGE OF 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. On February 20, 2019, the Argentine Securities and Exchange Commission ("CNV") resolved to approve the merger and inform to the General Inspection of Justice to proceed the registration in the Public Registry.

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 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**

##### **3.1) Statements of compliance**

These financial statements have been prepared in accordance with the IFRS as issued by the International Accounting Standards Board ("IASB").

These financial statements ended December 31, 2019 were authorized for issue by the Group Chairman on March 6, 2020.

##### **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., 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., 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.

##### **3.3) Changes in significant accounting policies**

MSU Energy S.A has initially applied IFRS 16 *Leases* (which does not have a material effect on these financial statements) and IFRIC 23 *Uncertainty over income tax treatments* from January 1, 2019. A number of other new standards are also effective from January 1, 2019.

Due to the transition methods chosen by MSU ENERGY in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

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

## NOTES TO THE FINANCIAL STATEMENTS

as of December 31, 2019 (in USD)

### NOTE 3 - BASIS OF ACCOUNTING (cont.)

#### **3.3) Changes in significant accounting policies (cont.)**

##### **3.3.1. IFRS 16 Leases**

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 previous accounting policies.

##### *Definition of lease*

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining Whether an Arrangement contains a Lease*. The 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 lease arrangements 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.

##### **3.3.2. IFRIC 23 Uncertainty over income tax treatments**

The interpretation issued in June 2017 explains how to apply the recognition and measurement requirements of IAS 12 when there is uncertainty over income tax treatments.

For these purposes, an entity has to consider whether it is probable that the relevant authority will accept each tax treatment that it used or plans to use in its income tax filing.

If the entity concludes that it is probable that a particular tax treatment is accepted, the entity has to determine the tax position consistently with the tax treatment used or planned to use in its income tax filings.

If the entity concludes that it is not probable that a particular tax treatment is accepted, the entity will reflect the effect of the uncertainty when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

An entity shall make consistent judgments and estimates for both current tax and deferred tax.

An entity shall reassess a judgment or estimate required by this Interpretation if the facts and circumstances on which the judgment or estimate was based change or as a result of new information that affects the judgment or estimate.

As of December 31, 2019, the Company has applied this interpretation in the recording of current and deferred income tax, considering the adjustment for tax inflation (Note 3.4.5 and Note 6)

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

## NOTES TO THE FINANCIAL STATEMENTS

as of December 31, 2019 (in USD)

### NOTE 3 - BASIS OF ACCOUNTING (cont.)

#### **3.4) Significant accounting policies**

The Company has consistently applied the following accounting policies to all periods presented in these financial statements, except for mentioned in Note 3.3.

##### **3.4.1) Foreign currency**

###### (a) Functional and presentation currency

These financial statements are presented in United States of America dollars (“USD” or “\$”), which is the functional currency of the entity. All amounts have been rounded to the nearest USD, unless otherwise indicated.

###### (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 statement of profit or loss and other comprehensive income includes foreign exchange gains or losses derived from the settlement of these transactions and the translation at exchange rates prevailing at year-end of monetary assets and liabilities with an original currency other than the USD.

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

##### **3.4.2) Revenue recognition**

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. MSU Energy S.A recognizes revenue when it transfers control over a service rendered to a customer.

As mentioned on notes 1.1 and 14, MSU Energy S.A has entered into Wholesale Demand Agreements with CAMMESA for a term of ten years. Based on those agreements, MSU Energy S.A will provide two components:

- Generation capacity; and
- Supply of power.

###### *Generation capacity*

Persuant to the terms of the Wholesale Demand Agreements, MSU ENERGY makes available to CAMMESA the contracted capacity and support it with the turbines committed.

Consequently, MSU Energy recognizes income from generation capacity applying the straight line method over the term of the agreements.

###### *Supply of power*

Regarding the second component, which is providing CAMMESA with the service of generating electric power, revenues are recognized as services are performed during the period.

##### **3.4.3) Employee benefits**

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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

### NOTES TO THE FINANCIAL STATEMENTS

as of December 31, 2019 (in USD)

#### NOTE 3 - BASIS OF ACCOUNTING (cont.)

#### **3.4) Significant accounting policies (cont.)**

##### **3.4.3) Employee benefits (cont.)**

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

The Group has not entered in any share based-payments arrangements with its employees or provided any defined benefit obligations plans or other long-term benefits to its employees.

##### **3.4.4) Finance income and expense**

The Company finance income and expense include:

- Interest income
- Interest expense
- The net gain or loss on financial assets at fair value through profit or loss (“FVTPL”)
- The foreign currency gain or loss on financial assets and financial liabilities
- Less borrowing costs capitalized in Property, plant and equipment

Interest income or expense is recognized using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortised cost of the financial liability.

Exchange gains/losses results from the translation of monetary assets and liabilities denominated in currency other than USD by applying the exchange rate prevailing at year-end.

##### **3.4.5) Income tax**

Income tax expense comprises current and deferred tax. Income tax is recognised in the statement of profit or loss and other comprehensive income, except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year of the entity. The amount of current tax payable is the best estimate of the tax amount expected to be paid that reflects uncertainty related income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets are recognized for unused tax losses and deductible temporary differences to the extent that is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for the entity. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at reporting date.

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

### **NOTES TO THE FINANCIAL STATEMENTS**

as of December 31, 2019 (in USD)

#### NOTE 3 - BASIS OF ACCOUNTING (cont.)

#### **3.4) Significant accounting policies (cont.)**

##### **3.4.5) Income tax (cont.)**

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which The Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria bullet met.

- 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.

In the current year, the change in IPC exceeded 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 six is computed to calculate the tax income/loss for the year. The remaining fix sixth are considered a temporary difference and recognized in the deferred tax balance.

##### **3.4.6) Property, plant and equipment**

The items of property, plant and equipment are recognized at acquisition cost less accumulated depreciation, if applicable, and impairment losses, if any. The historical cost includes the spot purchase price and expenses directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating as expected by management. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Under construction line includes construction in progress of the plants and/or combined cycle plants. They are stated at cost (including eligible borrowing costs) incurred to the date on which the plant is granted an authorization to operate.

The disbursements arising from feasibility studies before deciding whether to invest in an asset or deciding which asset to acquire were recorded as expenses as they were incurred.

On June 13, December 29, 2017 and January 25, 2018, the generation turbines 01, 02 and 03 of the Thermal Station General Rojo, Barker and Villa María were authorized to operate with SADI. Therefore, the acquisition and construction costs of each station started to be depreciated.

MSU Energy S.A applies the units of production method to recognize the depreciation of turbines, machinery and equipment composing the Plants, as it considers that this method provides a better measurement of the profits that these assets are expected to bring to the Companies. Based on this method, the related depreciation expense is charged to profit or loss for the year based on the use of the Plants. This method provides for a depreciation charge based on the use of the Thermal Station, which might be null if the generation activity were discontinued. The book value of the land where the Plants are located will not be depreciated. The buildings that are part of the Plants are depreciated over 30 years by applying the straight line method.

MSU Energy S.A has considered 30% of the cost of each thermal power plant as residual value, which is not subject to depreciation.

The useful life of items of depreciable property, plant and equipment other than the plants has been estimated at 3 years (computers); at 5 years (vehicles) and 10 years (tools, furniture and other facilities).

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

### NOTES TO THE FINANCIAL STATEMENTS

as of December 31, 2019 (in USD)

#### NOTE 3 - BASIS OF ACCOUNTING (cont.)

#### **3.4) Significant accounting policies (cont.)**

##### **3.4.7) Financial instruments**

###### (1) Recognition and initial measurement

Trade receivables and debt securities are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes party of the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or a financial liability is initially measured at fair value, plus, for an item not a FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at transaction price.

###### (2) Classification and subsequent measurement of financial assets as from January 1, 2018

On initial recognition, a financial asset is classified as measured at: amortized cost, Fair Value through Other Comprehensive Income (“FVOCI”) or Fair Value through profit or loss (“FVTPL”).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the asset; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

The Company makes an assessment of the objective of the business model in which a financial asset is held at instrument level. The information considered includes:

- Policies in practice, including whether management’s strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets.
- How the performance of the portfolio is evaluated and reported to the Company management
- The risk that affect the performance of the business model and how those risks are managed
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company continuing recognition of the assets.



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

### NOTES TO THE FINANCIAL STATEMENTS

as of December 31, 2019 (in USD)

#### NOTE 3 - BASIS OF ACCOUNTING (cont.)

#### 3.4) Significant accounting policies (cont.)

##### 3.4.7) Financial instruments (cont.)

(2) Classification and subsequent measurement of financial assets as from January 1, 2018 (cont.)

For the purpose of assessment whether contractual cash flows are solely payments of principal and interests, “principal” is defined as the fair value of the financial assets on initial recognition. “Interest” is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

For the purpose of assessment, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- Contingent events that would change the amount or timing of cash flows
- Terms that may adjust the contractual coupon rate, including variable-rate features
- Prepayment and extension features, and
- Terms that limit the Company claim to cash flows from specified assets.

The Company classifies its financial assets into one of the following categories:

- Loans and receivables
- Held to maturity
- Available for sale, and
- At FVTPL

(3) Impairment as from January 1, 2018

The Company recognizes loss allowances for Expected Credit Losses (“ECL”) on:

- Financial assets measured at amortized cost
- Debt investments measured at FVOCI
- Contract assets
- Lease receivable

The Company measures loss allowances at the amount equal to lifetime ECLs, except for the other debt securities and bank balances for which credit risk has not increased significantly since initial recognition, which are measured at 12-month ECLs.

Loss allowances for trade receivables, contract assets and lease receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company historical experience and informed credit assessment and including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-months ECLs are the portion of the ECLs that result from default events that are possible within the 12 months after the reporting date, or a shorter period if the expected life of the instrument is less than 12 months.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

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

### NOTES TO THE FINANCIAL STATEMENTS

as of December 31, 2019 (in USD)

#### NOTE 3 - BASIS OF ACCOUNTING (cont.)

##### **3.4) Significant accounting policies (cont.)**

##### **3.4.7) Financial instruments (cont.)**

##### (3) Impairment as from January 1, 2018 (cont.)

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Financial assets not classified as at FVTPL were assessed at each reporting date to determine whether there was objective evidence of impairment.

Objective evidence that financial assets were impaired included:

- Default or delinquency by a debtor
- Restructuring of an amount due to the Company on terms that the Company would not consider otherwise
- Indications that a debtor or issuer would enter bankruptcy
- Adverse changes in the payment status of borrower or issuers
- The disappearance of an active market for a security because of financial difficulties; or
- Observable data indicating that there was a measurable decrease in the expected cash flows from a Company of financial assets.

For financial assets measured at amortized cost the Company considered evidence of impairment for these assets at individual asset level. An impairment loss was calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses were recognized in profit or loss and reflected in an allowance account.

##### (4) Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. Financial liability at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

##### (5) Derecognition

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it is transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company derecognizes a financial liability when the contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid is recognized in profit or loss.

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

### **NOTES TO THE FINANCIAL STATEMENTS**

as of December 31, 2019 (in USD)

#### NOTE 3 - BASIS OF ACCOUNTING (cont.)

##### **3.4) Significant accounting policies (cont.)**

##### **3.4.7) Financial instruments (cont.)**

###### (6) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

##### **3.4.8) Impairment of non-financial assets**

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units ("CGU"). The recoverable amount of an asset or CGU is greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

##### **3.4.9) Cash and cash equivalents**

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term highly liquid investments with maturity dates of three months or less from the date of acquisition, that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

##### **3.5) Standards issued but not yet effective**

A number of new standards are effective for annual periods beginning after January 1, 2019 and earlier application is permitted; however, MSU ENERGY has not early adopted the new or amended standards in preparing these financial statements.

- Amendments to references to Conceptual Framework in IFRS Standards.
- Definition of a Business (amendments to IFRS 3).
- Definition of Material (amendments to IAS 1 and IAS 8).
- IFRS 17 Insurance contracts.

#### NOTE 4 - USE OF JUDGMENT AND ESTIMATES

The preparation of these 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.

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

### NOTES TO THE FINANCIAL STATEMENTS

as of December 31, 2019 (in USD)

#### NOTE 4 - USE OF JUDGMENT AND ESTIMATES (cont.)

The critical judgments made in the application of accounting policies to these 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.

At the same time, Management recognizes estimation uncertainties with a significant effect on amounts recognized in these 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 has only one operating segment. This is based on the fact that MSU ENERGY 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 S.A non-current assets are located in Argentina as of December 31, 2019 and December 31, 2018.

#### NOTE 6 - INCOME TAX

The breakdown of the main components of deferred tax assets and liabilities is as follows:

	<u>12/31/2019</u>	<u>12/31/2018</u>
Deferred tax assets and (liabilities)		
Accumulated tax losses carried forward	159,447,552	81,757,029
Property, plant and equipment	( 93,129,711)	(81,050,875)
Loans	57,647	609,996
Others	( 282,201)	( 177,475)
Tax inflation adjustment	( 53,113,853)	-
Total deferred tax assets	<u>12,979,434</u>	<u>1,138,675</u>

The income tax rate for fiscal years beginning on or after January 1, 2020, is 30%, and 25% for fiscal years beginning on 2021. Carryforward tax losses were measured at the rate of the year on which it is expected to be compensated (30% and 25%), considering their update according to the tax inflation adjustment procedures mentioned in Note 3.4.5. Based on the guidelines of IFRIC 23 “Uncertainty over income tax treatments” and in accordance with the opinions of its legal and tax advisors, the Company has proceeded to update the carryforward tax losses using the wholesale domestic price index, as indicated in article 19 of the mentioned income tax law.

As of December 31, 2019, carryforward tax losses estimated in relation to the income tax are broken down as follows, according to their date of origin:

<u>Year</u>	<u>Amount at tax rate – 25%</u>	<u>Expires in</u>
2017	21,249,606	2022
2018	69,354,236	2023
2019	<u>68,843,710</u>	2024
Total	<u>159,447,552</u>	

For tax purposes, items of Property, plant and equipment are stated at cost less depreciation measured in Argentine pesos, while for accounting purposes, they are stated in USD. Deferred tax liability is recognized for the tax effect of the impact of the devaluation of Argentine pesos on tax basis of Property, plant and equipment.

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

**NOTES TO THE FINANCIAL STATEMENTS**

as of December 31, 2019 (in USD)

**NOTE 6 - INCOME TAX (cont.)**

The changes in deferred tax assets are as follow:

	<u>12/31/2019</u>	<u>12/31/2018</u>
At the beginning of the year	1,138,675	904,485
Deferred income tax Benefit	<u>11,840,759</u>	<u>234,190</u>
At the end of the year	<u>12,979,434</u>	<u>1,138,675</u>

The actual income tax (charge) benefit differs from the theoretical amount to be obtained in case of using tax rate applicable to income tax, as follows:

	<u>12/31/2019</u>	<u>12/31/2018</u>
Income (loss) before income tax	<u>21,767,891</u>	<u>(5,712,696)</u>
Income tax for the year at the tax rate of 30%	( 6,530,367)	1,713,809
Reduction in tax rate	1,088,394	( 273,114)
Non-deductible expenses	( 323,415)	( 219,634)
Tax inflation adjustment and tax losses carried forward adjustment	13,993,756	-
Others	<u>3,612,391</u>	<u>( 986,871)</u>
Total income tax Benefit	<u>11,840,759</u>	<u>234,190</u>

**NOTE 7 - FINANCIAL INSTRUMENTS - CLASSIFICATION AND RISK MANAGEMENT**

(a) Classification of financial instruments

MSU Energy S.A 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: inputs 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:

Item	Note	Balances as of December 31, 2019		
		Fair value	Financial assets at amortized cost	Other financial liabilities (**)
<i>Financial assets</i>				
Other financial assets		-	7,437,689	-
Loans granted	11	-	40,363,564	-
Trade receivables		-	47,487,199	-
Cash and cash equivalents	8 (c)	<u>21,125,794 (*)</u>	-	-
Total financial assets		<u>21,125,794</u>	<u>95,288,452</u>	-
<i>Financial liabilities</i>				
Loans	8 (e)	-	-	869,860,856
Trade and other payable	8 (d)	-	-	117,545,047
Other liabilities	8 (f)	-	-	<u>744,649</u>
Total financial liabilities		-	-	<u>988,150,552</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**

as of December 31, 2019 (in USD)

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

(a) Classification of financial instruments (cont.)

Item	Note	Balances as of December 31, 2018		
		Fair value	Financial assets at amortized cost	Other financial liabilities (**)
<i>Financial assets</i>				
Other financial assets		-	11,427,965	-
Loans granted	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>	-
<i>Financial liabilities</i>				
Loans	8 (e)	-	-	849,784,149
Trade and other payable	8 (d)	-	-	46,343,455
Other liabilities	8 (f)	-	-	<u>947,823</u>
Total financial liabilities		-	-	<u>897,075,427</u>

(\*) Level 1

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

As of December 31, 2019 and December 31, 2018, 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 \$ 641,082,482 and \$ 725,502,554, respectively.

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

(b) Financial risk management

Financial risk management is addressed by the global policies of MSU Energy S.A, which are focused on the uncertainty of the financial markets and the alternatives to minimize the potential adverse effects on its financial performance. MSU Energy S.A activities entail certain financial risks:

1. Market risk
2. Liquidity risk
3. Credit risk

The Administration and Finance Department is responsible for the financial risk management, which identifies, assesses and hedges the financial risks. Risk management policies and systems are regularly reviewed to reflect changes in market conditions and MSU Energy's activities.

1. Market risk

Market risk stems from the potential fluctuation to which MSU Energy S.A is exposed upon changes in fair value or future cash flows that may be adversely affected by changes in the exchange rates, interest rates or other variables.

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

### NOTES TO THE FINANCIAL STATEMENTS

as of December 31, 2019 (in USD)

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

(b) Financial risk management (cont.)

##### 1. Market risk (cont.)

Below is a description of the referred risks as well as a detail of the extent to which MSU Energy S.A is exposed, and a sensitivity analysis for potential changes in each of the relevant market variables.

- **Currency risk**

It is the risk that the fair value or future cash flows of financial instruments may fluctuate due to exchange rate changes. Given that the functional currency of MSU Energy S.A is the USD, the currency increasing exposure in terms of effects on profit or loss is the Argentine peso (legal tender in Argentina).

In order to minimize the results arising from exchange variations and, in an attempt to hedge the volatility risk in the fair value of assets and liabilities in foreign currency, MSU Energy S.A seeks to maintain a balance between assets and liabilities.

The table below provides a breakdown of the net monetary position of MSU Energy S.A in its functional currency:

Net monetary position assets	Functional currency (USD) <u>12/31/2019</u>	Functional currency (USD) <u>12/31/2018</u>
Argentine pesos	<u>30,207,800</u>	<u>44,444,710</u>
Total	<u>30,207,800</u>	<u>44,444,710</u>

Based on the table above, the MSU Energy S.A analysis considers the exposure of local currency in relation to the USD (functional currency). MSU Energy S.A estimates that, for each year, should other factors remain constant, a 5% strengthening (or weakening) of the local currency in relation to the functional currency at year-end would increase (decrease) income before tax, as described in the table below (amounts stated in functional currency):

	December 31, 2019		December 31, 2018	
	+5%	-5%	+5%	-5%
Argentine Pesos	<u>1,589,884</u>	<u>(1,438,467)</u>	<u>2,339,195</u>	<u>(2,116,415)</u>
Total	<u>1,589,884</u>	<u>(1,438,467)</u>	<u>2,339,195</u>	<u>(2,116,415)</u>

- **Interest rate risk**

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

To mitigate the interest rate risk, on February 1, 2018, MSU Energy S.A issued seven year senior secured notes at a fixed interest rate of 6.875% (Note 12 a).

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

### NOTES TO THE FINANCIAL STATEMENTS

as of December 31, 2019 (in USD)

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

(b) Financial risk management (cont.)

##### 1. Market risk (cont.)

- Interest rate risk (cont.)

In addition, on November 30, 2018, MSU Energy S.A issued private senior secured notes at a variable LIBOR + 11.25% rate with a maturity of five years as from the issue date (Note 12 b).

- 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, 2019 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.

On January 16, 2020, the BCRA published Communication 'A' 6770, whereby it established, among other measures, that entities may have access to the foreign exchange market to pay dividends abroad, without the prior approval of the BCRA, to the extent that certain conditions are met. The cases that do not comply with the conditions detailed in the communication will still require the prior approval of the BCRA

As of December 31, 2019, the mentioned measures did not affect the normal operations.

##### 2. Liquidity risk

The liquidity risk is related to MSU Energy's capacity to finance its obligations and investments and business plans with stable financing resources. It is also associated with the level of indebtedness and the maturity profile of loans.

MSU Energy S.A has sufficient credit facilities and holds, mainly, short term financial assets that can be easily converted into cash known beforehand. In addition, on February 5, 2020 the CNV through Resolution N° 20.635 approve the creation of an offering regime in a total outstanding nominal value of up to \$ 60.000.000 or its equivalente in another currency.



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

### NOTES TO THE FINANCIAL STATEMENTS

as of December 31, 2019 (in USD)

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

(b) Financial risk management (cont.)

##### 2. Liquidity risk (cont.)

The table below includes an analysis of assets and liabilities of MSU Energy S.A by maturity. The amounts in the table are undiscounted contractual cash flows:

	Balances as of December 31, 2019					
	<u>0-3 months</u>	<u>3-6 months</u>	<u>6-9 months</u>	<u>9-12 months</u>	<u>Over 1 year</u>	<u>Total</u>
As of 12/31/2019						
Trade receivables	47,487,199	-	-	-	-	47,487,199
Loans granted	-	-	-	-	40,363,564	40,363,564
Other financial assets	<u>6,621,926</u>	<u>271,921</u>	<u>271,921</u>	<u>271,921</u>	-	<u>7,437,689</u>
Total assets	<u>54,109,125</u>	<u>271,921</u>	<u>271,921</u>	<u>271,921</u>	<u>40,363,564</u>	<u>95,288,452</u>
Other liabilities	347,324	347,325	-	50,000	-	744,649
Loans	36,668,614	-	-	-	833,192,242	869,860,856
Trade and other payable	<u>10,579,317</u>	<u>9,536,399</u>	<u>9,536,399</u>	<u>79,093,007</u>	<u>8,799,925</u>	<u>117,545,047</u>
Total liabilities	<u>53,272,829</u>	<u>9,883,724</u>	<u>9,536,399</u>	<u>79,143,007</u>	<u>841,992,167</u>	<u>993,828,126</u>
	Balances as of December 31, 2018					
	<u>0-3 months</u>	<u>3-6 months</u>	<u>6-9 months</u>	<u>9-12 months</u>	<u>Over 1 year</u>	<u>Total</u>
As of 12/31/2018						
Trade receivables	24,243,850	-	-	-	-	24,243,850
Loans granted	-	-	-	-	37,875,796	37,875,796
Other financial assets	<u>2,523,404</u>	<u>1,049,050</u>	<u>1,049,050</u>	<u>764,728</u>	<u>6,041,733</u>	<u>11,427,965</u>
Total assets	<u>26,767,254</u>	<u>1,049,050</u>	<u>1,049,050</u>	<u>764,728</u>	<u>43,917,529</u>	<u>73,547,611</u>
Other liabilities	236,955	236,956	236,956	236,956	-	947,823
Loans	20,116,174	-	-	-	829,667,975	849,784,149
Trade and other payable	<u>33,920,360</u>	-	-	-	<u>12,423,095</u>	<u>46,343,455</u>
Total liabilities	<u>54,273,489</u>	<u>236,956</u>	<u>236,956</u>	<u>236,956</u>	<u>842,091,070</u>	<u>897,075,427</u>

##### 3. Credit risk

The credit risk is defined as the possibility that a third party be unable to meet its contractual obligations, generating losses to MSU ENERGY.

MSU Energy S.A may face a credit risk related to the balances of trade receivables and tax assets. Trade receivable balance comprises the value to be collected based on the agreements with CAMMESA for wholesale demand (Note 14). Regarding tax assets, MSU Energy S.A filed with the Energy Office the proceedings for the acknowledgement of the project as critical to be eligible to apply for the benefits under Law 26,360, which provides the early refund of the value added tax ("VAT"). As of December 31, 2019, these filing were approved by the Energy Office.

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

as of December 31, 2019 (in USD)

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

<b>(a) Other assets</b>	<u>12/31/2019</u>	<u>12/31/2018</u>
<b>Non current</b>		
Credit of compensatory agreement (Note 14)	<u>7,153,892</u>	<u>15,040,287</u>
Total	<u>7,153,892</u>	<u>15,040,287</u>
<b>Current</b>		
Advances to suppliers	69,748	2,497,006
Parent company and other related parties (Note 10)	1,087,682	1,129,316
Loans to personnel	38,802	62,355
Security deposits	18,000	31,761
Others	250,000	250,923
Credit of compensatory agreement (Note 14)	7,423,550	5,614,129
Prepaid insurance	<u>332,748</u>	<u>852,964</u>
Total	<u>9,220,530</u>	<u>10,438,454</u>
<b>(b) Tax assets</b>		
<b>Non current</b>		
Valued added tax	-	15,781,854
Income tax net advances	2,140,931	2,086,544
Other taxes	<u>64,831</u>	<u>-</u>
Total	<u>2,205,762</u>	<u>17,868,398</u>
<b>Current</b>		
Valued added tax	33,909,711	30,273,017
Custom tax	357,838	662,290
Other tax balances	<u>366,772</u>	<u>444,720</u>
Total	<u>34,634,321</u>	<u>31,380,027</u>
Value added tax (“VAT”) balances mainly 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.		
<b>(c) Cash and cash equivalents</b>		
Temporary investments	-	2,929,340
Cash (*)	<u>21,125,794</u>	<u>116,397,363</u>
Total	<u>21,125,794</u>	<u>119,326,703</u>

(\*) As of December 31, 2018, and pursuant to specific conditions set forth in the private senior secured notes agreement \$ 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).

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

**NOTES TO THE FINANCIAL STATEMENTS**

as of December 31, 2019 (in USD)

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

<b>(d) Trade and other payable</b>	<u>12/31/2019</u>	<u>12/31/2018</u>
<b>Non current</b>		
Suppliers	887,838	-
Fines imposed by Cammesa (Note 14)	<u>7,912,087</u>	<u>12,423,095</u>
Total	<u>8,799,925</u>	<u>12,423,095</u>
<b>Current</b>		
Suppliers	103,181,011	28,264,163
Fines imposed by Cammesa (Note 14)	4,521,193	4,521,193
Accrued expenses	<u>1,042,918</u>	<u>1,135,004</u>
Total	<u>108,745,122</u>	<u>33,920,360</u>
<b>(e) Loans</b>		
<b>Non current</b>		
Senior secured notes (Note 12 a and b) (*)	<u>833,192,242</u>	<u>829,667,975</u>
Total	<u>833,192,242</u>	<u>829,667,975</u>
<b>Current</b>		
Senior secured notes (Note 12 a and b) (*)	20,610,879	20,116,174
Loans (Note 12 c) (**)	<u>16,057,735</u>	<u>-</u>
Total	<u>36,668,614</u>	<u>20,116,174</u>
<b>(f) Other liabilities</b>		
Parent company and other related parties (Note 10)	694,649	789,303
Other payables	<u>50,000</u>	<u>158,520</u>
Total	<u>744,649</u>	<u>947,823</u>

(\*) At December 31, 2019 and December 31, 2018 includes net transactions costs of \$ 16,807,758 and \$ 20,332,024, respectively.

(\*\*) At December 31, 2019 includes net transaction cost of \$ 8,002.

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

**NOTES TO THE FINANCIAL STATEMENTS**

as of December 31, 2019 (in USD)

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

**(g) Property, plant and equipment**

Main account	Balances as of December 31, 2019									
	Cost				Depreciation				Net as of	
	At beginning of year	Additions	Transfers	At year-end	Accumulated at beginning of year	Rate %	Disposals	Amount (Note 9.c)	Accumulated at year-end	12/31/2019
Land	2,127,790	15,000	-	2,142,790	-	-	-	-	-	2,142,790
<i>Thermoelectric power plants</i>										
Infrastructure	193,197,660	-	56,333,765	249,531,425	7,841,284	3.33%	-	5,156,136	12,997,420	236,534,005
Plant and equipments	291,738,612	-	65,379,003	357,117,615	14,124,662	(*)	-	8,343,420	22,468,082	334,649,533
Facilities and other fixed assets	2,208,507	98,782	-	2,307,289	804,626	(**)	(8,900)	558,301	1,354,027	953,262
Spare parts	5,095,599	1,253,260	-	6,348,859	-	-	-	-	-	6,348,859
Under construction	<u>182,674,601</u>	<u>225,103,257</u>	<u>(121,712,768)</u>	<u>286,065,090</u>	-	-	-	-	-	<u>286,065,090</u>
<b>Total as of December 31, 2019</b>	<u>677,042,769</u>	<u>226,470,299</u>	<u>-</u>	<u>903,513,068</u>	<u>22,770,572</u>		<u>(8,900)</u>	<u>14,057,857</u>	<u>36,819,529</u>	<u>866,693,539</u>

(\*) By units of production (see note 3.4.6)

Main account	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 (Note 9.c)	Accumulated at year-end	12/31/2018	
Land	2,067,790	60,000	-	2,127,790	-	-	-	-	-	2,127,790
<i>Thermoelectric power plants</i>										
Infrastructure	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	<u>161,648,839</u>	<u>184,475,803</u>	<u>(163,450,041)</u>	<u>182,674,601</u>	-	-	-	-	-	<u>182,674,601</u>
<b>Total as of December 31, 2018</b>	<u>487,028,645</u>	<u>190,014,124</u>	<u>-</u>	<u>677,042,769</u>	<u>9,353,672</u>		<u>13,416,900</u>	<u>22,770,572</u>	<u>654,272,197</u>	

(\*) By units of production (see note 3.4.6).

(\*\*) Tools, 10%. Vehicules, furnitures and other facilities, 20%. Computers, 33%.

(\*\*\*) Includes capitalized borrowing costs by \$ 40,495,758 and \$ 9,220,319 as of December 31, 2019 and December 31, 2018, respectively.

## ATTACHMENT SCHEDULE

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

#### FINANCIAL STATEMENTS

for the year ended December 31, 2019 (in USD)

#### NOTE 9 - BREAKDOWN OF THE MAIN ACCOUNT BALANCES OF THE 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.

	<u>12/31/2019</u>	<u>12/31/2018</u>
Revenues from generation capacity	109,799,333	99,889,729
Revenues from supply of power	<u>9,978,513</u>	<u>6,900,192</u>
Total revenue	<u>119,777,846</u>	<u>106,789,921</u>

##### (b) Net finance costs

	<u>12/31/2019</u>	<u>12/31/2018</u>
<u>Financial income</u>		
Interest income	<u>4,185,593</u>	<u>2,713,189</u>
Total financial income	<u>4,185,593</u>	<u>2,713,189</u>
<u>Financial expenses</u>		
Interest expense	( 49,397,734)	( 46,876,249)
Foreign exchange loss	( 24,353,611)	( 39,580,973)
Total financial expenses	( <u>73,751,345</u> )	( <u>86,457,222</u> )

## ATTACHMENT SCHEDULE

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

#### FINANCIAL STATEMENTS

for the year ended December 31, 2019 (in USD)

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

##### (c) Expense by nature

<u>Items</u>	<u>Cost of sales</u>	<u>General and administrative expenses</u>	<u>12/31/2019</u>	<u>12/31/2018</u>
Salaries and other personnel-related expenses	2,816,025	812,550	3,628,575	6,763,081
Depreciation (Note 8 g)	13,666,204	391,653	14,057,857	13,416,900
Maintenance expenses	5,607,584	14,295	5,621,879	5,996,777
Taxes, rates and contributions	350,575	1,080,231	1,430,806	1,627,519
Insurance	1,176,225	9,095	1,185,320	1,193,923
Other expenses	<u>1,515,119</u>	<u>1,254,537</u>	<u>2,769,656</u>	<u>4,500,563</u>
Total as of 12/31/2019	<u>25,131,732</u>	<u>3,562,361</u>	<u>28,694,093</u>	
Total as of 12/31/2018	<u>26,998,231</u>	<u>6,500,532</u>		<u>33,498,763</u>

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

<b>1. Balances with parent company – MSU Energy Holding Ltd.</b>	<u>12/31/2019</u>	<u>12/31/2018</u>
Loans granted	32,927,872	30,897,368
Other liabilities	405,533	520,077
<b>2. Transactions with parent company – MSU Energy Holding Ltd.</b>		
Loans granted	-	29,050,000
Interest loss	-	876,825
Interest income	2,030,504	1,847,367
Management fee (*)	241,257	179,279
<b>3. Balance with related parties</b>		
Loans granted	7,435,692	6,978,428
Other assets	1,087,682	1,129,316
Other liabilities	289,116	269,226
<b>4. Transaction with related parties</b>		
Loans granted	-	6,560,000
Interest loss	19,890	578,363
Interest income	457,264	418,428
Expenses to be recovered	79,222	146,077
Management fee (*)	63,931	102,189

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

## ATTACHMENT SCHEDULE

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

#### FINANCIAL STATEMENTS

for the year ended December 31, 2019 (in USD)

#### 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 December 31, 2019 and December 31, 2018, the outstanding amount is shown in the line of loans to personnel under other assets (Note 8 a).

During the year ended December 31, 2019 and December 31, 2018, key management received compensations in the total amount of \$ 934,645 and \$ 1,078,495 respectively, which are considered short-term benefits and entail the only benefits granted to the Board of Directors and senior Management. MSU Energy S.A does not grant long-term benefits or share-based payments to its employees.

#### NOTE 11 - LOANS GRANTED

On January 31, 2018, MSU Energy S.A 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 December 31, 2019 and December 31, 2018, MSU Energy S.A has principal and interest receivables equivalent to the amount of \$ 40,363,564 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 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 December 31, 2019 is \$ 173,222,580.

In connection with these Senior Secured Notes MSU Energy has principal and interest debt (net of deferred transactions costs) equivalent to the amount of \$ 605,372,177 and \$ 602,890,452 (Note 8 e) as of December 31, 2019 and December 31, 2018 respectively.

## ATTACHMENT SCHEDULE

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

#### FINANCIAL STATEMENTS

for the year ended December 31, 2019 (in USD)

#### NOTE 12 - LOANS (cont.)

##### (b) Private Senior Secured Notes

On November 30, 2018, MSU Energy S.A 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 30<sup>th</sup> 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 in each plant. The net book value as of December 31, 2019 is \$ 59,964,652.

- As of December 31, 2019, the amount of 465,982,166 common shares that account for 99.53% of MSU ENERGY capital (224,389,650 common shares that account for 99.97% of MSU ENERGY capital as of December 31, 2018) is subject to a first degree pledge for the benefit of Citibank NA as security agent. 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 \$248,430,944 and \$ 246,893,697 (Note 8 e) as of December 31, 2019 and December 31, 2018 respectively.

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

	31/12/2019	31/12/2018
Balances at beginning of the year	849,784,149	382,297,148
<i>Cash flows from financing activities:</i>		
Senior secured notes	-	842,777,000
New loans	21,000,000	49,000,000
Payments of loans, interest and financing expenses	( 85,312,652)	(481,178,487)
<i>Non-cash items changes:</i>		
Interest accrued	84,389,359	56,888,488
Balances at year-end	<b>869,860,856</b>	<b>849,784,149</b>



## ATTACHMENT SCHEDULE

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

#### FINANCIAL STATEMENTS

for the year ended December 31, 2019 (in USD)

#### NOTE 12 - LOANS (cont.)

##### (c) Loans with Banks and third parties

On July 9, 2019, the Company received a loan in the amount \$ 700,000 from Banco Piano, due on January 5, 2020. As of December 31, 2019, the principal and interest payable by the Company amount to \$ 725,044.

On July 18, 2019, the Company received a loan of \$ 5,000,000 from Banco Hipotecario. On October 16, 2019, the Company repaid the principal amounting to \$ 2,500,000 and the remaining balance was fully paid off on November 19, 2019.

On July 18, 2019, the Company received a loan of \$ 1,000,000 from Banco Supervielle, maturing on January 11, 2020. In connection with this loan, the Company accounts for principal and interest payable in the amount of \$ 1,002,528 on December 31, 2019.

On August 22, 2019, the Company received a loan of \$ 10,000,000 from Banco Provincia, maturing on February 18, 2020. In connection with this loan, the Company accounts for principal and interest payable in the amount of \$ 10,026,712 on December 31, 2019.

On November 27, 2019, the Company received a loan of \$ 4,300,000 from Banco Itau Uruguay S.A. which was fully repaid on January 17, 2020. In connection with this loan, the Company accounts for principal and interest payable in the amount of \$ 4,311,452 on December 31, 2019.

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

Class	Currency	Nominal interest rate	Maturity	12/31/2019	12/31/2018
Financial	\$	8%	2020	725,044	-
Financial	\$	7,5%	2020	10,019,907	-
Financial	\$	7%	2020	1,001,332	-
Financial	\$	2,82%	2019	4,311,452	-
<b>Total</b>				<b>16,057,735</b>	<b>-</b>

#### 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)	<u>15,358,837</u>	-	<u>243,702,804</u>	-
In issue at December 31 - fully paid	<u>30,295,440</u>	<u>14,936,603</u>	<u>468,159,804</u>	<u>224,457,000</u>

As of December 31, 2019, the Company's capital amounted to \$ 30,295,440 (AR\$ 468,159,804), represented by 468,159,804 non endorsable, registered, common shares, with a nominal value of AR\$ 1 each, one vote per share.

## ATTACHMENT SCHEDULE

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

#### FINANCIAL STATEMENTS

for the year ended December 31, 2019 (in USD)

#### 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.

Although such proceedings have not been concluded to date, the Company has recognized a loss equivalent to \$ 18,084,770. As of December 31, 2019 and December 31, 2018, liability in this regard amount to \$ 12,433,280 (current portion \$ 4,521,193 and non-current portion \$ 7,912,087) and \$ 16,944,288 (current portion \$ 4,521,193 and non-current portion \$ 12,423,095) respectively (Note 8 d).

Additionally, MSU Energy S.A, 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 claimed amount of \$ 22,239,882, the related income was recognized in the fiscal year ended December 31, 2018. As of December 31, 2019 and December 31, 2018, receivables in this regard amounts to \$ 14,577,442 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 S.A 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 committed 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.

## ATTACHMENT SCHEDULE

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

#### FINANCIAL STATEMENTS

for the year ended December 31, 2019 (in USD)

#### 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 S.A 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 committed 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 S.A 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 Maria plant.

The agreements have been signed for a term of fifteen (15) years commencing in the COD, committed to May 2020 (General Rojo plant) and July 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 Company 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 December 31, 2019 the amount outstanding and not due is \$ 114,497,202 and Euros 13,307,822 (\$15,236,125).

##### *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.

## ATTACHMENT SCHEDULE

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

#### FINANCIAL STATEMENTS

for the year ended December 31, 2019 (in USD)

#### NOTE 15 - EARNINGS BEFORE INTERESTS, TAX, DEPRECIATIONS AND AMORTIZATIONS (EBITDA)

Management has presented the performance measure EBITDA because it believes that this measure is relevant to an understanding of the financial performance. EBITDA is calculated by adding back to net income (loss) for the year: (i) net finance costs, (ii) income tax expense or benefit and (iii) depreciation and amortization expense and other similar non-cash expenses.

EBITDA is not a defined performance measure in IFRS Standards. The definitions of EBITDA may not be comparable with similarly titled performance measures and disclosures by other entities.

a) For the year ended December 31, 2019 as follows:

Net income for the year	33,608,650
Net finance costs	69,565,752
Income tax expense	( 11,840,759)
Depreciation and amortization	<u>14,057,857</u>
<b>EBITDA</b>	105,391,500

b) For the year ended December 31, 2018 as follows:

Net loss for the year <sup>(1)</sup>	( 5,478,506)
Net finance costs	83,744,033
Income tax benefit	( 234,190)
Depreciation and amortization	<u>13,416,900</u>
<b>EBITDA</b>	<u>91,448,237</u>

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

#### NOTE 16 - SUBSEQUENT EVENTS

On February 5, 2020 the CNV through Resolution N° 20.635 approve the creation of an offering regime in a total outstanding nominal value of up to \$ 60,000,000 or its equivalente in another currency.

Except for the indicated above, no other events or transactions have occurred from the period-end to the date of issuance of these financial statements, except for those mentioned in previous paragraph and in note 7.1.b), that would have material effect on the financial position of the Company at year-end or the results of operations for the year ended December 31, 2019.