

MSU ENERGY S.A.

Unaudited condensed interim financial statements for
the three-month period ended March 31, 2020

MSU ENERGY S.A.

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS for the three month period ended
March 31, 2020

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INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

MSU ENERGY S.A.
Cerrito 1294 – 2nd Floor - Buenos Aires – Argentina.

Introduction

We have reviewed the accompanying condensed interim statement of financial position of MSU ENERGY S.A. as of March 31, 2020, the condensed interim statements of profit or loss and other comprehensive income, changes in shareholders' equity and cash flows for the three month period then ended, and notes to the condensed interim financial statements. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with IAS 34, '*Interim Financial Reporting*'. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements as of and for the three months ended March 31, 2020 are not prepared, in all material respects, in accordance with IAS 34 '*Interim Financial Reporting*'.

Emphasis of Matter – Covid-19

We draw attention to note 7.d to the condensed interim financial statements, which discloses the uncertain potential effects of the COVID-19 pandemic on MSU Energy S.A.' activities during the year as of December 31, 2020. Our conclusion is not modified in respect of this matter.

Emphasis of Matter – Purpose of these condensed interim financial statements

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

Buenos Aires (Argentina), May 19, 2020.

KPMG
Jorge Eduardo Dietl
Partner

This document contains the electronic version of the KPMG auditor' report. The document containing the digital signature of KPMG' partner has been protected against unauthorized changes and KPMG has authorized the use of this document only by MSU Energy S.A. for presentation to its investors. KPMG is not responsible for any use other than the one authorized. KPMG will send its physically auditor' report with holographic signature when the restrictions imposed due to the pandemic by COVID-19 end.

MSU ENERGY S.A.

Unaudited condensed interim financial statements for the three-month period ended March 31, 2020

Stated in United States Dollars (USD)

GENERAL INFORMATION

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

Main business: Power generation

Parent company's information:

Name: MSU Energy Holding Ltd.

Main business: Investments

Ownership interest and voting stock: 75.33%

MSU ENERGY S.A.

UNAUDITED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION as of March 31, 2020 (in USD)

	<u>Notes</u>	<u>03/31/2020</u>	<u>12/31/2019</u>
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8 (g)	886,408,879	866,693,539
Loans granted	11	40,982,412	40,363,564
Tax assets	8 (b)	2,226,835	2,205,762
Deferred tax assets	6	9,769,930	12,979,434
Other assets	8 (a)	<u>6,885,107</u>	<u>7,153,892</u>
Total non-current assets		<u>946,273,163</u>	<u>929,396,191</u>
CURRENT ASSETS			
Tax assets	8 (b)	28,149,523	34,634,321
Other assets	8 (a)	3,671,328	9,220,530
Trade receivables		39,853,460	47,487,199
Cash and cash equivalents	8 (c)	<u>28,357,881</u>	<u>21,125,794</u>
Total current assets		<u>100,032,192</u>	<u>112,467,844</u>
Total assets		<u>1,046,305,355</u>	<u>1,041,864,035</u>
SHAREHOLDERS' EQUITY			
Share capital		30,295,440	30,295,440
Merger premium	2	(20,161,526)	(20,161,526)
Legal reserve		202,266	202,266
Other reserves		2,157,498	2,157,498
Retained earnings		<u>41,962,844</u>	<u>35,542,231</u>
Total equity		<u>54,456,522</u>	<u>48,035,909</u>
LIABILITIES			
NON CURRENT LIABILITIES			
Loans	8 (e)	834,078,914	833,192,242
Trade and other payable	8 (d)	<u>7,223,401</u>	<u>8,799,925</u>
Total non-current liabilities		<u>841,302,315</u>	<u>841,992,167</u>
CURRENT LIABILITIES			
Loans	8 (e)	36,409,314	36,668,614
Other liabilities	8 (f)	809,922	744,649
Taxes payable		5,898,904	5,677,574
Trade and other payables	8 (d)	<u>107,428,378</u>	<u>108,745,122</u>
Total current liabilities		<u>150,546,518</u>	<u>151,835,959</u>
Total liabilities		<u>991,848,833</u>	<u>993,828,126</u>
Total liabilities and equity		<u>1,046,305,355</u>	<u>1,041,864,035</u>

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

MSU ENERGY S.A.

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

for the three-month period ended March 31, 2020 (in USD)

	<u>Notes</u>	<u>03/31/2020</u>	<u>03/31/2019</u>
Net revenues	9 (a)	28,629,037	26,912,180
Cost of sales	9 (c)	(5,709,057)	(5,547,312)
Gross profit		<u>22,919,980</u>	<u>21,364,868</u>
Other income and expenses-net		-	243,848
General and administrative expenses	9 (c)	(1,059,674)	(932,123)
Operating profit		<u>21,860,306</u>	<u>20,676,593</u>
Financial income	9 (b)	2,781,006	934,137
Financial expenses	9 (b)	(15,011,195)	(18,639,983)
Net finance costs		<u>(12,230,189)</u>	<u>(17,705,846)</u>
Profit before tax		<u>9,630,117</u>	<u>2,970,747</u>
Income tax expense	6	(3,209,504)	(683,241)
Porfit for the period		<u>6,420,613</u>	<u>2,287,506</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Comprehensive income for the period		<u>6,420,613</u>	<u>2,287,506</u>

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

MSU ENERGY S.A.

UNAUDITED CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY for the three-month period ended March 31, 2020 (in USD)

Items	Share capital	Merger premium	Legal reserve	Other reserves	Retained earnings (accumulated loss)	Total
Balances as of December 31, 2018	<u>30,295,440</u>	<u>(20,161,526)</u>	<u>116,084</u>	<u>2,157,498</u>	<u>2,019,763</u>	<u>14,427,259</u>
Profit for the period	-	-	-	-	<u>2,287,506</u>	<u>2,287,506</u>
Balances as of March 31, 2019	<u>30,295,440</u>	<u>(20,161,526)</u>	<u>116,084</u>	<u>2,157,498</u>	<u>4,307,269</u>	<u>16,714,765</u>
Balances as of December 31, 2019	30,295,440	(20,161,526)	202,266	2,157,498	35,542,231	48,035,909
Profit for the period	-	-	-	-	<u>6,420,613</u>	<u>6,420,613</u>
Balances as of March 31, 2020	<u>30,295,440</u>	<u>(20,161,526)</u>	<u>202,266</u>	<u>2,157,498</u>	<u>41,962,844</u>	<u>54,456,522</u>

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

MSU ENERGY S.A.
UNAUDITED CONDENSED INTERIM STATEMENT OF CASH FLOWS
for the three-month period ended March 31, 2020 (in USD)

	<u>03/31/2020</u>	<u>03/31/2019</u>
Cash Flow from operating activities		
Gain for the period	6,420,613	2,287,506
Adjustments for:		
Income tax expense	3,209,504	683,241
Depreciation of property, plant and equipment	3,093,907	3,045,149
Foreign exchange, differences	777,812	6,712,450
Accrued interest, net	11,452,377	10,993,396
Other income	-	(370,333)
Changes in operating assets and liabilities:		
Decrease (increase) in trade receivables	8,201,728	(4,146,215)
Decrease in other assets	6,034,045	1,089,608
Decrease in tax assets	5,824,413	4,320,635
Decrease in trade and other payable	(8,292,958)	(1,898,347)
Increase in taxes payable	88,844	133,705
Increase in other liabilities	60,314	-
Increase in tax assets due to recoverables taxes related to property, plant and equipment	(2,163,404)	(5,574,284)
Net cash flows from operating activities	<u>34,707,195</u>	<u>17,276,511</u>
Cash flow from investing activities		
Interest received	2,883,005	323,593
Advanced payments to purchase property, plant and equipment	-	(3,463,398)
Payments for acquisition of property, plant and equipment	(5,700,225)	(40,266,736)
Net cash flows used in investing activities	<u>(2,817,220)</u>	<u>(43,406,541)</u>
Financing activities		
Loans received	3,131,691	-
Payments of loans	(5,650,000)	-
Payments of interest and financing expenses	(22,139,579)	(29,737,014)
Net cash flows used in financing activities	<u>(24,657,888)</u>	<u>(29,737,014)</u>
Net increase (decrease) in cash	7,232,087	(55,867,044)
Cash and cash equivalents at the beginning of period	21,125,794	119,326,703
Cash and cash equivalents at the end of the period	<u>28,357,881</u>	<u>63,459,659</u>
Net increase (decrease) in cash	<u>7,232,087</u>	<u>(55,867,044)</u>

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

MSU ENERGY S.A.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS as of March 31, 2020 (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 sells 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 March 31, 2020, the Company discloses a negative working capital of \$ 50,514,326, primarily derived from the commitments assumed by virtue of this agreement and not yet overdue.

The Company estimates higher cash inflows with the commencement of operations as a combined cycle. Since a significant portion of the commitments assumed will become due after the commercial operation date of the combined cycle, the Company estimates that current liabilities will be paid as required.

MSU ENERGY S.A.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

as of March 31, 2020 (in USD)

NOTE 2 - MERGER AND CHANGE OF NAME

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 informed to the General Inspection of Justice to proceed with 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). 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) (Note 13).

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 name from RIO ENERGY S.A. to MSU ENERGY S.A.

NOTE 3 - BASIS OF ACCOUNTING

These condensed interim financial statements have been prepared in conformity with IAS 34 *Interim Financial Reporting* and should be read in conjunction with the last annual financial statements as at and for the year ended December 31, 2019 (“last annual financial statements”). They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company’s financial position and performance since the last annual financial statements.

Changes to significant accounting policies are described in Note 3.3.

These condensed interim financial statements ended March 31, 2020 were authorized for issue by the Company’s Chief of Finance Director (“CFO”) on May 19, 2020.

3.1) Purpose of these condensed interim financial statements

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

3.2) Comparative information

The condensed interim statement of financial position is presented on a comparative basis with December 31, 2019.

MSU ENERGY S.A.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

as of March 31, 2020 (in USD)

NOTE 3 - BASIS OF ACCOUNTING (cont.)

3.2) Comparative information (cont.)

The condensed interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period ended in March 31, 2020 are presented on a comparative basis with the three months period ended as of March 31, 2019

3.3) Significant accounting policies

The main accounting policies applied to the preparation of these condensed interim financial statements are consistent with those applied to the preparation of the financial statements under IFRS for the year ended December 31, 2019, except the standards that are effective for fiscal years beginning on or after January 1, 2020: definition of a Business (Amendments to IFRS 3), definition of Material (Amendments to IAS 1 and IAS 8) and IFRS 17 Insurance contracts. The mentioned new or revised standards do not have a significant impact on MSU ENERGY S.A.'s condensed interim financial statements.

NOTE 4 - USE OF JUDGMENT AND ESTIMATES

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

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

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

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

At the same time, Management recognizes estimation uncertainties with a significant effect on amounts recognized in these condensed interim financial statements in relation to the assumptions to determine the amount of deferred tax assets related to estimated tax losses carryforward.

NOTE 5 - OPERATING SEGMENTS

The Board of Directors is the chief operating decision maker, who receives and reviews financial information considering that MSU Energy 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 MSU Energy non-current assets are located in Argentina as of March 31, 2020 and December 31, 2019.

NOTE 6 - INCOME TAX

(a) Income tax expense

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

The effective tax rate was 35% and 25% for the three-month periods ended March 31, 2020 and 2019, respectively. The variation in the effective rate is explained mainly by the estimated impact of the inflation for tax purposes and the devaluation of the Argentine peso in relation to the US dollar

MSU ENERGY S.A.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS as of March 31, 2020 (in USD)

NOTE 6 - INCOME TAX (cont.)

(b) Changes in income tax rate

On December 29, 2017, the Argentine Executive Branch passed and published Law No. 27430, which introduces some amendments to the income tax law, subsequently amended by the “Social Solidarity and Production Reactivation Law within the framework of the Public Emergency” (the “Economic Emergency Law”). As of March 31, 2020, the most significant amendments in force include:

- the reduction in the tax rate from 35% to 30% for fiscal years beginning on or after January 1, 2018, and to 25% for fiscal years beginning on or after 2022; and
- the dividends distributed to individuals and foreign beneficiaries for the fiscal years mentioned above shall be levied at the 7% and 13% rates, respectively.

(c) Inflation adjustment for tax purposes

The referred Law No. 27430, after the amendments of the Economic Emergency Law, created the obligation that, as from fiscal years beginning on or after January 1, 2018, the inflation adjustment calculated based on the procedure described in the Income Tax Law be deducted or included in the tax income/loss, to the extent that the Consumer Price Index (IPC) at a general level accumulated over the 36 months prior to the end of the year that is calculated exceeds 100%.

During the first three years as from effective date (fiscal years beginning on or after January 1, 2018), the tax inflation adjustment shall be applicable to the extent the IPC variation for each of them exceeds 55%, 30% and 15%, respectively. The resulting inflation adjustment, either gain or loss, shall be recognized in six equal parts. The first part shall be computed in the year corresponding to the calculation and the remaining five parts shall be recognized in the immediately subsequent years. As from the fourth year, the amount of the tax inflation adjustment is recognized in the same fiscal year.

Since the IPC reached 53.8% as of December 31, 2019, the Company applied the inflation adjustment for tax purposes for year end. Considering that the Company estimates that the inflation adjustment for tax purposes will be also applicable as of December 31, 2020, the Company considered the effect of the mentioned adjustment in the calculation of the weighted average rate mentioned in (a).

NOTE 7 - FINANCIAL INSTRUMENTS - CLASSIFICATION AND RISK MANAGEMENT

(a) Classification and fair value of financial instruments

MSU Energy uses the following hierarchy to determine the fair value of its financial instruments: Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities; level 2: imputs other than quoted prices included in level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices), and level 3: inputs for the asset or liability that are not based on observable market data.

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

Item	Note	Balances as of March 31, 2020		
		Fair value	Financial assets at amortized cost	Other financial liabilities (**)
<i>Financial assets</i>				
Other financial receivables		-	1,379,722	-
Loans granted	11	-	40,982,412	-
Trade receivables		-	39,853,460	-
Cash and cash equivalents	8 (c)	<u>28,357,881 (*)</u>	-	-
Total financial assets		<u>28,357,881</u>	<u>82,215,594</u>	<u>-</u>
<i>Financial liabilities</i>				
Loans	8 (e)	-	-	870,488,228
Trade and other payable	8 (d)	-	-	114,651,779
Other liabilities	8 (f)	-	-	<u>809,922</u>
Total financial liabilities		<u>-</u>	<u>-</u>	<u>985,949,929</u>

MSU ENERGY S.A.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS as of March 31, 2020 (in USD)

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

(a) Classification and fair value of financial instruments (cont.)

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 payables	8 (d)	-	-	117,545,047
Other liabilities	8 (f)	-	-	<u>744,649</u>
Total financial liabilities		-	-	<u>988,150,552</u>

(*) Level 1

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

As of the date of these condensed interim financial statements, the carrying balances of financial instruments are a reasonable estimate of their related fair values except in loans (liability) for which the fair value (Level 2 for Senior secured notes and Level 3 for loans) is \$ 480,288,154 and \$ 641,082,482 as of March 31, 2020 and December 31, 2019, respectively.

As of March 31, 2020, and December 31, 2019, there are no significant expected credit losses (“ELC”) to be recognized following the impairment evaluation of financial assets carried at amortized cost.

(b) Financial risk management

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

These condensed interim financial statements do not include all the information and disclosures regarding financial risk management; therefore, they should be read in conjunction with the annual financial statements as of December 31, 2019. No significant changes have been introduced thereafter to the risk management process or to the risk management policies applied by MSU Energy.

(c) Liquidity risk

The liquidity risk is related to MSU Energy’s capacity to finance its obligations 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 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 approved the creation of an offering program for a total outstanding nominal value of up to \$ 60.000.000 or its equivalent in another currency. On May 7, 2020 MSU ENERGY issued Senior Secured Floating Rate Notes for a total amount of \$250.300.000 due on 2024 (Note 16).

(d) COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the Coronavirus COVID-19 to be a pandemic, with over 150 countries affected. Most governments, including Argentina, have taken increasingly stringent steps to help contain the spread of the virus, including closing of the country’s borders and drastic reduction in the transport by air, water, rail and road, population lockdown, quarantine and free movement restrictions, and closing of businesses.

MSU ENERGY S.A.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

as of March 31, 2020 (in USD)

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

(d) COVID-19 (cont.)

The continued spread has led to disruption and volatility in the global capital markets, which increases the cost of, and adversely impacts access to capital, and increases economic uncertainty.

The main activity of the Company has been classified as essential by the Argentine Government and therefore the Company has continued operating and recognizing revenue from generation capacity, which is their main source of revenue. Additionally, the Company has continued working on the expansion and conversion of the simple cycle power plants into combined cycle plants. As the date of this condensed interim financial statements, this situation has not affected significantly the cash flows of MSU ENERGY as payments made by CAMMESA has continue ongoing as scheduled.

The Company continues to monitor the spread of COVID-19 and related risks. The magnitude and duration of the pandemic remain uncertain but could impact its earnings, cash flow and financial condition.

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

(a) Other assets	<u>03/31/2020</u>	<u>12/31/2019</u>
Non current		
Credit of compensatory agreement (Note 14)	6,885,107	7,153,892
Total	<u>6,885,107</u>	<u>7,153,892</u>
Current		
Advances to suppliers	56,340	69,748
Prepaid insurance	682,302	332,748
Expenses to recover	16,022	-
Parent company and other related parties (Note 10)	1,059,499	1,087,682
Loans to personnel	36,201	38,802
Credit of compensatory agreement (Note 14)	1,552,964	7,423,550
Others	250,000	250,000
Security deposits	<u>18,000</u>	<u>18,000</u>
Total	<u>3,671,328</u>	<u>9,220,530</u>
(b) Tax assets		
Non current		
Income tax net advances	2,166,609	2,140,931
Other taxes	<u>60,226</u>	<u>64,831</u>
Total	<u>2,226,835</u>	<u>2,205,762</u>
Current		
Valued added tax	27,634,506	33,909,711
Custom tax	333,121	357,838
Other tax balances	<u>181,896</u>	<u>366,772</u>
Total	<u>28,149,523</u>	<u>34,634,321</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.

MSU ENERGY S.A.

**NOTES TO THE UNAUDITED CONDENSED
INTERIM FINANCIAL STATEMENTS**
as of March 31, 2020 (in USD)

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

(c) Cash and cash equivalents

Cash (*)	<u>28,357,881</u>	<u>21,125,794</u>
Total	<u>28,357,881</u>	<u>21,125,794</u>

(*) As of March 31, 2020, includes USD 8,695,151 of restricted cash. The restricted cash was used by the Company to pay the accumulated interests of Private Senior Secured Notes as of May 7, 2020.

(d) Trade and other payables 03/31/2020 12/31/2019

Non current

Suppliers	441,612	887,838
Fines imposed by Cammesa (Note 14)	<u>6,781,789</u>	<u>7,912,087</u>
Total	<u>7,223,401</u>	<u>8,799,925</u>

Current

Suppliers (1)	102,078,045	103,181,011
Fines imposed by Cammesa (Note 14)	4,521,193	4,521,193
Accrued expenses	<u>829,140</u>	<u>1,042,918</u>
Total	<u>107,428,378</u>	<u>108,745,122</u>

(1) At March 31, 2020 and December 31, 2019 includes unpaid balances of PPE of \$ 83,919,644 and \$ 78,215,831, respectively.

(e) Loans

Non current

Senior secured notes (Note 12 a and b) (*)	<u>834,078,914</u>	<u>833,192,242</u>
Total	<u>834,078,914</u>	<u>833,192,242</u>

Current

Senior secured notes (Note 12 a and b) (*)	22,888,020	20,610,879
Loans (Note 12 c) (**)	<u>13,521,294</u>	<u>16,057,735</u>
Total	<u>36,409,314</u>	<u>36,668,614</u>

(f) Other liabilities

Parent company and other related parties (Note 10)	759,922	694,649
Other payables	<u>50,000</u>	<u>50,000</u>
Total	<u>809,922</u>	<u>744,649</u>

(*) At March 31, 2020 and December 31, 2019 includes net transactions costs of \$ 15,921,086 and \$ 16,807,758, respectively.

(**) At March 31, 2019 and December 31, 2019 includes net transaction cost of \$ 37,479 and \$ 8,002.

MSU ENERGY S.A.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

as of March 31, 2020 (in USD)

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

(g) Property, plant and equipment

Balances as of March 31, 2020										
Main account	Cost			At period end	Depreciation				Net as of	
	At beginning of year	Additions and disposals	Transfers		Accumulated at beginning of the period	Rate %	Disposals	Amount (Note 9.c)	Accumulated at period end	03/31/2020
Land	2,142,790	-	-	2,142,790	-	-	-	-	-	2,142,790
Facilities and other fixed assets	2,307,289	149,749	-	2,457,038	1,354,027	(**)	-	134,004	1,488,031	969,007
Spare parts	6,348,859	115,141	-	6,464,000	-	-	-	-	-	6,464,000
<i>Thermoelectric power plants</i>										
Infrastructure	249,531,425	-	-	249,531,425	12,997,420	3.33%	-	1,438,973	14,436,393	235,095,032
Plant and equipments	357,117,615	-	-	357,117,615	22,468,082	(*)	-	1,520,930	23,989,012	333,128,603
Under construction	<u>286,065,090</u>	<u>22,544,357 (***)</u>	-	<u>308,609,447</u>	-	-	-	-	-	<u>308,609,447</u>
Total as of March 31, 2020	<u>903,513,068</u>	<u>22,809,247</u>	-	<u>926,322,315</u>	<u>36,819,529</u>		-	<u>3,093,907</u>	<u>39,913,436</u>	<u>886,408,879</u>

Balances as of December 31, 2019										
Main account	Cost				Depreciation				Net as of	
	At beginning of year	Additions	Transfers	At year-end	Accumulated at beginning of year	Rate %	Disposals	Amount	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>
Total as of December 31, 2019	<u>677,042,769</u>	<u>226,470,299</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

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

(***) Includes capitalized borrowing costs amounting to \$ 11,405,208 and \$ 40,495,758 as of March 31, 2020 and December 31, 2019, respectively.

ATTACHEMENT SCHEDULE

MSU ENERGY S.A.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

for the three-month period ended March 31, 2020 (in USD)

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

(a) Revenue

On June 13, 2017 and December 29, 2017 turbines 01, 02, and 03 of General Rojo and Barker Thermoelectric Power Plants were authorized to conduct commercial operations with SADI. As from such date, the Wholesale Demand Agreements signed with CAMMESA on August 4, 2016 and July 25, 2016 became effective, respectively.

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

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 and Resolution 31/2020, applicable as from February 1, 2020.

	<u>03/31/2020</u>	<u>03/31/2019</u>
Revenues from generation capacity	27,399,150	25,453,915
Revenues from supply of power	<u>1,229,887</u>	<u>1,458,265</u>
Total revenue	<u>28,629,037</u>	<u>26,912,180</u>

(b) Net finance costs

	<u>03/31/2020</u>	<u>03/31/2019</u>
<u>Financial income</u>		
Interest income	<u>2,781,006</u>	<u>934,137</u>
Total financial income	<u>2,781,006</u>	<u>934,137</u>
<u>Financial expenses</u>		
Interest expense	(14,233,383)	(11,927,533)
Foreign exchange differences	(777,812)	(6,712,450)
Total financial expenses	<u>(15,011,195)</u>	<u>(18,639,983)</u>

ATTACHEMENT SCHEDULE

MSU ENERGY S.A.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

for the three-month period ended March 31, 2020 (in USD)

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

(c) Expense by nature

Items	Cost of sales	General and administrative expenses	03/31/2020	03/31/2019
Salaries and other personnel-related Expenses	810,848	289,289	1,100,137	1,246,538
Depreciation	3,004,299	89,608	3,093,907 (*)	3,045,149
Maintenance expenses	1,093,106	1,674	1,094,780	1,179,726
Taxes, rates and contributions	142,337	331,550	473,887	272,386
Insurance	325,798	17,323	343,121	194,901
Other expenses	<u>332,669</u>	<u>330,230</u>	<u>662,899</u>	<u>540,735</u>
Total as of 03/31/2020	<u>5,709,057</u>	<u>1,059,674</u>	<u>6,768,731</u>	
Total as of 03/31/2019	<u>5,547,312</u>	<u>932,123</u>		<u>6,479,435</u>

(*) See note 8 g.

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

	03/31/2020	12/31/2019
1. Balances with parent company – MSU Energy Holding Ltd.		
Loans granted	33,432,717	32,927,872
Other liabilities	465,847	405,533
2. Transactions with parent company – MSU Energy Holding Ltd.	<u>03/31/2020</u>	<u>03/31/2019</u>
Interest income	504,845	497,794
Management fee (*)	60,314	46,411
3. Balance with related parties	<u>03/31/2020</u>	<u>12/31/2019</u>
Loans granted	7,549,695	7,435,692
Other assets	1,059,499	1,087,682
Other liabilities	294,075	289,116
4. Transaction with related parties	<u>03/31/2020</u>	<u>03/31/2019</u>
Interest loss	4,959	4,904
Interest income	114,003	-
Expenses to be recovered	-	6,309
Management fee (*)	15,983	12,622

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

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

During the period ended March 31, 2020 and 2019, key management received compensations in the total amount of \$ 319,891 and \$ 244,667 respectively, which are considered short-term benefits and entail the only benefits granted to the Board of Directors and senior Management. MSU Energy does not grant long-term benefits or share-based payments to its employees.

ATTACHEMENT SCHEDULE

MSU ENERGY S.A.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

for the three-month period ended March 31, 2020 (in USD)

NOTE 11 - LOANS GRANTED

On January 31, 2018, MSU Energy signed loans agreements with MSU Energy Holding Ltd. and MSU Energy Investment Ltd, in the amounts of \$ 29,050,000 and \$ 6,560,000, respectively at an annual fixed interest rate of 6.875%, which become due for payment in year 2025. In connection with such loans, as of March 31, 2020 and December 31, 2019, MSU Energy has principal and interest receivables equivalent to the amount of \$ 40,982,412 and \$ 40,363,564, respectively. This transaction was priced on an arm's length basis and the balances are no secured.

NOTE 12 - LOANS

(a) Senior Secured Notes

On February 1, 2018, MSU Energy S.A. issued Senior Secured Notes described as follows:

- Principal amount: \$ 600,000,000
- Gross Proceeds: \$ 595,902,000
- Maturity Date: February 1, 2025
- Amortization: capital shall be amortized in one installment on the maturity date
- Issue price: 99.317% of principal amount, plus accrued interest, from February 1, 2018,
- Interest rate: 6.875% fixed annual 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 March 31, 2020 is \$ 172,543,033.

In connection with these Senior Secured Notes MSU Energy has principal and interest debt (net of deferred transactions costs) equivalent to the amount of \$ 595,652,360 and \$ 605,372,177 (Note 8 e) as of March 31, 2020 and December 31, 2019 respectively.

(b) Private Senior Secured Notes

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

- Principal amount: \$ 250,000,000.
- Gross Proceeds: \$ 246,875,000.
- Maturity Date: November 30, 2023.
- Issue price: 98.75% of principal amount.
- Interest rate: LIBOR (three months) plus 11.25%.
- Amortization: capital shall be amortized in 11 quarterly equal and consecutive installments after 30 months from the date of issuance.

ATTACHEMENT SCHEDULE

MSU ENERGY S.A.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

for the three-month period ended March 31, 2020 (in USD)

NOTE 12 – LOANS (cont.)

(b) Private Senior Secured Notes (cont.)

- Interest payment dates: to be paid quarterly on each February 28 and every 30th day of May, August and November.
- Guarantee: The notes are secured by:
 - A first degree pledge on GE Sprint LM6000-PC turbine 04 installed in each thermoelectric power plant and a first degree pledge on the steam turbine BHGE MT MID-SIZED installed in each plant. The net book value as of March 31, 2020 is \$ 59,534,972.
 - As of March 31, 2020, and December 31, 2019 the amount of 465,982,166 common shares that account for 99.53% of MSU Energy capital is subject to a first degree pledge for the benefit of Citibank NA as security agent.
 - The possibility of establishing a 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 outstanding principal and accrued interest debt amounting to \$ 261,314,574 and \$ 248,430,944 (Note 8 e) as of March 31, 2020 and December 31, 2019 respectively.

By issuing the Senior Secured Floating Rate Notes on May 7, 2020 (Note 16) the Company has cancelled the Private Senior Secured Notes.

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

	<u>31/03/2020</u>	<u>31/03/2019</u>
Balances at beginning of the period	869,860,856	849,784,149
<i>Cash flows from financing activities:</i>		
Payments of loans	(5,650,000)	-
New loans	3,131,691	-
Payments of interest and financing expenses	(22,139,579)	(29,737,014)
<i>Non-cash items changes:</i>		
Interest accrued	<u>25,285,260</u>	<u>22,149,185</u>
Balances at period-end	<u>870,488,228</u>	<u>842,196,320</u>

ATTACHEMENT SCHEDULE

MSU ENERGY S.A.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

for the three-month period ended March 31, 2020 (in USD)

NOTE 12 – LOANS (cont.)

(c) Loans

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

Class	Entity	Type	Currency	Nominal interest rate	Maturity	03/31/2020	12/31/2019
Financial	Banco Piano	Unsecured	\$	8%	March 2020 (*)	351,534	725,044
Financial	Banco Provincia	Unsecured	\$	7,5%	August 2020	10,086,301	10,019,907
Financial	Banco Superville	Unsecured	\$	7%	July 2020	1,005,061	1,001,332
Financial	Banco Itaú Uruguay S.A.	Unsecured	\$	2,82%	December 2019 (**)	-	4,311,452
Financial	Banco de la Nacion Argentina	Unsecured	ARS	(***)	September 2020	2,078,398	-
Total						<u>13,521,294</u>	<u>16,057,735</u>

(*) Paid on April 2020.

(**) Paid on January 2020.

(***) BADLAR rate plus 20 ppts

NOTE 13 - CAPITAL

	\$		Quantity of Shares	
	2020	2019	2020	2019
In issue at January 1	30,295,440	27,301,097	468,159,804	381,773,000
Issue of ordinary shares related to the merger (Note 2)	-	2,994,343	-	86,386,804
In issue at March 31 - fully paid	<u>30,295,440</u>	<u>30,295,440</u>	<u>468,159,804</u>	<u>468,159,804</u>

As of March 31, 2020, the Company's capital amounted to \$ 30,295,440 (ARS 468,159,804), represented by 468,159,804 non endorsable, registered, common shares, with a nominal value of ARS 1 each, one vote per share.

NOTE 14 - CONTRACTUAL COMMITMENTS

Agreement with CAMMESA for wholesale demand – General Rojo Plant

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

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

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

ATTACHEMENT SCHEDULE

MSU ENERGY S.A.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

for the three-month period ended March 31, 2020 (in USD)

NOTE 14 - CONTRACTUAL COMMITMENTS (cont.)

Agreement with CAMMESA for wholesale demand – General Rojo Plant (cont.)

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 such proceedings have not been concluded to date.

As of March 31, 2020, and December 31, 2019, liability in this regard amount to \$ 11,302,982 (current portion \$ 4,521,193 and non-current portion \$ 6,781,789) and \$ 12,433,280 (current portion \$ 4,521,193 and non-current portion \$ 7,912,087) respectively (Note 8 d).

Additionally, MSU Energy, as provided for by section 5.3.2 of “EPC-On- Shore Contract”, is entitled to claim GE International Inc. (GEII) Sucursal Argentina for the damage suffered by the delay in the start of operations up to the total amount of \$ 22,464,640. On October 16, 2018, the Company agreed with GE II the payment of the claimed amount of \$ 22,239,882, the related income was recognized in the fiscal year ended December 31, 2018. As of March 31, 2020, and December 31, 2019, receivables in this regard amounts to \$ 8,438,071 and \$ 14,577,442 respectively (Note 8 a).

Agreement with CAMMESA for wholesale demand - Barker Plant

By virtue of the wholesale demand agreement signed, the Company agrees to add 145.19 MW of nominal capacity to SADI, out of which, all its generation capacity from turbines 01, 02 and 03 will be sold subject to the regulatory scheme regulated by SEE Resolution No. 21, under the purchase power agreement (PPA) entered into by and between MSU Energy and CAMMESA on July 25, 2016, comprised of 145.19 MW contracted for a term of ten (10) years, at a price of \$ 19,900 (MW-month). Price of electricity dispatched using gas or diesel oil will be \$8.5 per MWh and \$12.50 per MWh, respectively. Fuel is provided by CAMMESA.

On December 29, 2017 and in compliance with the 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.

Agreement with CAMMESA for wholesale demand - Villa María Plant

By virtue of the wholesale demand agreement signed, MSU Energy agrees to add 143.14 MW of nominal capacity to SADI. The Company agrees to sell installed capacity from turbines 01, 02 and 03 subject to the regulatory scheme created by SEE Resolution No. 21/2016 under the PPA entered into by and between MSU Energy and CAMMESA on December 29, 2016, comprised of 143.14 MW contracted for a term of ten (10) years, at a price of \$ 19,900 (MW-month). Price of electricity dispatched using gas or diesel oil will be \$ 8.5 per MWh and \$12.50 per MWh, respectively. Fuel is provided by CAMMESA.

On January 25, 2018 and in compliance with the 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.

ATTACHEMENT SCHEDULE

MSU ENERGY S.A.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

for the three-month period ended March 31, 2020 (in USD)

NOTE 14 - CONTRACTUAL COMMITMENTS (cont.)

New Agreements with CAMMESA for wholesale demand

On October 17, 2017, by means of SEE Resolution 926-E/2017, CAMMESA entered into a new Wholesale Demand Agreement with MSU Energy related to the fact that the Company was awarded the project for “completing the combined cycle (4+1)”. On April 6, 2018, the Company signed the three new agreements (one for each plant) with CAMMESA, involving an average capacity of 105.367 MW contracted at a price of \$ 18,900 (MW-month) in General Rojo Plant; of 105 MW at a price of \$ 19,900 (MW-month) in Barker Plant and 100.2 MW, respectively were contracted at a price of \$ 19,900 (MW-month) in Villa Maria Plant. Price of energy dispatched using gas will be \$ 10.40 per MWh in case of Gral. Rojo plant, \$8.80 per MWh for Barker plant and \$ 12.70 per MWh for Villa María plant.

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

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.

Construction agreement with A-Evangelista S.A. (cont.)

The contract total value is \$ 324,860,104 and Euros 24,196,040 (\$ 27,702,046). As of March 31, 2020, the amount outstanding and not due is \$ 102.369.815 and Euros 13,307,822 (\$ 14,686,515).

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

The Company entered into a long term service contract (10 years) with General Electric Packaged Power Inc. (manufacturer of the turbines and equipment set up at the Plants) and GE International Inc. in order to guarantee availability and compliance with the Wholesale Demand Agreements mentioned above, by providing maintenance services, spare parts and remote monitoring system.

NOTE 15 - EBITDA RECONCILIATION WITH NET INCOME (LOSS)

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 profit for the period: (i) net finance costs, (ii) income tax expense or benefit and (iii) depreciation and amortization expense.

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.

ATTACHEMENT SCHEDULE

MSU ENERGY S.A.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

for the three-month period ended March 31, 2020 (in USD)

NOTE 15 - EBITDA RECONCILIATION WITH NET INCOME (LOSS) (cont.)

a) For the three-month period ended March 31, 2020 as follows:

Net profit for the period	6,420,613
Net finance costs	12,230,189
Income tax expense	3,209,504
Depreciation and amortization	<u>3,093,907</u>
EBITDA	<u>24,954,213</u>

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

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

NOTE 16 - SUBSEQUENT EVENTS

On May 7, 2020, MSU Energy issued Senior Secured Floating Rate Notes described as follows:

- Principal amount: \$ 250,300,000.
- Gross Proceeds: \$ 250,300,000.
- Maturity Date: February 28, 2024.
- Issue price: 100% of principal amount.
- Interest rate: (i) LIBO (three months) plus 11.95% for each day during the period commencing on (and including) the issue date and ending on (but excluding) February 28, 2021, (ii) for each day during the period commencing on (and including) the last day of the period referred to in (i) and ending on but excluding February 28, 2022, 12.50%, and (iii) for each day during the period commencing on (and including) the last day of the period referred to in (ii) and thereafter until all amounts due under the notes are repaid in full, 13.00%. If LIBO rate is not available for any reason, the LIBO shall be the Interpolated Rate and if such rate is below 2.00%, the LIBOR shall be deemed to be 2.00%.
- Amortization: capital shall be amortized in 10 quarterly equal and consecutive installments as of November 30, 2021.
- Interest payment dates: to be paid quarterly on each February 28 and every 30th day of May, August and November, starting on August 30, 2020.

ATTACHEMENT SCHEDULE

MSU ENERGY S.A.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

for the three-month period ended March 31, 2020 (in USD)

NOTE 16 - SUBSEQUENT EVENTS (cont.)

- Guarantee: The notes are secured by:
 - A second-degree pledge (which shall automatically become a first-priority lien upon cancellation in full of the Private Senior Secured Notes) 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 installed in each plant.
 - The amount of 465,982,166 common shares that account for 99.53% of MSU Energy capital is subject to a second-degree pledge (which shall automatically become a first-priority lien upon cancellation in full of the Private Senior Secured Notes) for the benefit of Citibank NA as security agent.
 - The possibility of establishing a fiduciary assignment of the collection rights arising from the new PPA's related to combined cycle capacity. (Note 14)

The proceeds from the placement of Senior Secured Floating Rate Notes were used for the repayment of Private Senior Secured Notes (Note 12 b) and for working capital

Except for the indicated above, no other events or transactions have occurred from period-end to the date of issuance of these condensed combined interim financial statements that would have a material effect on the financial position of the Company at period-end or the results of operations for the three-months period ended March 31, 2020.