MSU ENERGY S.A.

Financial statements as of December 31, 2020

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INDEPENDENT AUDITORS' REPORT

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

Independent auditors' report

Opinion

We have audited the financial statements of MSU ENERGY S.A. (hereinafter, "the Company"), which comprise the statement of financial position as of December 31, 2020, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020, the results of its operations, the changes in shareholders' equity and cash flows for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board ("IAASB"). 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 Company in accordance with the Code of Ethics for Professional Accountants (including the International Independent Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the requirements applicable to audits of financial statements in Argentina. We have also fulfilled 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current period. The key audit matter described below has been addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters

Key audit matter: Recoverability of tax losses recorded as items of deferred tax liabilities	
See note 6 to the accompanying financial statements: Income tax	
Key audit matter	Key audit matter addressed
As of December 31, 2020, the Company recognized in Deferred tax liabilities a tax loss asset in the amount of thousands of $ 14,379,584 (measured at the tax rate expected to be effective when such asset is realized). The Company's Management assesses whether this item is likely to be recovered at the reporting date of its financial statements, or when events or changes in circumstances may indicate that the asset may be no longer recoverable. If the recoverable value of an asset is lower than its book value, the latter is reduced up to its recoverable value. To estimate the recoverable value, Management makes projections based on the best information available at the date of calculation and prepares a set of tax projections including different scenarios involving revenues, expenses, availability and dispatch indicators and future investments (and, consequently, the potential use of tax losses), considering the past relevant events and the expectations for changes in the business and market. As the process for the preparation of estimates is complex and, then, it requires a high level of professional judgment from the Company's Management, and it is affected by uncertain future events derived from the economic and political context, changes in the exchange rate and the projected inflation, among others, the analysis of the likelihood of recovery of deferred tax assets arising from the recognition of tax losses was considered as a key audit matter.	Our audit procedures have been, among others: • evaluation of the accounting policies adopted by the Company in connection with the recognition of deferred tax assets arising from accumulated tax loss carryforwards; • understanding the process for estimating the likelihood of recovery and the recoverable value of the deferred tax asset in order to determine the audit risks associated with such accounting estimate; • validation through specific substantive procedures of the reasonableness of the main assumptions used by the Company's Management in the preparation of its estimates, including the opinion of legal and tax advisors of the Company regarding the likelihood of recovery of these tax loss carryforwards; • sensitivity analysis about the main assumptions used by Management in the preparation of such estimates; • evaluation of the conclusion of the Company's Management that the amount recognized as deferred tax assets arising from tax losses is recoverable, and • evaluation of whether the information disclosed in the accompanying financial statements meets the requirements of the financial reporting framework.

Responsibility of Management for the Financial Statements

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

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

Additionally, the Board of Directors is responsible for overseeing the Company's financial reporting process.

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 misstatement 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 Company's internal controls.

- 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 doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then 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 Company 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 the Board of Directors, 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.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors, we determined those matters that were of most significance in the audit of the financial statements for the fiscal year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

City of Buenos Aires, March 10, 2021.

KPMG
Reg. de Asoc. Prof. CPCECABA Tº 2 Fº 6

Mario A. Belardinelli
Partner

MSU ENERGY S.A.

Financial statements as of December 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.

STATEMENT OF FINANCIAL POSITION
as of December 31, 2020 (in USD)

	Notes	12/31/2020	12/31/2019
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8 (g)	953,194,678	866,693,539
Loans granted	11	42,852,555	40,363,564
Tax assets	8 (b)	1,298,582	2,205,762
Deferred tax assets	6	-	12,979,434
Other assets	8 (a)	6,074,925	7,153,892
Total non-current assets		1,003,420,740	929,396,191
CURRENT ASSETS			
Tax assets	8 (b)	6,636,865	34,634,321
Other assets	8 (a)	5,882,350	9,220,530
Trade receivables		89,170,285	47,487,199
Cash and cash equivalents	8 (c)	35,398,506	21,125,794
Total current assets		137,088,006	112,467,844
Total assets		1,140,508,746	1,041,864,035
SHAREHOLDERS' EQUITY			
Share capital		30,295,440	30,295,440
Merger Premium	2	(20,161,526)	(20,161,526)
Legal reserve		1,475,657	202,266
Other reserves		2,157,498	2,157,498
Retained earnings		61,642,413	35,542,231
Total equity		75,409,482	48,035,909
LIABILITIES			
NON CURRENT LIABILITIES			
Taxes payable		4,389,953	1,206,650
Loans	8 (e)	816,502,591	833,192,242
Deferred tax payable	6	15,268,529	-
Trade and other payables	8 (d)	3,422,009	8,799,925
Total non-current liabilities		839,583,082	843,198,817
CURRENT LIABILITIES			
Loans	8 (e)	49,148,134	36,668,614
Other liabilities	8 (f)	899,512	744,649
Taxes payable		2,218,499	4,470,924
Trade and other payables	8 (d)	173,250,037	108,745,122
Total current liabilities		225,516,182	150,629,309
Total liabilities		1,065,099,264	993,828,126
Total liabilities and equity		1,140,508,746	1,041,864,035

The accompanying notes are part of these financial statements.

MSU ENERGY S.A.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended December 31, 2020 (in USD)

	Notes	12/31/2020	12/31/2019
Net revenues	9 (a)	150,446,433	119,777,846
Cost of sales	9 (c)	(33,605,283)	(25,131,732)
Gross profit		116,841,150	94,646,114
Other income and expenses-net	14	-	249,890
General and administrative expenses	9 (c)	(4,584,113)	(3,562,361)
Operating profit		112,257,037	91,333,643
Financial income	9 (b)	12,903,884	4,185,593
Financial expenses	9 (b)	(69,539,385)	(73,751,345)
Net finance costs		(56,635,501)	(69,565,752)
Net income (loss) before income tax		55,621,536	21,767,891
Income tax (charge) benefit	6	(28,247,963)	11,840,759
Net income (loss) for the year		27,373,573	33,608,650
Other comprehensive income		-	-
Comprehensive income (loss) for the year		27,373,573	33,608,650

The accompanying notes are part of these financial statements.

MSU ENERGY S.A.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

for the year ended December 31, 2020 (in USD)

Items	Share capital	Merger premium	Legal reserve	Other reserves	Retained earnings (accumulated loss)	Total
Balances as of December 31, 2018	30,295,440	(20,161,526)	116,084	2,157,498	2,019,763	14,427,259
Appropriation to statutory reserves (1)	-	-	86,182	-	(86,182)	-
Net income for the year	-	-	-	-	33,608,650	33,608,650
Balances as of December 31, 2019	30,295,440	(20,161,526)	202,266	2,157,498	35,542,231	48,035,909
Appropriation to statutory reserves (2)	-	-	1,273,391	-	(1,273,391)	-
Net income for the year	-	-	-	-	27,373,573	27,373,573
Balances as of December 31, 2020	30,295,440	(20,161,526)	1,475,657	2,157,498	61,642,413	75,409,482

(1) As voted at the MSU ENERGY Sociedad Anónima Ordinary Shareholder's Meeting on April 29, 2019.
(2) As voted at the MSU ENERGY Sociedad Anónima Ordinary Shareholder's Meeting on April 29, 2020.

The accompanying notes are part of these financial statements.

MSU ENERGY S.A.

STATEMENT OF CASH FLOWS
for the year ended December 31, 2020 (in USD)

CAUSES OF CHANGES IN CASH	Notes	12/31/2020	12/31/2019
Cash flow from operating activities			
Income for the year		27,373,573	33,608,650
Adjustments for:			
Income tax expense	6	28,247,963	(11,840,759)
Depreciation of property, plant and equipment	8 (g)	19,227,914	14,057,857
Foreign exchange, differences	9 (b)	(1,304,299)	24,353,611
Accrued interest, net	9 (b)	57,939,800	45,212,141
Changes in operating assets and liabilities:			
Increase in trade receivables		(42,490,308)	(25,242,976)
Decrease in other assets		5,556,036	10,022,226
Decrease in tax assets		26,310,807	19,958,942
Increase in trade and other payable		8,814,516	6,313,781
Increase in taxes payable		(463,099)	200,134
Increase (decrease) in other liabilities		134,816	(223,064)
Increase in tax assets due to recoverables taxes related to property, plant and equipment		(4,570,055)	(29,950,266)
Net cash flows from operating activities		**124,777,664**	**86,470,277**
Cash flow from investing activities			
Interest received and other financials receivables		16,188,401	499,377
Payments for acquisition of property, plant and equipment, net of capitalized interest		(29,899,818)	(120,857,911)
Net cash flows used in investing activities		**(13,711,417)**	**(120,358,534)**
Cash flow from financing activities			
Proceeds from senior secured floating rate notes	12 (c y d)	300,000	-
Loans received	12 (d)	7,157,230	21,000,000
Payments of loans	12 (d)	(16,002,301)	-
Payments of interest and financing expenses	12 (d)	(88,248,464)	(85,312,652)
Net cash flows used in financing activities		**(96,793,535)**	**(64,312,652)**
Net increase (decrease) in cash		**14,272,712**	**(98,200,909)**
Cash and cash equivalents at the beginning of year		21,125,794	119,326,703
Cash and cash equivalents at the end of the year		35,398,506	21,125,794
Net increase (decrease) in cash		**14,272,712**	**(98,200,909)**

Transactions that did not generate cash flows:

On May 7, 2020, the Company settled the Private senior secured notes in the amount of USD 250,000,000 based on the issuance of new senior secured notes (Note 12).

The accompanying notes are part of these financial statements.

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 ("the Plants"):

- the General Rojo thermoelectric power plant in the town of General Rojo, in the rural area of San Nicolás de los Arroyos, Province of Buenos Aires, was authorized by 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. 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 No. 261/2016; No. 216/2016 and No. 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). The related supply agreements will be in force for a term of 15 years as from the start-up in year 2020.

1.2) Comercial operation date

The expansion and conversion project of the Villa María, General Rojo and Barker thermoelectric plants from simple cycle to combined cycle was completed reaching the corresponding Commercial Operation Date ("COD") on August 15 and 20, 2020 and October 31, 2020 respectively, and increasing our total aggregate capacity up to 750 MW.

1.3) 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, 2020, the Company discloses a negative working capital of $ 88,428,176, primarily derived from the commitments assumed by virtue of this agreement and not yet overdue.

The Company has prepared cash flow forecasts which includes repayment of the Group's long term senior secured notes as well as short term debt. Higher cash inflows were estimated with the commencement of operations as a combined cycle. The Company estimates that current liabilities will be paid as required.

NOTE 1 - GENERAL INFORMATION (cont.)

1.4)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 February 2018 (Note 12 a).

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 Commision ("CNV") resolved to approve the merger and informed to the General Inspection of Justice ("IGJ") to proceed with the registration in the Public Registry. On March 1, 2019 the merger was approved by the IGJ.

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

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, 2020 were authorized for issue by the Group Chairman on March 10, 2020.

3.2) Changes in significant accounting policies

The accounting policies applied to the preparation of these financial statements are consistent with those applied to the preparation of the financial statements for the fiscal year ended December 31, 2019, except for the revised definition of a business (Amendments to IFRS 3), definition of materiality (Amendments to IAS 1 and IAS 8) and Amendments to IFRS 16- COVID-19-related rent concessions, the application of which is effective as from the current fiscal year.

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.

NOTE 3 - BASIS OF ACCOUNTING (cont.)

3.2) Changes in significant accounting policies (cont.)

IFRS 3 " Definition of a Business"

The definition of business included in IFRS 3 – Business Combinations has been amended. According to the new definition, an acquisition qualifies as a business if it includes an input and a substantive process that together significantly contribute to the ability to create output.

The definition of “output” is narrowed by focusing on goods and services provided to customers generating revenue and excludes revenue in the form of cost savings or other benefits.

In addition, it is not necessary to assess whether market participants are capable of replacing any missing processes or integrating the acquired set of activities. Finally, a concentration test was introduced. Based on such test, if substantially all of the fair value of the assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets, the assets might not be considered a business.

It is expected that a greater number of transactions will qualify as an acquisition of assets and not as a business.

IAS 1 and IAS 8 "Definition of materiality"

This amendment to IAS 1 and IAS 8 proposes the following definition of materiality:

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The proposed definition is based on the existing requirements of IFRS. No new concepts are being proposed, nor are existing ones being removed.

Amendments to IFRS 16- COVID-19-related rent concessions

Amendments provide lessees with the option not to assess whether a COVID-19-related rent reduction is a lease modification and allow such reductions to be accounted for as if they were not modifications. The application of the option is retrospective but does not require to change comparative amounts. The option applies only to reductions that are directly due to COVID-19, and only if the following criteria are met: a) the reduction in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; b) the reduction in lease payments affects only payments originally due on or before June 30, 2021; and c) there is no other substantive change in the other terms and conditions of the lease.

The amendments shall be effective for periods beginning on or after June 1, 2020, and early application is permitted for financial statements not yet authorized for issue as of May 28, 2020.

3.3) 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 3.2.

3.3.1) 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.

NOTE 3 - BASIS OF ACCOUNTING (cont.)

3.3) Significant accounting policies (cont.)

3.3.1) Foreign currency (cont.)

(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.

3.3.2) 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 fifteen 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 commited.

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.

3.3.3) 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.

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 arragements with its employees or provided any defined benefit obligations plans or other long-term benefits to its employees.

NOTE 3 - BASIS OF ACCOUNTING (cont.)

3.3) Significant accounting policies (cont.)

3.3.4) Finance income and expense

The Company's 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.

3.3.5) 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.

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 are met.

NOTE 3 - BASIS OF ACCOUNTING (cont.)

3.3) Significant accounting policies (cont.)

3.3.5) Income tax (cont.)

On December 29, 2017, the Argentine Executive passed Law No. 27430, which introduced some amendments to the income tax law, among others. Some of the most significant changes include the reduction in the tax rate applicable to corporations and permanent establishments from 35% to 30% for fiscal years beginning as from January 1, 2018, and to 25% for fiscal years beginning as from 2020. In addition, the related dividends distributed to individuals and foreign beneficiaries by the referred entities shall be levied at the 7% and 13% rates, respectively, as from the fiscal years indicated above.

On December 28, 2019, the Argentine Executive published Law No. 27541, which was regulated by Decree No. 99/2019. The main changes introduced by such law include an extension of the term to apply the income tax rate reduction referred to above. It is established that the 25% rate shall be applicable to fiscal years beginning on or after January 1, 2022.

- Tax inflation adjustment

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

During the first three years as from January 1, 2018, the tax inflation adjustment shall be applicable to the extent that the change in IPC exceeds 55%, 30% and 15%, respectively in each of those years.

The resulting inflation adjustment, either gain or loss, would be recognized in three equal parts, computing the first third in the year of the calculation and the remaining two thirds in the immediately subsequent years. As from the fourth year, the amount of tax inflation adjustment is recognized in the same fiscal year.

Law No. 27541, regulated by Decree No. 99/2019, also introduced changes to the tax inflation adjustment. Based on such changes, the resulting inflation adjustment, either gain or loss, shall be recognized in six equal parts, computing the first sixth in the year of the calculation and the remaining five sixths in the immediately subsequent years. As from the fiscal years beginning January 1, 2021, the amount of the tax inflation adjustment is recognized in the same fiscal year.

As of December 31, 2020 and 2019, the Consumer Price Index (IPC) reached 36.1% and 53.8%, respectively. Since, as of December 31, 2020, the IPC exceeded 15%, the tax inflation adjustment is applicable. Therefore, the Company considered the effects of such adjustment for calculation purposes. In line with the transition methodology provided for in the tax rule, one sixth of the tax inflation adjustment was computed by adjusting the tax income/loss for the year. The remaining five sixths will be computed in the following five fiscal years and considered as a deductible temporary difference that is recognized in the deferred tax balance.

- 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.

- IFRIC 23 Uncertainty over income tax treatments

NOTE 3 - BASIS OF ACCOUNTING (cont.)

3.3) Significant accounting policies (cont.)

3.3.5) Income tax (cont.)

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, 2020 and 2019, the Company has applied this interpretation in the recording of current and deferred income tax, considering the adjustment for tax inflation (Note 3.3.5 and Note 6).

3.3.6) 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 cyle plants. They are stated at cost (including elegible 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. 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. On August 15 and 20, 2020 and October 31, 2020, the expansion and conversion project of the Villa Maria, General Rojo and Barker thermoelectric power plants was completed. Since that date, the three plants have been authorized to carry out commercial operations 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.

MSU Energy S.A has considered 22% of the cost of each thermal power plant as residual value, which is not subject to depreciation as of December 31, 2020 and 2019.

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.

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).

NOTE 3 - BASIS OF ACCOUNTING (cont.)

3.3) Significant accounting policies (cont.)

3.3.7) 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 cots 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, maintening 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.

NOTE 3 - BASIS OF ACCOUNTING (cont.)

3.3) Significant accounting policies (cont.)

3.3.7) 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 is 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 Loses (“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.

NOTE 3 - BASIS OF ACCOUNTING (cont.)

3.3) Significant accounting policies (cont.)

3.3.7) Financial instruments (cont.)

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

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

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 foreigh 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 differente, 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.

NOTE 3 - BASIS OF ACCOUNTING (cont.)

3.3) Significant accounting policies (cont.)

3.3.7) 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 rigt 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.

3.3.8) 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.

3.3.9) 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.

3.3.10) IFRS 16 Leases

The regulation provides for a new definition of lease and different treatments applicable to lessors or lessees.

Definition of lease

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

NOTE 3 - BASIS OF ACCOUNTING (cont.)

3.4) Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after January 1, 2020 and earlier application is permitted; such as rental concessions related to amendments to IAS 1- Classification of current and non-current liabilities, amendments to IAS 16 - PPyE: sale before intended use and amendments to IAS 37 - Costs to fulfill a contract. However, MSU ENERGY has not early adopted the new or amended standards in preparing these financial statements and not significant impact derivated from those new standards is expected.

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.

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 MSU Energy non-current assets are located in Argentina as of December 31, 2020 and December 31, 2019.

NOTE 6 - INCOME TAX

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

	12/31/2020	12/31/2019
Deferred tax assets and (liabilities)		
Accumulated tax losses carried forward	170,880,382	159,447,552
Property, plant and equipment	(109,840,374)	(93,129,711)
Others	(507,972)	(224,554)
Tax inflation adjustment	(75,800,565)	(53,113,853)
Total deferred tax (liabilities) assets	(15,268,529)	12,979,434

NOTE 6 - INCOME TAX (cont.)

The income tax rate for fiscal years beginning on or after January 1, 2020, is 30%, and 25% for fiscal years beginning on 2022. 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 3.3.5. 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. The Company recognizes the related deferred tax asset only to the extent that there is sufficient future taxable income to allow its consumption.

As of December 31, 2020, carryforward tax losses estimated in relation to the income tax are broken down as follows, according to their date of origin:

Year	Amount at tax rate – 25%	Expires in
2017	20,809,498	2022
2018	66,878,719	2023
2019	37,009,309	2024
2020	46,182,856	2025
Total	170,880,382 *	

*Net from provision of USD 29.182.161.

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.

The changes in deferred tax assets are as follow:

	12/31/2020	12/31/2019
At the beginning of the year	12,979,434	1,138,675
Deferred income tax (charge) benefit	(28,247,963)	11,840,759
At the end of the year	(15,268,529)	12,979,434

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:

	12/31/2020	12/31/2019
Income before income tax	55,621,536	21,767,891
Income tax for the year at the tax rate of 30%	(16,686,461)	(6,530,367)
Reduction in tax rate	2,781,077	1,088,394
Non-deductible expenses	(49,807)	(323,415)
Tax inflation adjustment and tax losses carried forward adjustment and others	(14,292,772)	17,606,147
Total income tax (charge) benefit	(28,247,963)	11,840,759

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:

		Balances as of December 31, 2020		
Item	Note	Fair value	Financial assets at amortized cost	Other financial liabilities (**)
Financial assets				
Other financial receivables		-	1,364,389	-
Loans granted	11	-	42,852,555	-
Trade receivables		-	89,170,285	-
Cash and cash equivalents	8 (c)	35,398,506 (*)	-	-
Total financial assets		35,398,506	133,387,229	-
Financial liabilities				
Loans	8 (e)	-	-	865,650,725
Trade and other payables	8 (d)	-	-	175,185,988
Other liabilities	8 (f)	-	-	899,512
Total financial liabilities		-	-	1,041,736,225

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

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

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

As of December 31, 2020, and December 31, 2019, 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 $ 720,811,287 and $ 641.082.482, respectively.

As of December 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

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
4. COVID-19 Pandemic

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.

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) 12/31/2020	Functional currency (USD) 12/31/2019
Argentine pesos	(6,790,332)	30,207,800
Total	(6,790,332)	30,207,800

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

(b) Financial risk management (cont.)

1. Market risk (cont.)

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 10% 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, 2020		December 31, 2019	
	+10%	-10%	+10%	-10%
Argentine Pesos	(754,481)	617,303	3,356,422	(2,746,164)
Total	(754,481)	617,303	3,356,422	(2,746,164)

- 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).

On February 1, 2018, the Company issued 7-year private senior secured notes at a fixed interest rate of 6.875% (Note 12 a). Additionally, on November 30, 2018, the Company issued 5-year private senior secured notes at a variable LIBOR rate + 11.25% (Note 12 b), which were settled on May 7, 2020 by means of the issuance of private senior secured notes at a variable LIBOR rate + 11.95% up to February 28, 2021, LIBOR + 12.50% up to February 28, 2022 and LIBOR + 13% up to the maturity of the private senior secured notes on February 28, 2024 (Note 12 c). When the LIBOR rate is discontinued, the rate to be applied will be that established on the prior interest calculation date.

- 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, 2020:

- 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.

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

(b) Financial risk management (cont.)

1. Market risk (cont.)

- Exchange rate risk (cont.)

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, 2020, 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 business plans with stable financing resources. It is also associated with the level of indebtedness and the maturity profile of loans.

The Company maintains sufficient lines of credit and mainly holds short-term financial assets readily convertible into known amounts in cash.

By means of the issuance of senior secured notes during 2018 (Notes 12.a and 12.b), the Company restructured its debt. As of December 31, 2020 and December 31, 2019, 78.55% and 84.84% of MSU Energy's debt due date is over 12 months.

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 No. 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 12 c).

On August 28, 2020, in accordance with Resolution DI-2020-41-APN-GE#CNV, the CNV authorized an increase of the maximum amount of the program, mentioned in previous paragraph, for the issuance of simple notes (not convertible into shares) from USD 60,000,000 to USD 100,000,000 (or its equivalent in other currencies).

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, 2020					
	0-3 months	3-6 months	6-9 months	9-12 months	Over 1 year	Total
As of 12/31/2020						
Trade receivables	89,170,285	-	-	-	-	89,170,285
Loans granted	-	-	-	-	42,852,555	42,852,555
Tax assets	1,638,878	1,569,601	1,569,601	1,858,785	1,298,582	7,935,447
Other financial assets	565,108	266,427	266,427	266,427	-	1,364,389
Total assets	91,374,271	1,836,028	1,836,028	2,125,212	44,151,137	141,322,676
Other liabilities	424,757	424,755	-	50,000	-	899,512
Loans	24,118,134	-	-	25,030,000	816,502,591	865,650,725
Taxes payable	949,119	404,757	479,358	385,265	4,389,953	6,608,452
Trade and other payables	34,821,042	36,542,175	50,179,100	50,221,662	3,422,009	175,185,988
Total liabilities	60,313,052	37,371,687	50,658,458	75,686,927	824,314,553	1,048,344,677

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

(b) Financial risk management (cont.)

2. Liquidity risk (cont.)

	Balances as of December 31, 2019					
	0-3 months	3-6 months	6-9 months	9-12 months	Over 1 year	Total
As of 12/31/2019						
Trade receivables	47,487,199	-	-	-	-	47,487,199
Loans granted	-	-	-	-	40,363,564	40,363,564
Tax assets	4,875,846	4,509,075	12,445,781	12,803,619	2,205,762	36,840,083
Other financial assets	6,621,926	271,921	271,921	271,921	-	7,437,689
Total assets	58,984,971	4,780,996	12,717,702	13,075,540	42,569,326	132,128,535
Other liabilities	347,324	347,325	-	50,000	-	744,649
Taxes payable	3,970,761	166,721	166,721	166,721	1,206,650	5,677,574
Loans	36,668,614	-	-	-	833,192,242	869,860,856
Trade and other payables	10,579,317	9,536,399	9,536,399	79,093,007	8,799,925	117,545,047
Total liabilities	51,566,016	10,050,445	9,703,120	79,309,728	843,198,817	993,828,126

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, 2020, these filing were approved by the Energy Office.

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

4. 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.

The continued spread 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. As the date of this financial statements, this situation has not affected significantly the cash flows of MSU ENERGY as payments made by CAMMESA has continue ongoing as scheduled.

Even though the Company continued working on the simple cycle into combined cycle plants’ expansion and conversion, due to the COVID-19 pandemic and the social, preventive and mandatory confinement ordered by the Argentine Administration, on June 10, 2020, the SEE, through note No.-2020-37458730-APN-SE#MDP, suspended all terms corresponding to agreements executed under Resolution SEE No. 287/2017, among other regulations. Such suspension comprises the March 12, 2020-September 12, 2020 term.

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

(b) Financial risk management (cont.)

On August 15 and 20, 2020 and October 31, 2020 the expansion and conversion project of the Villa María, General Rojo and Barker thermoelectric plants was completed reaching the corresponding COD.

The Company's Board of Directors will continue assessing the impact of the referred circumstances and of those events and circumstances that may take place in the future on the financial position of the Company and the results of its operations and cash flows.

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

	12/31/2020	12/31/2019
(a) Other assets		
Non current		
Credit of compensatory agreement (Note 14)	6,074,925	7,153,892
Total	6,074,925	7,153,892
Current		
Advances to suppliers	639,334	69,748
Prepaid insurance	2,094,726	332,748
Expenses to recover	26,704	-
Parent company and other related parties (Note 10)	1,065,709	1,087,682
Loans to personnel	27,615	38,802
Security deposits	21,065	18,000
Credit of compensatory agreement (Note 14)	1,757,197	7,423,550
Others	250,000	250,000
Total	5,882,350	9,220,530

(b) Tax assets

	12/31/2020	12/31/2019
Non current		
Income tax net advances	1,298,582	2,140,931
Other taxes	-	64,831
Total	1,298,582	2,205,762
Current		
Valued added tax	6,278,402	33,909,711
Custom tax	289,184	357,838
Other tax balances	69,279	366,772
Total	6,636,865	34,634,321

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.

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

(c) Cash and cash equivalents

	12/31/2020	12/31/2019
Cash	1,755	2,795
Temporary investments	13,082,220	5,722,327
Banks	22,314,531	15,400,672
Total	35,398,506	21,125,794

(d) Trade and other payables

	12/31/2020	12/31/2019
Non current		
Suppliers	-	887,838
Fines imposed by Cammesa (Note 14)	3,422,009	7,912,087
Total	3,422,009	8,799,925
Current		
Suppliers (1)	167,270,973	103,181,011
Deferred checks	2,928	-
Fines imposed by Cammesa (Note 14)	4,490,078	4,521,193
Accrued expenses	1,486,058	1,042,918
Total	173,250,037	108,745,122

(1) At December 31, 2020 and December 31, 2019 includes unpaid balances of PPE of $ 127,796,620 and $ 78,215,831, respectively.

(e) Loans

	12/31/2020	12/31/2019
Non current		
Senior secured notes (Note 12 a, b and c) (*)	816,502,591	833,192,242
Total	816,502,591	833,192,242
Current		
Senior secured notes (Note 12 a, b and c) (*)	42,261,441	20,610,879
Loans (Note 12 e) (**)	6,886,693	16,057,735
Total	49,148,134	36,668,614

(f) Other liabilities

	12/31/2020	12/31/2019
Parent company and other related parties (Note 10)	849,512	694,649
Other payables	50,000	50,000
Total	899,512	744,649

(*) At December 31, 2020 and December 31, 2019 includes net transactions costs of $ 11,827,188 and $ 16,807,758, respectively.
(**) At December 31, 2019 includes net transaction cost of $ 8,002.

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

(g) Property, plant and equipment

Balances as of December 31, 2020

	Cost				Depreciation				Net as of
Main account	At beginning of year	Additions	Transfers	At year-end	Accumulated at beginning of year	Rate %	Amount (Note 9.c)	Accumulated at year-end	12/31/2020
Land	2,142,790	-	-	2,142,790	-	-	-	-	2,142,790
Thermoelectric power plants									
Infrastructure	249,531,425	-	229,450,790	478,982,215	12,997,420	3.33%	8,361,787	21,359,207	457,623,008
Plant and equipments	357,117,615	-	151,657,076	508,774,691	22,468,082	(*)	10,498,744	32,966,826	475,807,865
Facilities and other fixed assets	2,307,289	290,859	-	2,598,148	1,354,027	(**)	367,383	1,721,410	876,738
Spare parts	6,348,859	10,360,646	-	16,709,505	-	-	-	-	16,709,505
Under construction	286,065,090	95,077,548 (***)	(381,107,866)	34,772	-	-	-	-	34,772
Total as of December 31, 2020	903,513,068	105,729,053	-	1,009,242,121	36,819,529		19,227,914	56,047,443	953,194,678

Balances as of December 31, 2019

	Cost				Depreciation					Net as of
Main account	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
Thermoelectric power plants										
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	182,674,601	225,103,257 (***)	(121,712,768)	286,065,090	-	-	-	-	-	286,065,090
Total as of December 31, 2019	677,042,769	226,470,299	-	903,513,068	22,770,572		(8,900)	14,057,857	36,819,529	866,693,539

(*) By units of production.
(**) Tools, 10%. Vehicules, furnitures and other facilities, 20%. Computers, 33%.
(***) Includes capitalized borrowing costs amounting to $ 32,224,524 and $ 40,495,758 as of December 31, 2020 and December 31, 2019, respectively.

NOTE 9 - BREAKDOWN OF THE MAIN ACCOUNT BALANCES OF THE STATEMENT OF 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 No. 95/2013, as amended, including Resolution SRRME No. 1/2019 and Resolution No. 31/2020, applicable as from February 1, 2020.

On August 15 and 20, 2020 and October 31, 2020, the expansion and conversion project of the Villa Maria, General Rojo and Barker thermoelectric power plants was completed. Since that date, the three plants have been authorized to carry out commercial operations with SADI.

As from such dates, the Wholesale Demand Agreements signed with CAMMESA on April 6, 2018 came into force.

	12/31/2020	12/31/2019
Revenues from generation capacity	130,181,752	109,799,333
Revenues from supply of power	20,264,681	9,978,513
Total revenue	150,446,433	119,777,846

(b) Net finance costs

	12/31/2020	12/31/2019
Financial income		
Interest income	11,599,585	4,185,593
Gain on exchange differences	1,304,299	-
Total financial income	12,903,884	4,185,593
Financial expenses		
Interest expense	(69,539,385)	(49,397,734)
Loss in exchange differences	-	(24,353,611)
Total financial expenses	(69,539,385)	(73,751,345)

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

(c) Expenses by nature

Items	Cost of sales	General and administrative expenses	12/31/2020	Cost of sales	General and administrative expenses	12/31/2019
Salaries and other personnel-related expenses	3,623,782	1,214,102	4,837,884	2,816,025	812,550	3,628,575
Depreciation (Note 8 g)	19,041,843	186,071	19,227,914	13,666,204	391,653	14,057,857
Maintenance expenses	6,971,831	14,650	6,986,481	5,607,584	14.295	5,621,879
Taxes, rates and contributions	409,467	1,386,774	1,796,241	350,575	1,080,231	1,430,806
Insurance	1,849,204	45,853	1,895,057	1,176,225	9,095	1,185,320
Other expenses	1,709,156	1,736,663	3,445,819	1,515,119	1,254,537	2,769,656
Total as of 12/31/2020	33,605,283	4,584,113	38,189,396			
Total as of 12/31/2019	25,131,732	3,562,361		25,131,732	3,562,361	28,694,093

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

	12/31/2020	12/31/2019
1. Balances with parent company – MSU Energy Holding Ltd.		
Loans granted	34,958,346	32,927,872
Other liabilities	540,348	405,533
2. Transactions with parent company – MSU Energy Holding Ltd.		
Interest income	2,030,474	2,030,504
Management fee (*)	134,815	241,257
3. Balance with related parties		
Loans granted	7,894,209	7,435,692
Other assets	1,065,709	1,087,682
Other liabilities	309,164	289,116
4. Transaction with related parties		
Interest loss	19,944	19,890
Interest income	458,517	457,264
Expenses to be recovered	155,285	79,222
Management fee (*)	10,000	63,931

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

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, 2020 and December 31, 2019, the oustanding amount is shown in the line of loans to personnel under other assets (Note 8 a).

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) (cont.)

During the year ended December 31, 2020 and December 31, 2019, key management received compensations in the total amount of $ 1,720,773 and $ 934,645 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 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, 2020 and December 31, 2019, MSU Energy has principal and interest receivables equivalent to the amount of $ 42,852,555 and $ 40,363,564, respectively. This transaction was priced on an arm's length basis and the balances are not secured.

NOTE 12 - LOANS

(a) Senior Secured Notes

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

- Principal amount: $ 600,000,000.
- Gross Proceeds: $ 595,902,000.
- Maturity Date: February 1, 2025.
- Amortization: capital shall be amortized in one installment on the maturity date
- Issue price: 99.317% of principal amount, plus accrued interest, from February 1, 2018.
- Interest rate: 6.875% fixed anual rate.
- Interest payment dates: February 1 and August 1 of each year, commencing on August 1, 2018.
- Guarantee: The notes are secured by:
    - Debt Service Reserve Account to cover one interest payment (found 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, 2020 and 2019 is $ 169,667,503 and 173,222,580, respectively.

In connection with these Senior Secured Notes MSU Energy has principal and interest debt (net of deferred transactions costs) equivalent to the amount of $ 607,706,305 and $ 605,372,177 (Note 8 e) as of December 31, 2020 and December 31, 2019 respectively.

NOTE 12 – LOANS (cont.)

(b) Private Senior Secured Notes

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

- Principal amount: $ 250,000,000.
- Gross Proceeds: $ 246,875,000.
- Maturity Date: November 30, 2023.
- Issue price: 98.75% of principal amount.
- Interest rate: LIBOR (three months) plus 11.25%.
- Amortization: capital shall be amortized in 11 quarterly equal and consecutive installments after 30 months from the date of issuance.
- Interest payment dates: to be paid quarterly on each February 28 and every 30th day of May, August and November.
- Guarantee: The notes are secured by:
    - A first degree pledge on GE Sprint LM6000-PC turbine 04 installed in each thermoelectric power plant and a first degree pledge on the steam turbine BHGE MT MID-SIZED installed in each plant. The net book value as of December 31, 2019 is $ 59,964,652.
    - As of December 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)

On May 7, 2020, the private senior secured notes in the amount of $ 250,000,000 have been settled by the Company with the funds obtained from the issuance of new senior secured notes at the variable interest rate to that date (Note 12 c). It is worth mentioning that the Company also received as the new issuance additional funds totaling $ 300,000.

In connection with these Private Senior Secured Notes MSU Energy had outstanding principal and accrued interest debt amounting to $ 248,430,944 (Note 8 e) as of December 31, 2019.

(c) Senior Secured Floating Rate Notes

On May 7, 2020, MSU Energy issued Senior Secured Floting 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.

NOTE 12 – LOANS (cont.)

(c) Senior Secured Floating Rate Notes (cont.)

- Interest rate: (i) LIBOR (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 LIBOR rate is not available for any reason, the LIBOR shall be the Interpolated Rate and if such rate is bellow 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.

- Guarantee: The notes are secured by:

  - A first-degree pledge on GE Sprint LM6000-PC turbine 4, the boilers, an electric transformer and the steam turbine BHGE MT MID-SIZED installed in each plant. The book value as of December 31, 2020 is $ 130,128,193.

  - 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.

In connection with these Senior Secured Floating Rate Notes MSU Energy has outstanding principal and accrued interest debt amounting to $ 251,057,727 (Note 8 e) as of December 31, 2020.

(d) Reconciliation required by IAS 7

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

	12/31/2020	12/31/2019
Loans at beginning of the year	869,860,856	849,784,149
Cash flows from financing activities:		
Senior Secured Floating Rate Notes	300,000	-
New loans	7,157,230	21,000,000
Payments of loans	(16,002,301)	-
Payments of interest and financing expenses	(88,248,464)	(85,312,652)
Non-cash items changes:		
Interest accrued	92,583,404	84,389,359
Loans at year-end	865,650,725	869,860,856

NOTE 12 – LOANS (cont.)

(e) 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	12/31/2020	12/31/2019
Financial	Banco Piano	Unsecured	$	8,0%	March 2020	-	725,044
Financial	Banco Provincia	Unsecured	$	7,5%	August 2020	-	10,019,907
Financial	Banco Provincia	Unsecured	$	9,5%	December 2020	16,690	-
Financial	Banco Superville	Unsecured	$	7,0%	July 2020	-	1,001,332
Financial	Banco Itaú Uruguay S.A.	Unsecured	$	2,8%	December 2019 (*)	-	4,311,452
Financial	Banco de la Nacion Argentina	Unsecured	ARS	39,6%	February 2021	5,079,656	-
Financial	Banco de la Nacion Argentina	Unsecured	ARS	39,9%	March 2021	1,790,347	-
Total						6,886,693	16,057,735

(*) Paid on January 2020.

NOTE 13 - CAPITAL

	$		Quantity of Shares	
	2020	2019	2020	2019
In issue at January 1	30,295,440	14,936,603	468,159,804	224,457,000
Issue of ordinary shares related to the merger (Note 2)	-	15,358,837	-	243,702,804
In issue at December 31 - fully paid	30,295,440	30,295,440	468,159,804	468,159,804

As of December 31, 2020, 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.

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.

NOTE 14 - CONTRACTUAL COMMITMENTS (cont.)

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

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 such proceedings have not been concluded to date.

As of December 31, 2020 and December 31, 2019, liability in this regard amount to $ 7,912,087 (current portion $ 4,490,078 and non-current portion $ 3,422,009) 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 December 31, 2020 and December 31, 2019, receivables in this regard amounts to $ 7,832,122 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 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 commited date, turbines 01, 02 and 03 of Baker Thermal Plant were authorized to operate with SADI at a maximum capacity of approximately 50 MW each. As from such date, the Wholesale Demand Agreement signed with CAMMESA on July 25, 2016 became effective.

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.

NOTE 14 - CONTRACTUAL COMMITMENTS (cont.)

Agreement with CAMMESA for wholesale demand - Villa María Plant (cont.)

On January 25, 2018 and in compliance with the commited date, turbines 01, 02 and 03 of Villa María Thermal Plant were authorized to operate with SADI at a maximum capacity of approximately 50 MW each. As from such date, the Wholesale Demand Agreement signed with CAMMESA on December 29, 2016 became effective.

New Agreements with CAMMESA for wholesale demand

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

As per SEE Resolution No. 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.

The agreements have been signed for a term of fifteen (15) years commencing in the COD commited in 2020. Due to the COVID-19 pandemic and the Social, Preventive and Compulsory Isolation mentioned in Note 7, all contractual terms have been temporarily suspended until September 12 as provided for by Resolution SEE No. 287/2017, and others.

On August 15 and 20, 2020 and October 31, 2020 the expansion and conversion project of the Villa María General Rojo and Barker thermoelectric plants was completed reaching the corresponding COD. As from such dates, the new Wholesale Demand Agreement became effective for those plants.

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 S.A. 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, 2020, the amount outstanding by the Company is 91.799.359 and EUR 13,836,095.

On February 12, 2021, as part of the agreement to cancel the debt maintained with A- Evangelista, the Company paid the sum of USD 10,000,000. Additionally, the Company agreed to cancel the balance in ten consecutive installments of approximately USD 9,300,000.

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 year: (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.

a) For the year ended December 31, 2020 as follows:

Net income for the year	27,373,573
Net finance costs	56,635,501
Income tax expense	28,247,963
Depreciation and amortization	19,227,914
EBITDA	131,484,951

b) 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	14,057,857
EBITDA	105,391,500

NOTE 16 - SUBSEQUENT EVENTS

No events or transactions, other than those mentioned in the notes to the financial statements, have occurred from period-end to the date of issuance of these financial statements that would have a material effect on the financial position of the Company or the results of its operations as of year-end December 31, 2020.