

# **Albanesi Energía S.A.**

## **FINANCIAL STATEMENTS**

At December 31, 2022  
presented in comparative format

(In thousands of US dollars (USD))

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## GLOSSARY OF TECHNICAL TERMS

The following are not technical definitions, but they are helpful for the reader's understanding of some terms used in the notes to the Financial Statements of the Company.

| <b>Terms</b>   | <b>Definitions</b>   |
|----------------|--|
| /day           | Per day  |
| AESA           | Albanesi Energía S.A. / the Company  |
| AFIP           | Federal Administration of Public Revenue   |
| AJSA           | Alba Jet S.A.  |
| ASA            | Albanesi S.A.  |
| AVRC           | Alto Valle Río Colorado S.A. (a company merged into BDD)   |
| BADCOR         | Adjusted BADLAR rate   |
| BADLAR         | Average interest rate paid by financial institutions on time deposits for over one million pesos.  |
| BCRA           | Central Bank of Argentina  |
| BDD            | Bodega del Desierto S.A.   |
| CAMMESA        | Compañía Administradora del Mercado Mayorista Eléctrico S.A. (Wholesale Electricity Market Management Company)   |
| CC             | Combined cycle   |
| IFRIC          | International Financial Reporting Interpretations Committee  |
| CNV            | National Securities Commission   |
| CTE            | Central Térmica Ezeiza located in Ezeiza, Buenos Aires   |
| CTF            | Central Térmica Frías located in Frías, Santiago del Estero  |
| CTI            | Central Térmica Independencia located in San Miguel de Tucumán, Tucumán  |
| CTLB           | Central Térmica La Banda located in La Banda, Santiago del Estero.   |
| CTMM           | Central Térmica Modesto Maranzana located in Río IV, Córdoba   |
| CTR            | Central Térmica Roca S.A.  |
| CTRi           | Central Térmica Riojana located in La Rioja, province of La Rioja  |
| CVP            | Variable Production Cost   |
| Dam3           | Cubic decameter Volume equivalent to 1,000 (one thousand) cubic meters   |
| DH             | Historical Availability  |
| DIGO           | Offered guaranteed Availability  |
| Availability   | Percentage of time in which the power plant or machinery, as applicable, is in operation (generating power) or available for power generation, but not called by CAMMESA |
| DMC            | Minimum Availability Committed   |
| DO             | Target Availability  |
| DR             | Registered Availability  |
| Grupo Albanesi | Albanesi S.A., its subsidiaries and other related companies  |
| ENARSA         | Energía Argentina S.A.   |
| Energía Plus   | Plan created under ES Resolution No. 1281/06   |
| ENRE           | National Electricity Regulatory Authority  |
| EPEC           | Empresa Provincial de Energía de Córdoba   |
| FACPCE         | Argentine Federation of Professional Councils in Economic Sciences   |
| FONINVEMEM     | Fund for investments required to increase the electric power supply in the WEM   |
| GE             | General Electric   |
| GECEN          | Generación Centro S.A.   |
| GLSA           | Generación Litoral S.A.  |
| GMGS           | GM Gestión y Servicios S.A.C.  |
| GMSA           | Generación Mediterránea S.A.   |
| GMOP           | GM Operaciones S.A.C.  |
| Large Users    | WEM agents classified according to their consumption into: GUMAs, GUMEs, GUPAs and GUDIIs  |
| GROSA          | Generación Rosario S.A.  |

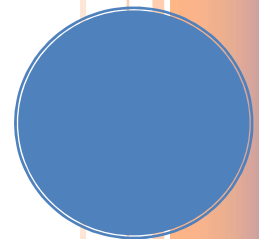
## GLOSSARY OF TECHNICAL TERMS (Cont'd)

| <b>Terms</b>                         | <b>Definitions</b>   |
|--------------------------------------|--|
| GUDIs                                | Large Demand from Distributors' customers, with declared or demanded power of over 300 kW  |
| GUMAs                                | Major Large Users  |
| GUMEs                                | Minor Large Users  |
| GUPAs                                | Large Users - Individuals  |
| GW                                   | Gigawatt Unit of power equivalent to 1,000,000,000 watts   |
| GWh                                  | Gigawatt-hour Unit of energy equivalent to 1,000,000,000 watts hour  |
| HRSG                                 | Heat recovery steam generator  |
| IASB                                 | International Accounting Standards Board   |
| IGJ                                  | Legal Entities Regulator   |
| CPI                                  | Consumer Price Index   |
| WPI                                  | Wholesale Price Index  |
| kV                                   | Kilovolt Unit of electromotive force which is equal to 1,000 (one thousand) volts  |
| kW                                   | Kilowatt Unit of power equivalent to 1,000 watts   |
| kWh                                  | Kilowatt-hour Unit of energy equivalent to 1,000 watts hour  |
| LGS                                  | General Companies Law  |
| LVFVD                                | Sale liquidations with maturity date to be defined   |
| MAPRO                                | Major Scheduled Maintenance  |
| MAT                                  | Futures market   |
| WEM                                  | Wholesale Electric Market  |
| MMm3                                 | Million cubic meters   |
| MVA                                  | Mega-volt ampere, unit of energy equivalent to 1 volt x 1 ampere x 10 <sup>6</sup>   |
| MW                                   | Megawatt Unit of power equivalent to 1,000,000 watts   |
| MWh                                  | Megawatt hour Unit of energy equivalent to 1,000,000 watts hour  |
| ARG GAAP                             | Argentine Generally Accepted Accounting Principles   |
| IAS                                  | International Accounting Standards   |
| IFRS                                 | International Financial Reporting Standards  |
| NFHCC                                | New Date Committed for Commercial Authorization  |
| SDG                                  | Sustainable Development Goals  |
| NO                                   | Negotiable Obligations   |
| GDP                                  | Gross Domestic Product   |
| PWPS                                 | Pratt & Whitney Power System Inc   |
| Gain/(loss) on net monetary position | Gain/loss on net monetary position   |
| Resolution No. 220/07                | Regulatory framework for the sale of energy to CAMMESA through the "WEM Supply Contracts" under Energy Secretariat Resolution No. 220/07 |
| GR                                   | General Resolution   |
| RGA                                  | Rafael G. Albanesi S.A.  |
| CSR                                  | Corporate social responsibility  |
| TP                                   | Technical Pronouncements   |
| SADI                                 | Argentine Interconnection System   |
| ES                                   | Energy Secretariat   |
| SEK                                  | Swedish crowns   |
| GSE                                  | Government Secretariat of Energy   |
| OHHS                                 | Health, Safety and Hygiene at work   |
| TRASNOA S.A.                         | Empresa de Transporte de Energía Eléctrica por Distribución Troncal del Noroeste Argentino S.A.  |
| GU                                   | Generating unit  |
| CGU                                  | Cash Generating Unit   |
| USD                                  | US Dollar  |
| UVA                                  | Unit of purchasing power   |



ALBANESI ENERGÍA S.A.

Annual Report for Fiscal Year  
2022



# Albanesi Energía S.A.

## Annual Report for Fiscal Year 2022

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## Annual Report for Fiscal Year 2022

To the Shareholders of AESA,

In compliance with current legal and regulatory provisions, the Board of Directors submits for your consideration this Annual Report, the Summary of Activity, the Financial Statements, Statements of Comprehensive Income, Statements of Changes in Equity, Statements of Cash Flows, and Notes to the Financial Statements for the year ended December 31, 2022.

### 1. ACTIVITY OF THE COMPANY

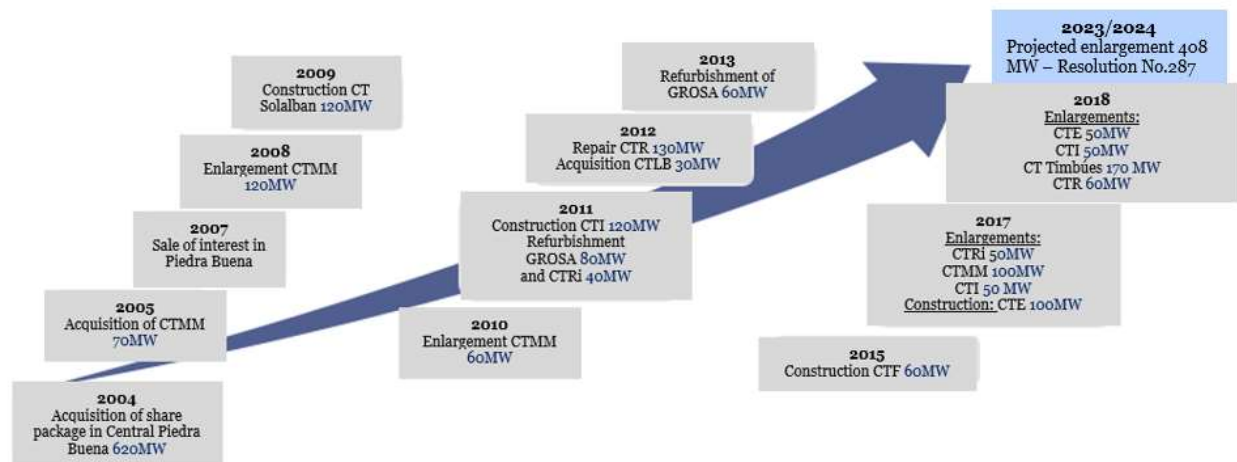
AESA's main line of business is the generation and sale of electric energy and steam through a co-generation system. Nominal installed capacity is 170 MW under EES Resolution No. 21/16.

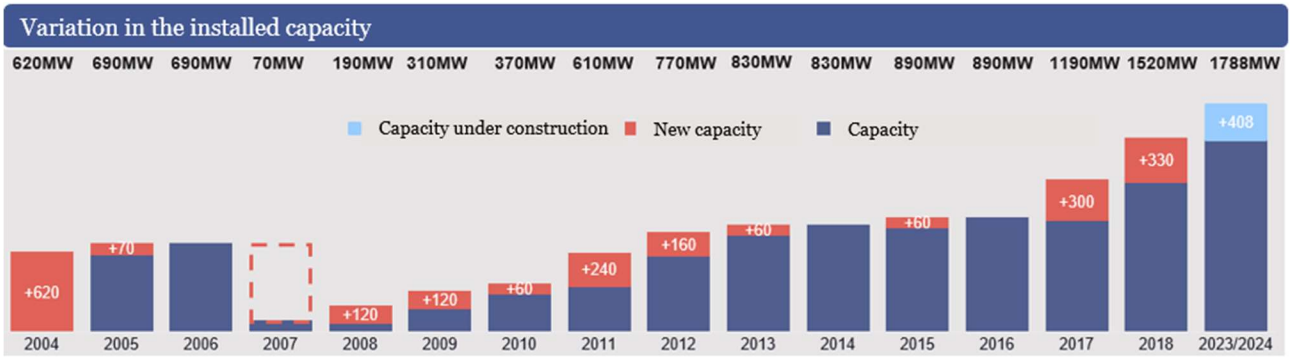
On February 24, 2018 the Timbúes Cogeneration Thermal Power Plant was authorized for commercial operation in the WEM up to 172 MW of power and on February 11, 2019 it was authorized for steam generation and delivery (see Note 30).

The Company is located in Timbúes, Province of Santa Fe.

At the date of these Financial Statements, Grupo Albanesi had a total installed capacity of 1,380 MW, it being expanded with additional 408 MW with all the new projects awarded.

Grupo Albanesi entered the electricity market in 2004 with the purchase of the power plant Luis Piedra Buena S.A. In this way the development of the electricity segment became one of the main purposes of the Group.





## 2. MACROECONOMIC CONTEXT

### International context

According to the International Monetary Fund (IMF) World Economic Outlook Update issued in January 2023, global growth is projected to fall from an estimated 3.4% in 2022 to 2.9% in 2023, then rise to 3.1% in 2024.

The forecast for 2023 is 0.2 percentage point higher than predicted in the October 2022 World Economic Outlook (WEO) but below the historical (2000–19) average of 3.8%. The rise in central bank rates to fight inflation and Russia’s war in Ukraine continue to weigh on economic activity. The rapid spread of COVID-19 in China dampened growth in 2022, but the recent reopening has paved the way for a faster-than-expected recovery. Global inflation is expected to fall from 8.8% in 2022 to 6.6% in 2023 and 4.3% in 2024, still above pre-pandemic (2017–19) levels of about 3.5%.

The balance of risks remains tilted to the downside, but adverse risks have moderated. On the upside, a stronger boost from pent-up demand in numerous economies or a faster fall in inflation are plausible. On the downside, severe health outcomes in China could hold back the recovery, Russia’s war in Ukraine could escalate, and tighter global financing conditions could worsen debt distress. Financial markets could also suddenly reprice in response to adverse inflation news, while further geopolitical fragmentation could hamper economic progress.

In most economies, amid the cost-of-living crisis, the priority remains achieving sustained disinflation. With tighter monetary conditions and lower growth potentially affecting financial and debt stability, it is necessary to deploy macroprudential tools and strengthen debt restructuring frameworks. Accelerating COVID-19 vaccinations in China would safeguard the recovery, with positive cross-border spillovers. Fiscal support should be better targeted at those most affected by elevated food and energy prices, and broad-based fiscal relief measures should be withdrawn. Stronger multilateral cooperation is essential to preserve the gains from the rules-based multilateral system and to mitigate climate change by limiting emissions and raising green investment.



## Regional context

In Latin America and the Caribbean, growth is projected to decline from 3.9% in 2022 to 1.8% in 2023, with an upward revision to 2023 of 0.1 percentage points since October. The forecast revision reflects upgrades of 0.2 percentage points for Brazil and 0.5 percentage points for Mexico due to unexpected domestic demand resilience, higher-than-expected growth in major trading partner economies, and in Brazil, greater-than-expected fiscal support. Growth in the region is projected to rise to 2.1% in 2024, although with a downward revision of 0.3 percentage point, reflecting tighter financial conditions, lower prices of exported commodities, and downward revisions to trading partner growth.

## Argentina

The estimated recovery in Argentina for 2022 was around 4%, according to the IMF's World Economic Outlook report dated January 2022. The IMF projects a 2% growth in 2023 and 2% in 2024.



In December 2022, the EMAE (Monthly Economic Activity Estimator) decreased 1.2% compared to the same month of 2021.

According to the Level of Activity Progress Report prepared by the INDEC, the Gross Domestic Product (GDP), according to preliminary estimates, the macroeconomic evolution for the second quarter of 2022 resulted in a 9.9% variation in global supply vis-à-vis the same period of the previous year, measured at 2004 prices, as a result of an 6.9% increase in GDP and a 23.1% variation in imports of goods and services in real terms.

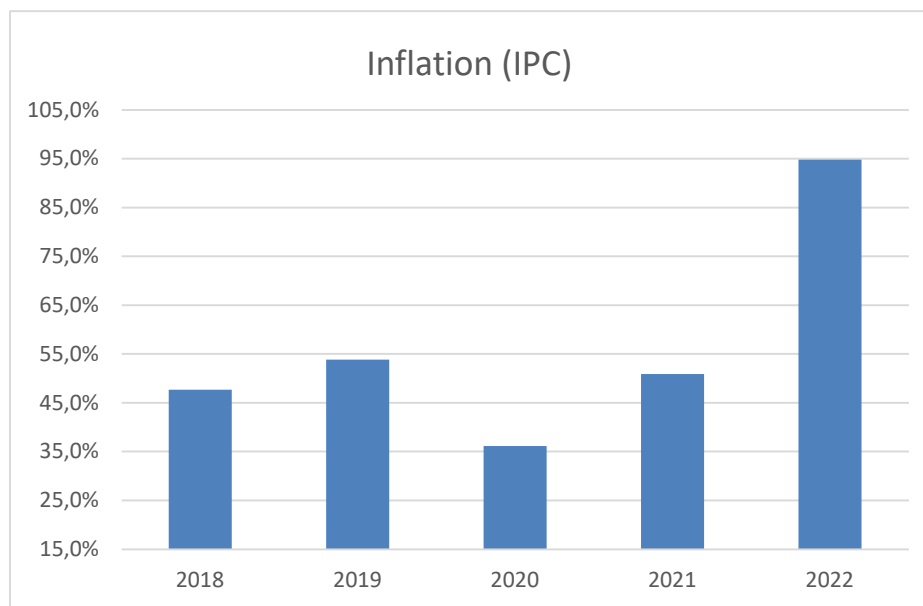
The global demand showed a 18.8% increase in gross fixed capital formation, 10.7% growth in private consumption, 9.3% increment in exports of goods and services in real terms and 5.3% increase in public consumption.

In seasonally adjusted terms with respect to the first quarter of 2022, imports grew by 2.9%, private consumption by 1.8%, public consumption by 0.2%, exports by 3.5% and gross fixed capital formation by 7.8%.

In December 2022, the Manufacturing Industrial Production Index (IPI Manufacturing) shows a 2.7% drop compared to the same month of 2021. The cumulative for the period January-December 2022 shows an increase of 4.3% compared to the same period in 2021. In December 2022, the index for the seasonally adjusted series shows a negative variation of

1.2% as against the previous month, and the series trend-cycle index records a negative variation of 0.4% as against the previous month.

According to the Consumer Price Index (CPI), prices showed a cumulative increase of 94.8% in 2022 (INDEC), compared to 50.9% for 2021. Inflation rates for the last 5 years are shown below.



According to INDEC's report on Argentine foreign trade, in December 2022, exports reached USD 6.119 billion and imports, USD 5.017 billion. Trade exchange (exports plus imports) decreased by 13.0% compared to the same month of the previous year, reaching USD 11.136 billion. The trade balance recorded a surplus of USD 1.102 billion.

Exports fell 7.1% compared to the same month of 2021 (USD -468 million) due to a 13.1% drop in quantities, as prices increased 6.8%. In seasonally adjusted terms, exports were down 8.6% and trend-cycle, down 1.8% compared to November 2022. Primary products (PP) decreased 26.4% and manufactures of industrial origin (MOI), 9.4%; while fuels and energy (F&E) increased 7.5% and manufactures of agricultural origin (MOA), 5.4%.

Imports decreased 19.3% compared to December 2021 (USD -1.199 billion) due to a 21.8% decrease in quantities, as prices grew 3.3%. In seasonally adjusted terms, foreign purchases fell 2.0% and the trend-cycle, 3.0% compared to November 2022. All economic uses registered negative variations. Fuels and lubricants (F&L) fell 38.6%; others, 35.4%, mostly due to the decrease in goods shipped through postal services (couriers); capital goods (CG), 23.9%; intermediate goods (IG), 19.3%; parts and accessories for capital goods (P&A), 10.5%; consumer goods (CG), 8.4%; and passenger motor vehicles (MV), 5.2%.

The balance of trade balance was USD 1.102 billion, USD 731 million higher than the balance for the same month of the previous year, a period in which a surplus of USD 371 million had been recorded.

The official foreign exchange rate (wholesale) at the closing of 2022 recorded ARS 177.16, which implies a 72.47% devaluation accumulated over 2022.

According to the monthly monetary report issued by the Central Bank of Argentina, the monetary base for December was ARS 4.781 trillion on average, which implies a monthly increase of 9%.

The Central Bank's International Reserves ended 2022 with a balance of USD 44.597 billion, reflecting an increase of USD 6.588 billion in December. This increase was mainly driven by the disbursement of USD 6.021 billion from the IMF under the Extended Fund Facility Program (EFP), which was partially offset by principal payments to the IMF of USD 2.717 billion. In turn, since its reopening on November 28, the Export Increase Program allowed the BCRA to acquire foreign currency for USD 3.155 billion and, considering the rest of the private sector's foreign exchange operations, the net balance was USD 2.330 billion. Valuation gains on net foreign assets and the variation of BCRA current account balances in dollars also had a positive effect.

Finally, the bilateral nominal exchange rate (NER) against the US dollar increased 6.4% in December to an average of ARS 172.45 per US dollar. Thus, the BCRA has slowed down the pace of depreciation of the domestic currency as inflation began to moderate.

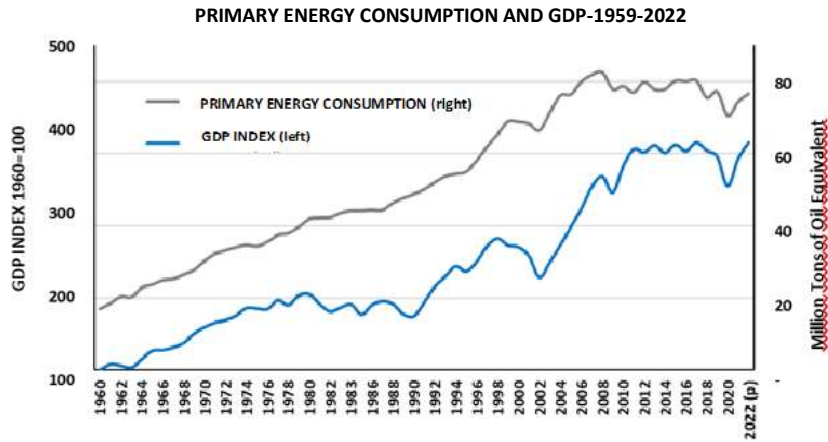
### **Structure of the energy sector**

Energy demand and consumption in Argentina shows a positive correlation with the Gross Domestic Product, as it happens in countries with intermediate economic development. This means that the higher the economic growth, the higher the consolidated energy demand for all energy products. The reverse is also verified when the economy shrinks, although to a lesser extent, as the decrease in economic activity is linked to a lower reduction in energy consumption.

In the period from 1959 to 2022, energy consumption has shown a historical annual average growth of 2.6%<sup>1</sup>, with a normalized average of only 0.7% per year since the Great Crisis of 2002. Following the significant drop in energy consumption and GDP in 2020, -8.6% and -9.9% respectively, 2021 showed a significant rebound of +5.4% and +10.3%, respectively. Our preliminary estimate for 2022 shows recovery rates lower than +3.1% in energy consumption and +5.5% of GDP.

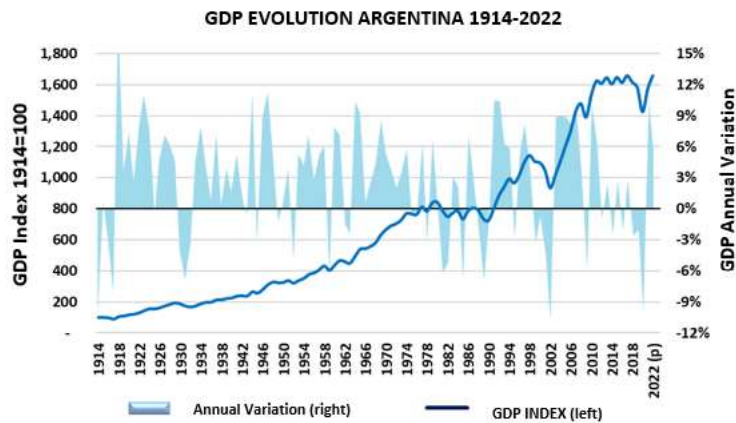
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<sup>1</sup> Official data from the Energy Secretariat for the period 1959 to 2021 and preliminary estimate for 2022 prepared by G&G Energy Consultants.



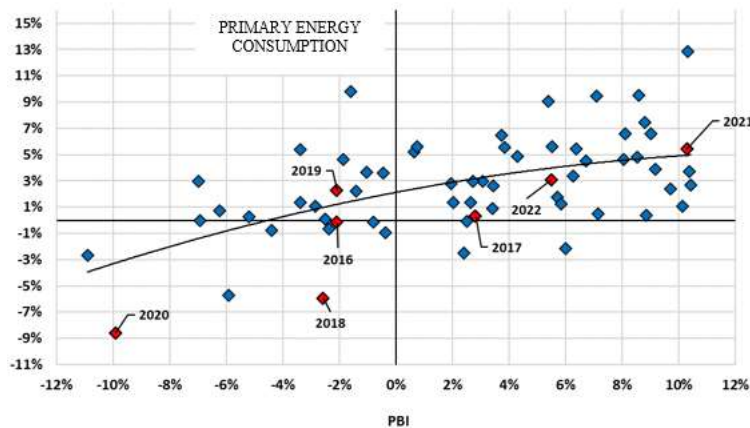
Changes in economic policy alter energy consumption variations. In 2018, the -2.6% recession – which followed 2017's strong performance of +2.8% – along with summertime temperatures lower than those of the previous year, affected energy demand, which fell -6.0% year-on-year. In 2019, despite a new drop in GDP of -2.1% from 2018, there was a 2.2% increase in energy consumption compared to 2018, with the influence of the freeze on gas and electricity rates since the beginning of the year and on fuel prices since August 2019.

The consequences of the restrictive measures imposed since March 2020 to hold back the effects of the COVID-19 pandemic had an overwhelming impact on the Argentine economy. During 2020, the social isolation measures resulted in a historic economic contraction of -9.9%. The reduction in energy consumption was historic as well, dropping -8.6% even with lower temperatures in winter, compared to 2019.



According to INDEC data, the economy recovered in 2021, with an annual growth of +10.3% and an increase in energy consumption of +5.3%. The first estimates prepared by G&G Energy Consultants for energy consumption in 2022 show an increase of +3.1%, with temperatures lower than historic parameters in May and June 2022.

### GDP AND PRIMARY ENERGY CONSUMPTION



The stagnation in primary energy consumption from 2011 until the pandemic in 2020 highlighted in the graph above appears to have ended along with the economic stagnation reversed since 2021 and consolidated in 2020. From 2016 to 2018, this process was characterized by the stagnation in energy consumption due to the gas and electricity rate adjustment process. The problem of stagnation was exacerbated by the historic economic crisis of 2020, which in a way evidences that the performance of economy has a more direct impact on energy consumption. Therefore, in light of this positive economic cycle of 2021 and 2022, it would be expected that energy tariffs would be partially adjusted as it started to happen at the end of 2022, since the tariff adjustment policy does not necessarily influence the performance of the economy.

The growth in energy consumption during several years of the first decade of the 21st century resulted from high economic growth, which was driven mainly by the demand of energy products from the Residential and Commercial segments, as shown by the levels of gas, gasoline and, in particular, electricity consumption. The economic stagnation between 2011 and 2020, with an alternation between positive and negative years at similar levels, reduced energy consumption growth rates to the 2003-2011 historical median. The depressed rates of fuel, gas and electricity during those years have probably encouraged energy consumption in this period, although they have proven to be unsustainable for Argentine macroeconomy.

The elasticity of energy consumption in relation to GDP<sup>2</sup> in the last two large political-economic cycles — the 1990 decade and from 2000 to 2020 — has been lower than in previous decades. The restrictions on energy demand due to insufficient supply and the need to import energy to supplement domestic supply had an impact on the economy, and on the Industrial sector in particular.

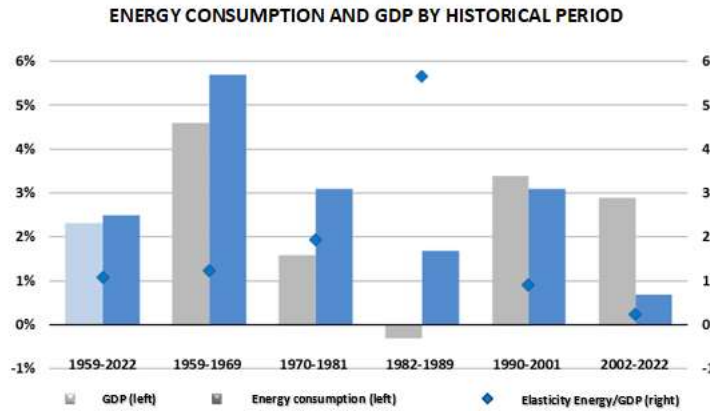
Should a process of solid economic growth exist in the future, the need for energy supply will certainly be ever-increasing, greater than in the last twenty years.

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<sup>2</sup> Data for the period 1982-1989 suggesting high elasticity due to the instability and volatility of the GDP, which showed a negative average, distorted the calculation.

| HISTORICAL–ECONOMIC-PERIOD | ANNUAL GDP | ELECTRICITY CONSUMPTION | ELASTICITY ENERGY/GDP |
|----------------------------|------------|-------------------------|-----------------------|
| 1959-2022                  | 2.3%       | 2.5%                    | 1.1                   |
| 1959-1969                  | 4.6%       | 5.7%                    | 1.2                   |
| 1970-1981                  | 1.6%       | 3.1%                    | 1.9                   |
| 1982-1989                  | -0.3%      | 1.7%                    | 5.7                   |
| 1990-2001                  | 3.4%       | 3.1%                    | 0.9                   |
| 2002-2022                  | 2.9%       | 0.7%                    | 0.2                   |

The restrictions on the supply of energy products, such as natural gas in the last cycle of economic growth through to 2011, and the moderate growth in energy demand in broad terms<sup>3</sup> created difficulties in effective supply to demand. Prioritization of supply to gas and electricity consumers in the Residential-Commercial segment, along with a slight to modest industrial recovery, gave way to restrictions and a lesser growth of energy consumption by large consumers.

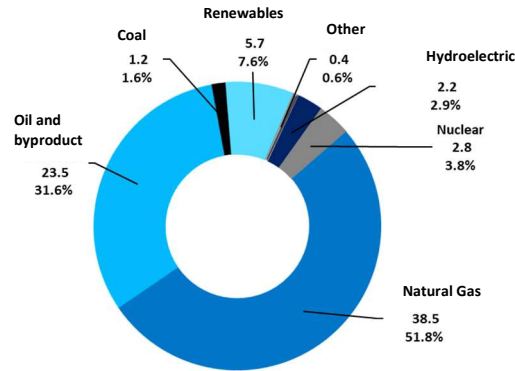


Argentine primary energy consumption is dependent on hydrocarbons, which accounted for 86.8% in 2016, 86.5% in 2017, 85.8% in 2018, 86.1% in 2019, 85.4% in 2020 and 85.15% in 2021. We do not estimate significant variations for 2021, probably at 85.7%, due to the reduction of hydroelectric power supply which was only partially offset by the increase in renewable sources of electricity supply<sup>4</sup>. This percentage of fossil-fuel sources has dropped slightly in the last years as a result of the obligation imposed on fuel supplying refineries to incorporate a proportion of biodiesel and bioethanol in their production of diesel and gasoline, and also wind and solar generation plants, especially in 2019, 2020 and 2021. Power transmission lines are saturated, so even if the process of incorporating power plants from renewable sources is ongoing, it is slower than in previous years

<sup>3</sup> From the analysis of a specific sub-sector such as electricity, it may be observed that the demand growth rate is higher than the GDP growth rate.

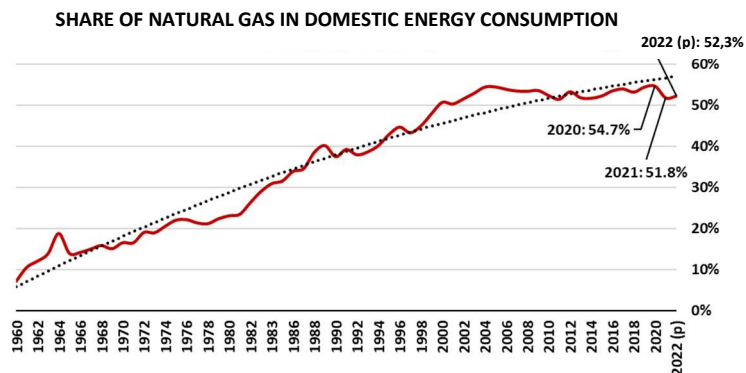
<sup>4</sup> Latest official data for 2021. Estimate for 2022 by G&G Energy Consultants, expressed in million Tons of Oil Equivalent (TOE) for Primary Energy Consumption.

**PRIMARY ENERGY CONSUMPTION IN ARGENTINA 2021**  
(74.4 million TOE)



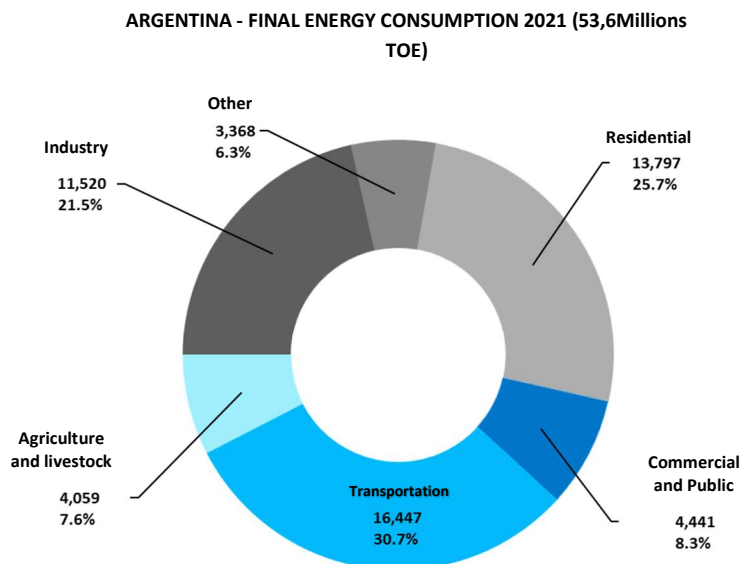
Few countries show this structure of heavy reliance on oil and natural gas byproducts. Although Argentina does not have large conventional oil and natural gas reserves in relation to its domestic demand, it has relevant potential in terms of unconventional gas and oil resources. Due to the nature, features and costs of the investments required, there are difficulties in modifying the current energy primary consumption structure in the short term in favor of hydroelectric, nuclear or renewable sources. Even so, different governments maintained ambitious self-set goals of increasing renewable sources in electric power supply, restrained since 2020 due to scarce financing and limitations to electricity transmission lines.

The share of natural gas in primary energy consumption – 53.2% in 2018, 54.5% in 2019, 54.7% in 2020, 51.8% in 2021 and an estimated 52.3% in 2022 – fluctuates annually based on imports of natural gas from Bolivia and liquefied natural gas (LNG) from various sources, and on local gas production from different basins to meet the demand. Despite the fact that local production has increased since the winters of 2018 and, especially, 2019, and also in 2021 and 2022, the demand for natural gas in the Industrial and Thermolectric Generation segments is only partially satisfied during the winter months.<sup>5</sup> In the winter of 2020, there was a greater supply deficit due to the reduction of local commercial gas production — the largest annual drop percentage in the last decades —, which was partially mitigated by the recovery of the Neuquén basin in the winters of 2021 and 2022.



<sup>5</sup> In the absence of restrictions on gas demand, the share of this product in the primary matrix could be higher, around 60%.

Final energy consumption in Argentina – i.e., primary energy consumption net of losses inherent in the system for production and transportation of primary products and of transformation into final energy products – is evenly distributed between the Transport,<sup>6</sup> Industrial and Residential/Commercial segments. This distribution is similar to that in other developing countries with a vast territory and medium sized population.



The characteristics of the Argentine energy supply and demand are summarized below:

- An atypical breakdown featuring Oil and Gas as the predominant energy sources, typical only of large hydrocarbon exporters such as countries in the Middle East, Russia, African LNG exporters, or Venezuela.
- In addition, between 50% and 55% of internal primary energy consumption relies on natural gas, despite restrictions to the potential demand in winter. Constraints on final supply of gas lead to its substitution through other fuels, like diesel and fuel oil in electricity generation and some industries, and to direct restrictions on industrial activities in some industry sectors.
- This market penetration of gas in energy consumption is significant at a global scale, exceeded by few countries with large surplus production of natural gas.
- Reduction of local energy supply of natural gas and oil in 2020 and early 2021, in agreement with the additional reduction in domestic demand after several years' stagnation. A strong reversal of this trend is observed since mid-2021 and 2022, with the reversal of the offer of hydrocarbons in the Neuquen basin and reduction in the other producing basins in Argentina.
- The decline in investments, affected by the 2020 economic and health crisis, led to the implementation of an incentive plan for the production of gas in late 2020 (the "Plan Gas.Ar"), making it possible to halt the drop in production and to enable saturation of the gas transportation capacity from the Neuquen basin in the winter of 2021 and maintained in 2022. This Gas.Ar Plan was extended at the end of 2022 until December 2028, with an increase in volumes to complete the first two stages of the new gas pipeline under construction from Neuquén to the west of Buenos Aires and the expansion of the final sections.
- The reduced demand in 2020 — lower than the historical trend in the Industrial, Transport and Commercial segments — was followed by an important recovery in 2021 and 2022 that exceeds the demand of 2019, prior to the pandemic.

<sup>6</sup> The strong contraction in Transportation can be noticed in the lockdown of 2020.



- The freeze on gas and electricity rates, declared by Emergency Decrees (DNU) dated December 2019, was extended over 2020 and had only one adjustment of 9% in the first half of 2021. Although additional adjustments lower than the evolution of inflation were implemented, it was not until the end of 2022 that a greater adjustment was made to reduce the fiscal deficit and subsidies, at the same time that adjustments higher than the remuneration of gas and electricity transportation and distribution margins were made. The Comprehensive Tariff Review was postponed again until the end of 2023, when it will be taken by the next administration that will take office in December 2023.

## SUPPLY OF ELECTRICITY AND DEMAND STRUCTURE

The electricity generation capacity in Argentina has evolved unevenly over the years, with periods of increased supply in response to the prevailing policies aimed at meeting demand.

CAMMESA reports a nominal power of 42,927 MW installed and commercially authorized at the end of 2022, with a drop of -0.1% equivalent to -62 MW. This is the first reduction in nominal installed capacity since 2006, with net increases of 2.5% in 2021 and 5.7% in 2020. The net reduction is due to the retirement of thermal units due to the termination of contracts of different origin with CAMMESA, with a lower number of new units being incorporated. To gain an understanding of this reduction, 1,038 MW were installed in 2021; 2,232 MW, in 2020; 1,181 MW, in 2019; and 2,388 MW, in 2018.<sup>7</sup>

Modern units were incorporated with competitive specific consumptions, in case of thermal units, and high effective availability. The operational available power estimated by G&G Energy Consultants prior to the summer of 2022/2023 is around 29,000 MW - slightly above peak power demand - with a 7.2% rotating reserve in the order of 2,050 MW. Notwithstanding this level of nominal installed capacity, there is a sustained increase in the unavailability of thermal units due to the low remunerations paid by CAMMESA for available units without specific contracts.

Unavailability reaches very high levels on high-temperature days, such as December 6, 2022 — when a new maximum power consumption record of 28,283 MW was set with a 7.2% rotating reserve of 2,036 MW and imports of 1,699 MW. On that day, 9,075 MW of thermal units were reported unavailable due to the minimum remuneration policy without adjustments for units being sold to the spot market without contracts. Also, there were no hydroelectric or nuclear reserves, with 941 MW hydroelectric and 1,582 MW nuclear units under maintenance.<sup>8</sup>

Unlike 2017 and 2018, when various small engine units<sup>9</sup> and gas turbines (GT) units were incorporated in response to the contracts entered into under Resolution No. 21/2016, in 2019, closure of combined cycle or steam turbine (ST) units in co-generation cycles, such as CT Renova's under Resolution No. 287/2017, started to be incorporated. In 2019, GT units of 174 MW were incorporated compared with the 1,232 MW incorporated in 2018; in 2020, the number of GT units was reduced by 1,112 MW, mainly due to the closure of open cycles to combined cycles under Resolution No. 287/2017. In 2021, this process continued with a reduction of 343 MW of GT. In 2022, 128 MW of GT units were retired and sent

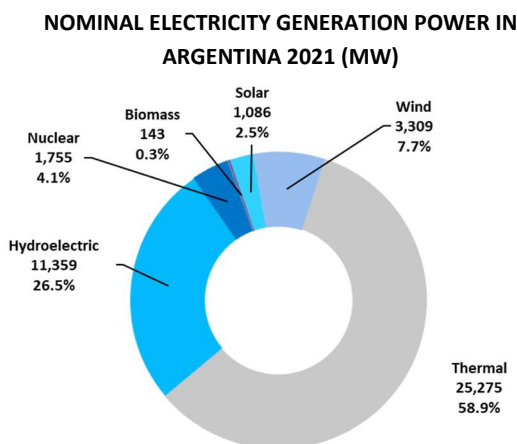
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<sup>7</sup>408 MW were incorporated in 2016; 2,179 MW in 2017, according to data reported by CAMMESA in January 2023.

<sup>8</sup>The difference between nominal and effective power was due to restrictions on certain units caused by insufficient supply of fuel, difficulties in reaching the nominal yield, but mainly due to recurrent maintenance tasks or technical limitations in some generating units. It must also be considered that renewable units do not operate at their nominal power at all times but rather respond to specific parameters of radiation and wind speed at a point.

<sup>9</sup> In 2018, 201 MW from this type of units were withdrawn. In 2019, diesel engines of 155 MW and ST units of 198 MW were withdrawn.

to other countries upon termination of the contracts under which they were available. In 2019, 210 MW had been incorporated to the closure of combined cycles compared to 598 MW in 2018, and in 2020, there was a substantial increase with the incorporation of 1,875 MW in this power category; in 2021, 383 MW were incorporated finalizing most of the process initiated under Resolution No. 27/2017, and in 2022 there was a technical negative adjustment of 3 MW with no incorporations. There were no changes in hydroelectric, nuclear units or Turbo-Steam groups in 2021 and 2022, following repowering of some hydroelectric power plant turbo groups that had incorporated 22 MW in 2019 and 22 MW in 2020. In 2019 there was a substantial incorporation of 1,130 nominal MW from renewable sources — mainly wind generation — compared to 709 MW in 2018; in 2020, despite operating restrictions on building due to health concerns, other 1,408 MW were added from renewable sources, mostly wind. In 2021, 1,002 MW renewable units were incorporated, again with greater solar share, and in 2022, 60 MW.

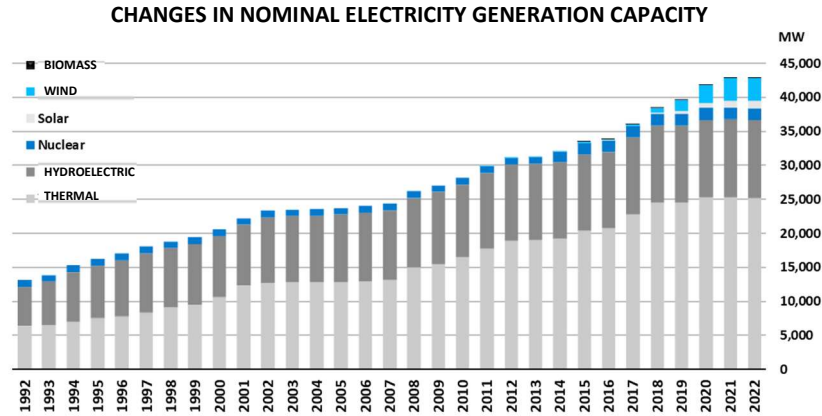


The financial restrictions of the Government have an impact on the rate of incorporation of power plants such as hydroelectric or nuclear, as a result of the large investments required and the extended execution terms. However, there are two plants under construction with financing from the People's Republic of China for 1,310 MW in Santa Cruz as well as plans for two large nuclear plants with financing from the same country that are not yet underway. Due to the delays and costs of these major projects, successive governments have opted to incorporate thermoelectric generating units requiring lower investments and shorter terms for implementation, even though they use natural gas and liquid fuels. This thermoelectric generation policy has faced restrictions relating to the supply of locally produced fossil fuels from 2004 to 2017, in particular natural gas. Governments have sought to provide incentives for production and, recently, to expand gas transportation capacity.

Between 2016 and 2019, the Government launched an aggressive program for hiring additional generating power, both from thermoelectric and renewable sources. The incorporation of supply was achieved through power availability and energy dispatch remuneration contracts in the case of thermal units, for terms of 10 and 15 years and with remuneration in US dollars. Further units were incorporated by means of long-term (20 years) contracts with CAMMESA for the purchase of the available power, in the case of wind, solar and biomass generation units and small hydroelectric plants.

## Nominal Electricity Generation Capacity

The nominal installed capacity is concentrated on thermoelectric generation, although its unavailability is relatively high in relation to other sources of generation, except for nuclear energy which exhibits recurring unavailability due to scheduled and untimely maintenance. An important number of thermoelectric power generating units show unavailability on a recurrent basis and are not reliable for dispatch, in particular during the winter season, when fuel restrictions cause a reduction in available effective power.



The following two charts show the installed capacity at December 2022 and its variations as against 2021<sup>10</sup>:

| NOMINAL ELECTRICITY GENERATION CAPACITY (MW) - DECEMBER 2021 |              |              |               |              |               |              |               |              |              |                    |               |               |
|--|--------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|--------------|--------------------|---------------|---------------|
| REGION   | ST           | GT           | CC            | DI           | THERMAL       | NUCLEAR      | HYDROELECTRIC | SOLAR        | WIND         | BIOGAS/<br>BIOMASS | TOTAL         | %             |
| CUYO   | 120          | 114          | 384           | 40           | 658           | 0            | 1,141         | 307          |              |                    | 2,106         | 4.9%          |
| COMAHUE  | 0            | 501          | 1,490         | 96           | 2,087         | 0            | 4,769         |              | 253          | 2                  | 7,111         | 16.5%         |
| NORTH-<br>WESTERN  | 261          | 725          | 1,945         | 349          | 3,280         | 0            | 220           | 693          | 158          | 5                  | 4,356         | 10.1%         |
| CENTRAL  | 3            | 626          | 789           | 51           | 1,466         | 648          | 998           | 61           | 128          | 18                 | 3,240         | 7.5%          |
| GREATER BA-<br>LITORAL-BA                                    | 3,870        | 3,693        | 8,594         | 848          | 17,005        | 1,107        | 945           |              | 1,177        | 44                 | 20,278        | 47.2%         |
| NORTH-<br>EASTERN  | 0            | 12           | 0             | 305          | 317           | 0            | 2,745         |              |              | 71                 | 3,113         | 7.3%          |
| PATAGONIA  | 0            | 286          | 301           | 0            | 587           | 0            | 607           |              | 1,575        |                    | 2,769         | 6.4%          |
| MOBILE   |              |              |               |              | 0             |              |               |              |              |                    | 0             | 0.0%          |
| <b>TOTAL</b>   | <b>4,251</b> | <b>5,957</b> | <b>13,503</b> | <b>1.693</b> | <b>25,400</b> | <b>1,755</b> | <b>11,346</b> | <b>1,061</b> | <b>3,291</b> | <b>140</b>         | <b>42,993</b> | <b>100.0%</b> |
| <b>THERMAL %</b>   | <b>16.7%</b> | <b>23.5%</b> | <b>53.2%</b>  | <b>6.7%</b>  | <b>100.0%</b> |              |               |              |              |                    |               |               |
| <b>TOTAL %</b>   |              |              |               |              | <b>59.1%</b>  | <b>4.1%</b>  | <b>26.4%</b>  | <b>2.5%</b>  | <b>7.7%</b>  | <b>0.3%</b>        |               | <b>100.0%</b> |

<sup>10</sup> Due to rounding, some totals may not correspond with the sum of the separate figures.

| NOMINAL ELECTRICITY GENERATION CAPACITY (MW) - DECEMBER 2022 |              |              |               |              |               |              |               |              |              |                    |               |               |
|--|--------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|--------------|--------------------|---------------|---------------|
| REGION   | ST           | GT           | CC            | DI           | THERMAL       | NUCLEAR      | HYDROELECTRIC | SOLAR        | WIND         | BIOGAS/<br>BIOMASS | TOTAL         | %             |
| CUYO   | 120          | 114          | 384           | 40           | 658           | 0            | 1,154         | 312          |              |                    | 2,124         | 4.9%          |
| COMAHUE  | 0            | 501          | 1,490         | 96           | 2,087         | 0            | 4,769         |              | 253          | 2                  | 7,111         | 16.5%         |
| NORTH-<br>WESTERN  | 261          | 725          | 1,945         | 349          | 3,280         | 0            | 218           | 703          | 158          | 5                  | 4,364         | 10.2%         |
| CENTRAL  |              | 626          | 789           | 51           | 1,466         | 648          | 919           | 71           | 128          | 21                 | 3,253         | 7.6%          |
| GREATER BA-<br>LITORAL-BA                                    | 3,870        | 3,565        | 8,591         | 833          | 16,859        | 1,107        | 945           |              | 1,195        | 45                 | 20,151        | 46.9%         |
| NORTH-<br>EASTERN  | 0            | 12           | 0             | 328          | 340           | 0            | 2,745         |              |              | 71                 | 3,156         | 7.4%          |
| PATAGONIA  | 0            | 286          | 301           | 0            | 587           | 0            | 607           |              | 1,575        |                    | 2,769         | 6.5%          |
| MOBILE   |              |              |               |              | 0             |              |               |              |              |                    | 0             | 0.0%          |
| <b>TOTAL</b>   | <b>4,251</b> | <b>5,829</b> | <b>13,500</b> | <b>1,697</b> | <b>25,277</b> | <b>1,755</b> | <b>11,357</b> | <b>1,086</b> | <b>3,309</b> | <b>144</b>         | <b>42,928</b> | <b>100.0%</b> |
| <b>THERMAL %</b>   | <b>16.8%</b> | <b>23.1%</b> | <b>53.4%</b>  | <b>6.7%</b>  | <b>100.0%</b> |              |               |              |              |                    |               |               |
| <b>TOTAL %</b>   |              |              |               |              | <b>58.9%</b>  | <b>4.1%</b>  | <b>26.5%</b>  | <b>2.5%</b>  | <b>7.7%</b>  | <b>0.3%</b>        | <b>100.0%</b> |               |

The record of demand for electric power on a working day was broken on several occasions from December 2021 during heat waves in the central region of the country. The maximum record was held on Friday, January 14, 2022 with an increase of 6.7% (4,108 MW) compared to January 25, 2021, reaching 28,231 MW with forced restrictions hard to be estimated. On Tuesday, December 6, 2022 this record was beaten again when demand soared to 28,283 MW with 0.2% (52 MW) and demand cuts. On Saturday, January 15, 2022 with very high temperatures, the record of power consumption for a Saturday was broken with 26,719 MW and an extraordinary increase of 18.2% (4,108 MW) from that recorded in January 23, 2021. This record has not been broken to date.

Daily power consumption records are also hit in summer. On Friday, January 14, 2022, the record of energy consumption on a business day was broken with 575.9 MWh, 5.8% higher than in January 2019. On Saturday, January 15 and Sunday, January 16, 2022, records for power demand for a weekend were surpassed with 559.0 MWh and 478.9 MWh, respectively. These records have not yet been broken in the 2022/2023 summer.

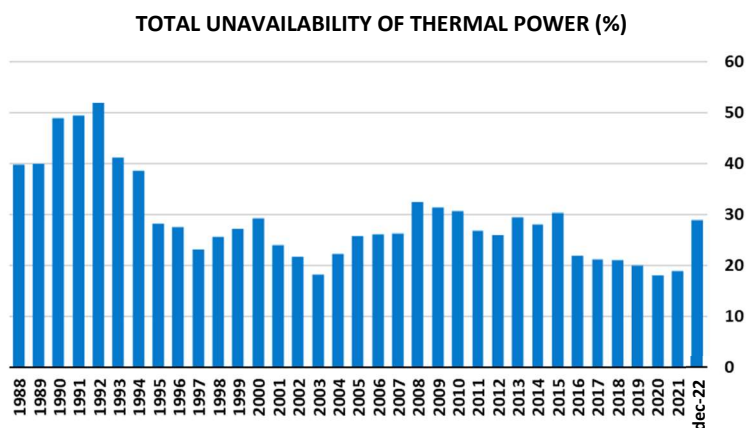
As mentioned, in December 2022 a maximum record of electric power was beaten, although only with 71 MW excess of generation capacity, because there was extraordinary unavailability (9,075 MW of thermal generation units, plus 941 MW hydroelectric and 1,582 MW nuclear units)<sup>11</sup>. This unavailability prevented from maintaining the record for dispatch of the thermoelectric fleet of 17,274 MW, held on January 25, 2021, and it was even lower than 16,408 MW on January 14, 2022 with 411 MW under remaining availability.

| RECENT CHANGES IN ELECTRICITY CONSUMPTION RECORDS |                  |        |                 |        |           |       |
|---|------------------|--------|-----------------|--------|-----------|-------|
| DAY   | PREVIOUS RECORDS |        | CURRENT RECORDS |        | VARIATION | MW    |
|   | POWER (MW)       |        |                 |        |           |       |
| <b>Saturday</b>                                   | 23-ene-21        | 22,611 | 15-ene-22       | 26,719 | 18.2%     | 4,108 |
| <b>Sunday</b>                                     | 27-jun-21        | 23,301 | 11-dic-22       | 23,724 | 1.8%      | 423   |
| <b>Working day</b>                                | 14-ene-22        | 28,231 | 6-dic-22        | 28,283 | 0.2%      | 52    |
| DAY   | ENERGY (GWh/d)   |        |                 |        | VARIATION | GWh   |
| <b>Saturday</b>                                   | 30-dic-17        | 478.4  | 15-ene-22       | 559.0  | 16.8%     | 80.6  |
| <b>Sunday</b>                                     | 24-ene-21        | 457.8  | 16-ene-22       | 478.9  | 4.6%      | 21.1  |
| <b>Working day</b>                                | 29-ene-19        | 544.4  | 14-ene-22       | 575.9  | 5.8%      | 31.5  |

<sup>11</sup> Even though the unavailability was high on January 14, 2022, it was lower than that of December 2022: 8,191 MW of thermal generation units, plus 505 MW hydroelectric and 230 MW nuclear units.

The shortage of electric power generation reserves verified in winters and summers up to 2016 was solved with the incorporation of power. In the cold days of winter 2019 and 2020, it was evidenced that the incorporation of new electric power, which increased following the investment program in place since 2016, changed the high available capacity only affected by fuel availability. This situation has changed since 2020, because insufficient power and energy remuneration in the spot market and the termination of some contracts with CAMMESA, which contracts were not renewed, are key factors in the extraordinary accumulation of unavailability of these units.

The status of thermoelectric unavailability, which had improved until 2018-2019, has not continued since January 2021, as those generators with units that have no forward contracts with CAMMESA could not afford necessary investments in maintenance -achieved until 2018/2019- when their remuneration started to decrease. An adjustment of these remunerations at the end of 2022 was not sufficient, nor was it given enough time to improve this unavailability. Such adjustment will be explained below. In the last months of 2021, CAMMESA reported a decrease in the availability of the thermal fleet in its Monthly Reports:



Income allocated to electricity generators for different items was adjusted between 2016 and 2018 and was used to keep the fleet available and therefore receive payments for its effective availability. Moreover, the incorporation of new units made it possible to offset an increase in the unavailability of older units. The increase in available power had improved until 2019-2021 with the incorporation of new power plants. In 2021, the incorporation of the cogeneration unit of Terminal 6 where Central Puerto S.A. participates stood out, as well as the stable operation of the Renova cogeneration unit in which Grupo Albanesi takes part.

There were no relevant incorporations in 2022, and the construction of the large combined cycle power plant Ensenada de Barragán owned by Pampa Energía-YPF continued, although a few months behind schedule, with trials in January 2023, as well as that of power plant Brigadier López owned by Central Puerto.

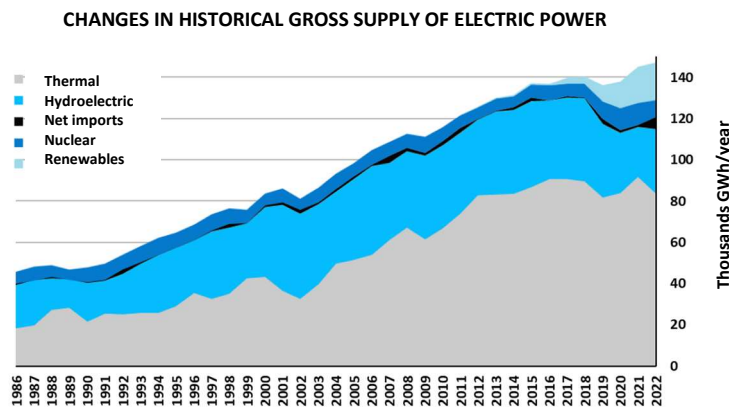
Grupo Albanesi companies made significant investments in various power plants and complied with the incorporation of power in general, over terms agreed with the new units incorporated. The last power plant involved in this investing process was the mentioned Renova cogeneration unit in 2021 (Central Térmica Cogeneración Timbúes). Previously, the new generation capacity incorporated by Grupo Albanesi had been the result of the international public bidding called under SEE Resolution No. 21/2016 of the Ministry of Energy and Mining, in which Grupo Albanesi was the awardee of bids for 420 MW. All awards under SEE Resolution No. 21 have been completed. Grupo Albanesi actively participated in the bidding process with the following power plants:

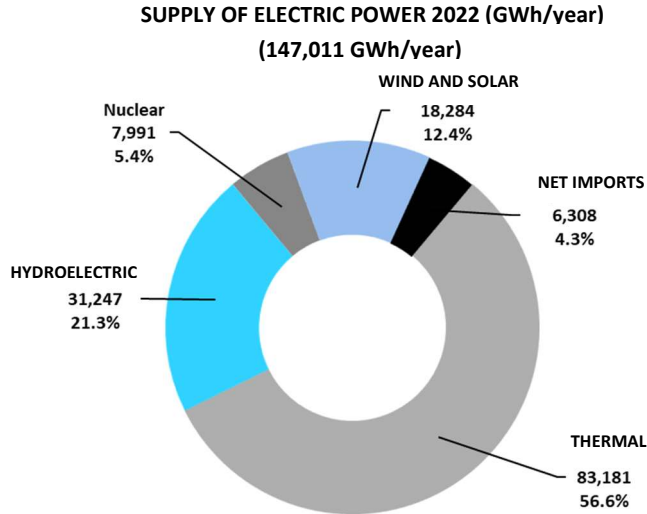
- CTE owned by GMSA received commercial authorization in September 2017, with two Siemens SGT800 turbines of 50 MW each, and a third turbine of 50 MW which was incorporated in 2018.
- CTI owned by GMSA received commercial authorization for a Siemens SGT800 turbine of an additional 50 MW in August 2017 and a second additional turbine of similar power in 2018.
- CTRi owned by GMSA received commercial authorization for a new Siemens SGT800 turbine of 50 MW in May 2017, in addition to the existing 40 MW.
- CTMM owned by GMSA incorporated 100 MW of nominal power, in July 2017, adding to the existing 250 MW.
- The closure of combined cycle was implemented at the CTR, with the incorporation in 2018 of a 60 MW steam turbine to the existing 130 MW gas turbine.

In addition, various companies making up Grupo Albanesi were awarded forward contracts with CAMMESA for expanding their capacity in the coming years. Within the framework of the international public bidding for closure of combined cycle and co-generation projects called for under EES Resolution No. 287-E/2017 of the Energy Secretariat of the Ministry of Energy and Mining, Grupo Albanesi was awarded three projects to install 351 MW of new capacity with other units of different companies. Albanesi was able to have the Renova cogeneration unit in full operation in Santa Fe despite the interruption of financing in Argentina since the 2018-2019 crisis. Grupo Albanesi took part in the incorporation of generation capacity under EES Resolution No. 287E-/2017 with the following power plants:

- The cogeneration project of the Central Térmica Cogeneración Timbúes of 172 MW in the province of Santa Fe, operating since 2019 in association with Renova, producer of oil and soybean crushing, is in full operation capacity since 2021.
- Closure of cycle with additional 125 MW steam turbines in the CTMM in Córdoba.
- Closure of cycle with 150 MW steam turbines in the CTE in Buenos Aires.

Gross Electricity Demand in the internal and external market – including losses in the transmission and distribution system, and the company’s own consumption at rotating generating units – has relied on the thermoelectric power supply in recent decades, accompanied by a slight increase in the hydroelectric power supply due to the incorporation of the last stage of the CH Yacyretá as from 2006. Renewable generation -of growing importance- has been incorporated since 2017.





Between 2016 and 2020, the growth trend of electricity demand slowed down due to rate increases and low economic growth, and it aggravated in 2019 partly by moderate winter temperatures and the economic crisis. In 2020, exports to Brazil in the last months of the year enabled a slight upturn of 1.2% with respect to 2019, although domestic market demand was reduced due to the effects of the lockdown.

There was a reduction in internal gross electricity demand of -3.0% in 2019 and -0.9% in 2020, while it had a strong recovery of +4.9% in 2021 and solid increase of +4.2% in 2022. The economic reactivation since 2021 with the opening of activities has led to a significant expansion in internal demand which continued in 2022. If energy exports to Brazil in 2020 and 2021 are computed, the expansion in demand was, in the aggregate, +5.4% in 2021 after recording + 1.1% in 2020.

**Demand of electric power**

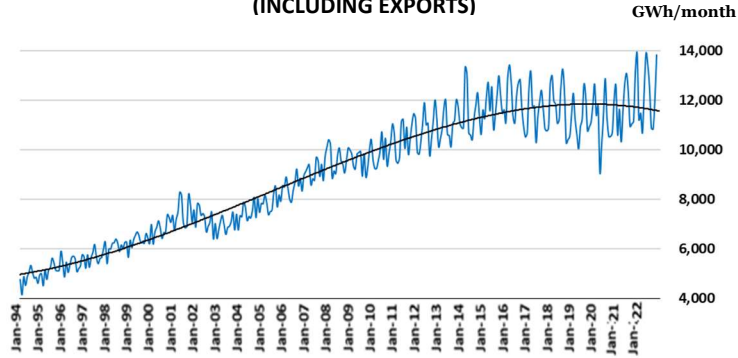
CAMMESA divides Argentina into regions with similar characteristics from the demand point of view, as well as on the basis of the socio-economic characteristics and the integration of each electricity subsystem.

Demand is concentrated in the CABA-Greater Buenos Aires area-Litoral region, which accounted for 62.2% of the total electricity demand of the country in 2021; minor changes are estimated for 2022<sup>12</sup>, after activities are resumed, especially in Greater Buenos Aires, in 2021 and 2022. Growth rates in other regions, such as the Northwest, Comahue and Patagonia, are higher than in the rest of the regions. However, the changes in the current structure will not be significant in the future; accordingly, investments in electricity supply will be concentrated in these regions.

In 2020, the internal gross demand shrank -1.0% despite the rate freeze, due to the restrictions and lockdown. The economic downturn of -9.9% affected the pace of demand growth. In 2021 there was a strong reversal of internal gross demand at +4.9%, with rate freeze and economic reactivation. In 2022, the upward trend of the electricity demand in the domestic market continued with +4.2% while some rates decreased in the last months of the year.

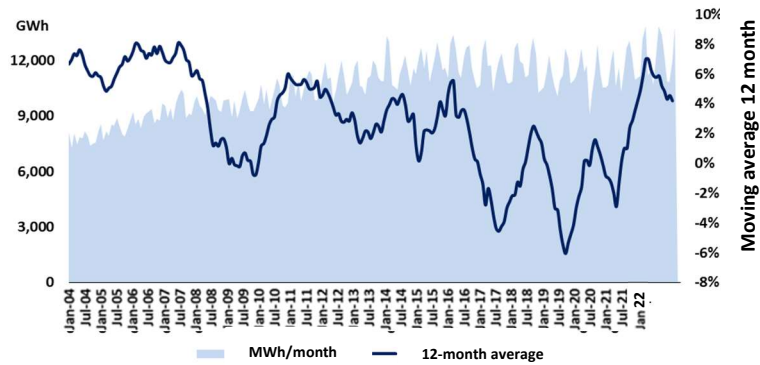
<sup>12</sup> The latest information was officially published in 2021.

**EFFECTIVE ENERGY CONSUMPTION IN ARGENTINA  
(INCLUDING EXPORTS)**

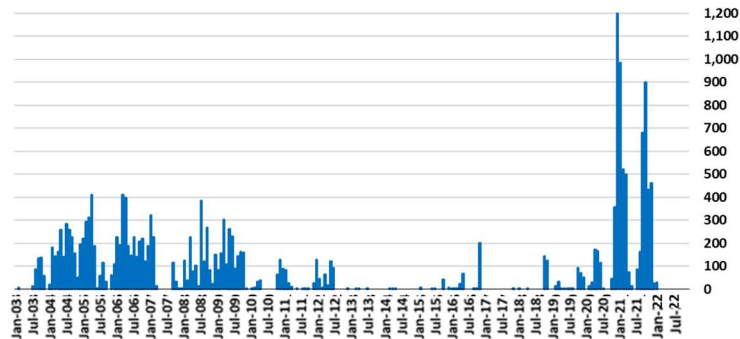


The variations in the moving twelve-month average evidences the changes in energy demand and its trend, with inactivity until mid-year 2019, subsequent budding recovery and renewed fall resulting from social isolation in 2020 until early 2021, and strong subsequent recovery. We believe that growth will continue with a downward trend until winter in 2023.

**GROSS DOMESTIC DEMAND FOR ELECTRICITY (NOT INCLUDING EXPORTS)**



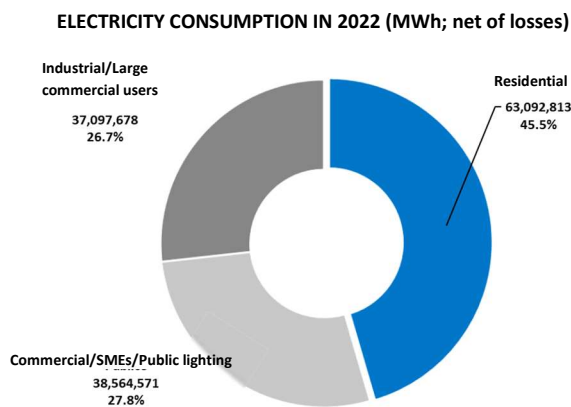
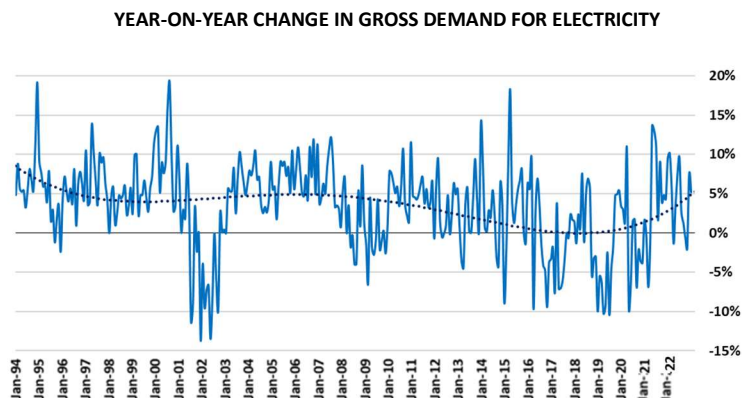
**ELECTRICITY EXPORTS (GWh/month)**



Since late 2015, there has been a reduction in the economic activity, specially in the industrial sector, which is relevant to total electricity consumption. The 2020 lockdown caused unusual year-on-year double-digit decline, which is not the



result of the winter or summer temperatures. The reversal present from mid-2021 is evidenced with new year-on-year records of more than 10% and up to 15% in the winter of 2021.

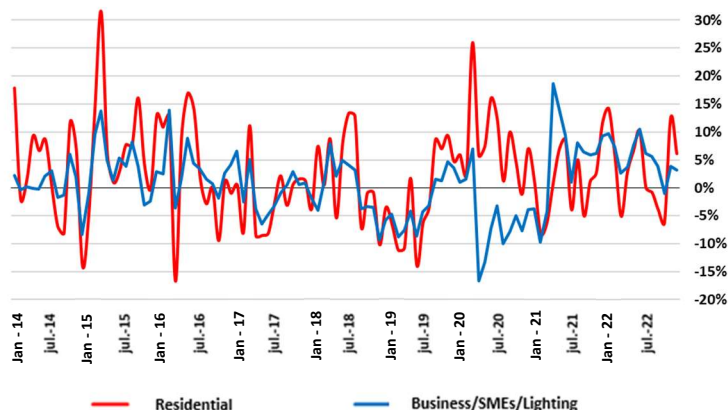


In 2019 there was a reduction of -2.9% in annual electricity demand. The Residential electricity demand segment was reduced by -2.6% in 2019 following the +2.0% increase recorded in 2018 as a result of winter and summer temperatures.<sup>13</sup> In 2020 a sharp increase of 8,1% was recorded, obeying to the rate freeze and social isolation, which implied more hours of consumption at homes. In 2021, energy consumption in the Residential segment increased +1.3% despite the lesser number of people staying at home, driven by economic reactivation and the rate freeze. We believe that consumption in the Residential segment increased +3.8% in 2022, with rate freeze and months of high temperatures at the beginning of the year, and cold weather in May and June.

<sup>13</sup> In 2017, electricity demand from the Residential segment decreased by -2.0% as a result of tariff adjustments and moderate temperatures, after +3.0% in 2016, higher than +2.1% recorded in the recessionary 2014, but lower than +7.7% recorded in 2015.

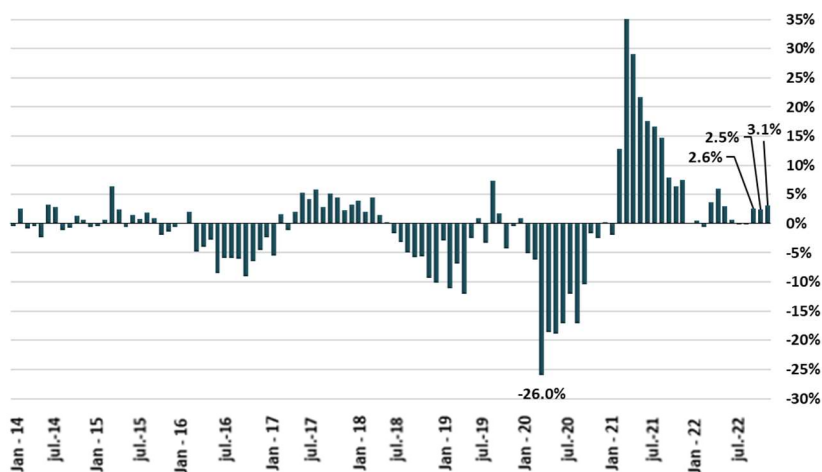
In 2019, electricity demand in the Commercial and SMEs segment suggested a downward trend of -3.2%<sup>14</sup> with a strong economic recession in this sector. 2020 witnessed a tight contraction of -5.3%, due to the severe economic crisis and lockdown, with a partial reversal of +4.5% in 2021 and an even higher +5.3% in 2022.

**ENERGY CONSUMPTION COMPARED TO THE SAME MONTH OF THE PREVIOUS YEAR**



In 2019, the recessive trend grew until mid-year, with an annual contraction of -3.8%.<sup>15</sup> In 2020 an intense contraction of -11,3% was recorded, due to the economic crisis, with a recovery since the end of that year if compared to the bad months of 2019. The reversal observed in 2021 was significant, +13.2%; thus, consumption in this segment is above that at the end of 2019. In 2022, a dynamic recovery continued until mid-year, with an accumulated annual increase of +1.8%.

**INDUSTRIAL ELECTRICITY CONSUMPTION - YEAR-ON-YEAR VARIATION**



<sup>14</sup>The Commercial segment grew 3.2% in 2016 compared with 2015, a growth higher than the 0.2% recorded in 2014, and lower than the 3.8% recorded in 2015. In 2017, this segment decreased by -0.4% and in 2018 a further -0.4%.

<sup>15</sup> In 2016, the electricity demand in the Industrial segment showed a -4.7% reduction after the +0.8% shown in 2015. In 2017, the industrial reactivation showed a 2.0% increase in electricity demand, while 2018 ended at -1.3%, with very negative year-on-year figures of -5.8% and -9.7% in November and December 2018.

### **3. HIGHLIGHTS FOR FISCAL YEAR 2022**

#### **3.1 Electric power and operation**

The total electricity demand in 2022 recorded a positive variation of 4.6% as against 2021. In 2022, all consumption ended up with a greater demand compared with 2021. However, the demand in the Residential segment was the main driver of this growth. In the last two years, demand practically showed the same variations as temperature (similar curves).

Demand of WEM Large Users grew by 1.8% in 2022 as against 2021.

In December 2022, demand for power reached a record high The SADI peak power of 28,283 MW was reached on December 6, 2022 at 2:43 p.m., with an average temperature in the Buenos Aires Metropolitan Area (GBA) of 36,9 °C.

The Company has developed a cogeneration project located in the town of Timbúes, province of Santa Fe. The project consists in the installation of one STG5-2000E Siemens gas turbine, with a nominal capacity of 170 MW and a recovery boiler which will generate steam using exhaust fumes from the turbine. The Company will thus generate (i) electricity that will be sold under a contract signed with CAMMESA within the framework of a public bidding awarded under Resolution No. 21/2016, and (ii) steam, supplied to Renova S.A. by means of a contract executed on January 12, 2017 to be used directly in its production process.

On February 24, 2018, the Timbúes Cogeneration Thermal Power Plant was authorized for commercial operation in the WEM up to 172 MW of power.

In 2022, the plant's average availability was 99% and generated power reached 757,995 MWh.

#### **3.2 Maintenance**

The objective of the maintenance tasks carried out during the year was to maintain the availability of the generating unit. The maintenance plan comprised the Gas Turbine, HRSG, and also ancillary equipment.

For the Siemens 2000E gas turbine, it was agreed with SIEMENS Energy to extend the maintenance period of the major inspection from 24,000 EOH to 32,000 EOH. This was achieved thanks to the excellent condition of the unit detected during the previous minor inspections as a result of the operating conditions and low number of untimely starts and stops of the turbine, thus minimizing the thermal wear of the turbine. These factors reduce the O&M cost relating to the long-term contract with the manufacturer.

For the HRSG, preventive maintenance tasks were conducted as recommended by the manufacturer.

In addition, the remote and local assistance agreements with Siemens USA and Argentina also remained effective, with the local technician being present at the Plant.

### **3.3 Environmental management**

#### **Corporate Environmental Management System**

The certification of the Environmental Management System under ISO standard 14001:2015 is still in place for all power generation Plants of the Group, supported by corporate-wide design and implementation. Within this framework, the main aspects to highlight are:

- a) GMSA, CTMM also have a Quality Management System certified under ISO standard 9001:2015 implemented in an integrated manner with its Environmental Management System.
- b) GMSA, CTE was awarded the ISO 45001:2018 certification on Occupational Safety and Health in December 2021.

This type of environmental management of a corporate character allows working in a unified and coordinated manner at all work sites, applying the same criteria for determining the environmental aspects of the activity, significant assessments and the operational controls adopted in response to those matters.

Supported by standardized documentation and implemented within a work framework based on joint and cooperative performance between the parties, sustained growth has been achieved over time, subject to regular performance reviews and ongoing improvement processes.

Characteristics that stand out as especially identifying for the entire organization can be considered as the core advantages of this work culture, such as:

- Environmental awareness and the involvement of the personnel in the fulfillment of the objectives set.
- The priority given to preventive management actions.
- A history of absence of environmental incidents, resulting from a work culture rooted in deep ethical and professional values.
- Efficient performance in connection with the necessary corrective actions and the permanent eradication of root causes, safe contention of risks and achievement of new opportunities for improvement.
- Attention given in due time and manner to comply with legal requirements.
- Improved management of environmental issues relevant to the activity, with special attention to its life cycles and the interests related to environmental sustainability.
- Effectiveness, fluency and clearness of internal communications, for timely addressing the needs and challenges of management.
- Interest and attention paid to concerns and expectation of the community and other external stakeholders.
- Strict regularity in the follow-up and analysis of environmental parameters.
- Efforts expended, with meritorious results, to the preservation of order, hygiene and aesthetic care of natural spaces.

In October 2022, a new external audit process was conducted by the IRAM, involving the first follow-up step regarding the maintenance process of the Environmental Management Systems of all plants within the current 2021-2024 certification period.

### **3.4 Human Resources**

The flexible work structure, which had been partially adopted in the second half of 2021, was consolidated in 2022 by maintaining the "hybrid 3 x 2" system, according to which support employees work 3 days at the office and 2 days remotely, while plant operators are present at each location, as needed.

Both for our working community and for the other business activities declared essential, the objective is always "Ensuring the Company's operating condition and preserving the health and well-being of our staff and their families".

All our actions in the sector to support the challenges faced by company, particularly the Project teams, were driven by the launch of the CTE and CTMM closure of cycle projects and the start of our first international experience in the electricity sector which involves the management of the Cogeneration Power Plant at the refinery owned by the state-run Peruvian company Puertoperú, located in the city of Talara, 1000 km north to Lima.

The need for more collaborators to deal with new projects intensified the recruitment and selection processes, improving every step of the on boarding stage for new employees, as well as the welcome procedures and trainings for all positions.

Regarding payroll, pay bands were finally established for staff not covered by collective bargaining agreements, which made it possible to properly manage both the external competition and internal equality of our structure, and also offer market value salaries for each position in our company. As to the unions, it was a year of intense collective bargaining, due to the inflationary context that dominated the agenda.

An awards ceremony was hosted in the first week of April to honor the ideas presented by more than 40 employees as part of the innovation week, which was launched in late 2021 encourage staff initiative and creativity in submitting fresh concepts to boost productivity and efficiency throughout our value chain.

#### **Communications to personnel and HR information systems**

With an increase from 6,000 to 21,000 followers in a year, LinkedIn was added as a new platform to interact with employees and the market, and it is now integrated to our regular communication channels, along with our Newsletter RH+, the email, and the Success Factors platform, with new features added. As a result, communication channels were strengthened.

Two workplace pulse surveys were conducted, which surveys have already been established as standard practice since the pandemic, to obtain direct feedback from employees on issues of general or particular interest and to facilitate the implementation of corrective actions, if necessary.

#### **Employment opportunities**

The Group's employment level declined 4.16% compared with the previous year.

It is worth mentioning that through our internal mobility program "MOBI", 6 positions were offered for a temporary international assignment to accompany the knowledge transfer process to the local staff who will operate the Cogeneration Power Plant in Talara, Peru.

The staff turnover rate increased in 2022 and is now at 10%.

### **Training**

More than 12,000 hours were devoted to Training, distributed among soft disciplines aimed at senior and middle managers. Continuous education in languages, Compliance, Leadership Skills and the development of technical competencies, Occupational Health, Hygiene and Safety, technical skills and specialization to be in line with the changes in job positions, across all levels in the organization. In addition, trainings to welcome new employees were carried out, directed to staff involved in the onboarding process.

### **Well-being and motivation**

The main aspects of our benefit plan, which is built around the continual objective of improving employee experience remain, but we introduced several modifications to our program. Based on the opinions gathered in pulse surveys, fruit was reintroduced as a healthy snack offered to the staff working at the Head Office which do not have a dining area, to resume a good practice that was suspended due to the health protocol restrictions imposed by the pandemic.

### **Prevention and operations at every location with on-site activities**

- Protocols were maintained and updated in all plants, following the relevant local and national recommendations provided by government agencies.

### **Sustainability/CSR**

#### ***Social Balance***

Once more, we have contributed on a continuing basis to the development of the communities in which we operate. We continue supporting these educational and social inclusion projects:

GMSA – Santiago del Estero  
Grano de Mostaza Foundation

GMSA – La Rioja  
Padre Praolini Foundation

GMSA – Río Cuarto – Córdoba  
General Ignacio Fotheringham School

#### ***Donation of computer material to educational institutions***

Timbúes – Santa Fe  
General Roca – Río Negro  
San Miguel de Tucumán – Tucumán  
Ezeiza – Buenos Aires  
Frias – Santiago del Estero  
Río Cuarto – Córdoba

### **3.5 Systems and Communications**

During 2022, the Systems and Communications areas continued to provide maintenance, development, implementation, innovation and solutions relating to applications, technology, telecommunications, information and process security, guaranteeing a suitable service level and covering the Company's business needs.

This area has policies and procedures in line with international standards which are constantly supervised to ensure compliance with the objectives of the sector, internal controls, as well as quality and ongoing improvement.

The projects and objectives achieved during 2022 are summarized below:

- Improvements were made on the system of access to the corporate data center to enhance its security.
- We purchased 35 notebooks for replacement of obsolete equipment and for the new assignees.
- 30 mobile phones of the fleet were upgraded and renewed.
- Commercial systems were expanded and improved, adding new functionalities for daily operation.
- Over 120 improvements were developed for management programs used daily.
- Development of an application site for dynamic use of SAP. (Approval of expenses, releasing orders, etc.).
- A corporate data warehouse was implemented to integrate and combine data from different sources.
- A software for proactive monitoring of the equipment was implemented (cameras, servers, communication equipment, etc.).
- The CCTV system was expanded, and 8 new domes were installed.
- A new tool for ticket requests submitted to the support staff was implemented, along with a dashboard to monitor the metrics defined.
- A new suppliers site for the management of their relevant documentation was created.

The new Systems and Information Technology Management will continue in 2023, with the investment processes aimed at improving productivity and efficiency of existing processes, as well as adding innovative technologies, thus allowing to continue with the process to improve the actions focused on ensuring security, confidentiality, completeness and availability of the information.

Projects for 2023 include the following:

- Development of customers site for the management of their relevant documentation.
- Creation of more features in the suppliers site, for the management of tenders, purchases, etc.
- Development of new dashboards to monitor the metrics defined by the company.
- Automation for the GAS commercial business management circuit.
- Upgrade of computers, notebooks and cell phones.
- Improvement of the commercial and energy billing systems.
- Keep expanding and improving the CCTV system solution.

### **3.6 Integrity Program**

In order to ensure its efficacy in regard to the business-related risks, the Group began strengthening its Integrity Program (the "Integrity Program" or "Program") in February 2018, before National Law No. 27401 entered into force.

The Program was approved by the Directors at a Meeting held on August 16, 2018 and initially relied on: (i) a Code of Ethics and Conduct (the "Code"), (ii) an Anti-Corruption Policy, (iii) Policy on the Participation in Tenders and Bidding Processes, (iv) Policy on Relationships with Government Officials, and (v) an Ethics Line for anonymous third-party complaints (the "Line"), managed by PricewaterhouseCoopers ("PwC").

The Code and the Ethics Line are available on Albanesi's website (<http://www.albanesi.com.ar/programa-integridad.php>), following a publicity and transparency criterion that has continued to be developed after its communication to suppliers and customers. The four channels available for reporting may be consulted on the following website: <http://www.albanesi.com.ar/linea-etica.php> and we have further created a space for the Program at: [Albanesi's Integrity Program](#).

The Code provides for the creation of an Ethics Committee which conducts inquiries regarding the complaints received and passes on its conclusions to the Board of Directors, to which it reports, as set forth in a Procedure for Conducting Inquiries that is part of the Program. This Committee is composed of the Corporate Legal & Compliance Manager, the Corporate Internal Audit Manager and one Director from any of the Companies, independent of the Group's shareholders.

At the same time, additional policies were drafted, such as the Policy on Donations, Scholarships and Sponsors, a Policy on Confidentiality and Use of Work Tools and Materials, a Policy on Travel Expense Reports, and a Policy on Third-party Due Diligence, a complement to the tool for Supplier Integrity Risk Management (GRIP, for its Spanish acronym), developed with PwC's assistance.

Additionally, in compliance with the provisions of the Code, the following was registered: (i) Gifts, (ii) Relationships with Government Officials and (iii) Conflicts of Interest, all of mandatory use for our employees.

In 2019 and 2020, PwC conducted a Compliance Audit and an Integrity Program Effectiveness Assessment. Both tasks entailed interviews to employees and directors of the Companies, implemented since the approval of the Program, as well as an analysis of random transactions and documentation, which made it possible to gather and document the advancements and progress, as well as the opportunities for improvement to be carried out in the future.

In 2021, the Risk Assessment Matrix of the Companies, designed in 2018, was updated. In 2022, a Code of Conduct for Third-Parties was approved, and we worked with the Law Firm Estudio Muñoz Abogados to develop and implement an Integrity Program for new businesses being carried out by the Group in the Republic of Peru.

Lastly, we point out that, among other goals, a new audit will be conducted in the framework of the Compliance Plan 2023, scheduled for the second half of the year.



### 3.7 Financial position

At December 31, 2022, the bank and financial debt of the Company was broken down as follows:

|                                  | Principal, in<br>thousands | Balances at December 31,<br>2022<br><small>(in thousands of USD)</small> | Interest rate<br><br><small>(%)</small> | Currency   | Date of issue        | Maturity date               |
|----------------------------------|----------------------------|--|---|------------|----------------------|-----------------------------|
| <u>Debt securities</u>           |                            |  |   |            |                      |                             |
| Class I Negotiable Obligations   | USD 5,047                  | 5,073  | 6.00%                                   | USD Linked | May 6, 2021          | November 7, 2023            |
| Class II Negotiable Obligations  | UVA 35,973                 | 37,828   | UVA + 5.99%                             | ARS        | May 6, 2021          | November 7, 2023            |
| Class III Negotiable Obligations | USD 24,104                 | 24,062   | 4.90%                                   | USD Linked | December 14,<br>2021 | September 14,<br>2024       |
| Class V Negotiable Obligations   | USD 16,933                 | 16,786   | 2.75%                                   | USD Linked | August 22,<br>2022   | August 17, 2024             |
| Class VI Negotiable Obligations  | \$1,191,500                | 7,167  | Badlar + 2.35%                          | ARS        | August 22,<br>2022   | August 22, 2023             |
| <b>Subtotal</b>                  |                            | <b>90,916</b>  |   |            |                      |                             |
| <u>Loan agreement</u>            |                            |  |   |            |                      |                             |
| UBS Loan                         | USD 100,953                | 100,617  | 13.85%                                  | USD        | February 3,<br>2017  | December 30,<br>2023        |
| <b>Subtotal</b>                  |                            | <b>100,617</b>   |   |            |                      |                             |
| <u>Other liabilities</u>         |                            |  |   |            |                      |                             |
| Related parties (Note 27)        | USD 20,000                 | 37,743   | 17.00%                                  | USD        | July 21, 2017        | Subordinated to<br>UBS Loan |
| Related parties (Note 27)        | USD 4,701                  | 8,654  | 19.00%                                  | USD        | August 17,<br>2018   | Subordinated to<br>UBS Loan |
| Bond insurance                   | USD 500                    | 500  | 1.00%                                   | USD        | September 7,<br>2022 | March 4, 2023               |
| Bond insurance                   | USD 1,500                  | 1,500  | 1.00%                                   | USD        | September 7,<br>2022 | April 17, 2023              |
| Bond insurance                   | USD 1,500                  | 1,500  | 1.00%                                   | USD        | September 7,<br>2022 | May 16, 2023                |
| Bond insurance                   | USD 2,000                  | 2,000  | 1.00%                                   | USD        | September 7,<br>2022 | June 19, 2023               |
| Bond insurance                   | USD 50                     | 50   |   | USD        | November 23,<br>2023 | April 4, 2023               |
| Bond insurance                   | USD 200                    | 200  |   | USD        | November 23,<br>2023 | April 4, 2023               |
| Bond insurance                   | \$ 3,435                   | 19   |   | ARS        | December 26,<br>2022 | January 2, 2023             |
| Finance lease                    |                            | 40   |   |            |                      |                             |
| <b>Subtotal</b>                  |                            | <b>52,206</b>  |   |            |                      |                             |
| <b>Total financial debt</b>      |                            | <b>243,739</b>   |   |            |                      |                             |

**1. Analysis of the results of operation** (in thousands of US dollars)

A breakdown of sales is disclosed below, in physical units:

| <b>Fiscal year ended December 31:</b> |                |                  |                  |                    |
|---------------------------------------|----------------|------------------|------------------|--------------------|
|                                       | <b>2022</b>    | <b>2021</b>      | <b>Variation</b> | <b>Variation %</b> |
|                                       | MWh            |                  |                  |                    |
| <b>Sales by type of market</b>        |                |                  |                  |                    |
| Sale of energy Res. No. 21            | 757,996        | 1,027,889        | (269,893)        | (26%)              |
|                                       | <b>757,996</b> | <b>1,027,889</b> | <b>(269,893)</b> | <b>(26%)</b>       |

Sales by type of market (in thousands of US dollars) are shown below:

| <b>Fiscal year ended December 31:</b> |                              |               |                  |                    |
|---------------------------------------|------------------------------|---------------|------------------|--------------------|
|                                       | <b>2022</b>                  | <b>2021</b>   | <b>Variation</b> | <b>Variation %</b> |
|                                       | (in thousands of US dollars) |               |                  |                    |
| <b>Sales by type of market</b>        |                              |               |                  |                    |
| Sale of steam                         | 17,605                       | 18,140        | (535)            | (3%)               |
| Sale of energy Res. No. 21            | 52,412                       | 53,390        | (978)            | (2%)               |
|                                       | <b>70,017</b>                | <b>71,530</b> | <b>(1,513)</b>   | <b>(2%)</b>        |

Income/(loss) for the fiscal years ended December 31, 2022 and 2021 (in thousands of US dollars):

|  | Fiscal year ended December 31: |                 |                 |               |
|--|--------------------------------|-----------------|-----------------|---------------|
|  | 2022                           | 2021            | Variation       | Variation %   |
| Sales  | 70,017                         | 71,530          | (1,513)         | (2%)          |
| <b>Net sales</b>   | <b>70,017</b>                  | <b>71,530</b>   | <b>(1,513)</b>  | <b>(2%)</b>   |
| Purchase of electric power   | (895)                          | (760)           | (135)           | 18%           |
| Gas and diesel consumption at the plant                                  | (16,100)                       | (12,997)        | (3,103)         | 24%           |
| Salaries, social security liabilities and employee benefits              | (2,251)                        | (1,565)         | (686)           | 44%           |
| Defined benefit plans  | (121)                          | (20)            | (101)           | 505%          |
| Maintenance services   | (3,563)                        | (3,612)         | 49              | (1%)          |
| Depreciation of property, plant and equipment                            | (11,826)                       | (11,772)        | (54)            | 0%            |
| Security guard and porter  | (296)                          | (206)           | (90)            | 44%           |
| Insurance  | (608)                          | (550)           | (58)            | 11%           |
| Taxes, rates and contributions   | (62)                           | (75)            | 13              | (17%)         |
| Other  | (276)                          | (203)           | (73)            | 36%           |
| <b>Cost of sales</b>   | <b>(35,998)</b>                | <b>(31,760)</b> | <b>(4,238)</b>  | <b>13%</b>    |
| <b>Gross income/(loss)</b>   | <b>34,019</b>                  | <b>39,770</b>   | <b>(5,751)</b>  | <b>(14%)</b>  |
| Taxes, rates and contributions   | (915)                          | (951)           | 36              | (4%)          |
| <b>Selling expenses</b>  | <b>(915)</b>                   | <b>(951)</b>    | <b>36</b>       | <b>(4%)</b>   |
| Salaries, social security liabilities and employee benefits              | (250)                          | (241)           | (9)             | 4%            |
| Fees and compensation for services                                       | (1,534)                        | (1,411)         | (123)           | 9%            |
| Leases   | (36)                           | (40)            | 4               | (10%)         |
| Per diem, travel and representation expenses                             | (3)                            | (1)             | (2)             | 200%          |
| Office expenses  | (21)                           | (9)             | (12)            | 133%          |
| Sundry   | (17)                           | (12)            | (5)             | 42%           |
| <b>Administrative expenses</b>   | <b>(1,861)</b>                 | <b>(1,714)</b>  | <b>(147)</b>    | <b>9%</b>     |
| Other operating income/expenses  | 8                              | 2               | 6               | 300%          |
| <b>Operating income/(loss)</b>   | <b>31,251</b>                  | <b>37,107</b>   | <b>(5,856)</b>  | <b>(16%)</b>  |
| Commercial interest  | 1,123                          | 913             | 210             | 23%           |
| Interest on loans  | (28,902)                       | (31,968)        | 3,066           | (10%)         |
| Bank expenses and commissions  | (231)                          | (89)            | (142)           | 160%          |
| Gain/(loss) from sale of negotiable obligations                          | 11                             | (24)            | 35              | (146%)        |
| Exchange difference, net   | 10,146                         | (2,302)         | 12,448          | (541%)        |
| Changes in the fair value of financial instruments                       | 5,645                          | 1,635           | 4,010           | 245%          |
| Difference in UVA value  | (26,264)                       | (9,478)         | (16,786)        | 177%          |
| Other financial results  | (4,048)                        | (5,842)         | 1,794           | (31%)         |
| <b>Financial and holding results, net</b>                                | <b>(42,520)</b>                | <b>(47,155)</b> | <b>4,635</b>    | <b>(10%)</b>  |
| <b>Pre-tax profit/(loss)</b>   | <b>(11,269)</b>                | <b>(10,048)</b> | <b>(1,221)</b>  | <b>12%</b>    |
| Income Tax   | 10,909                         | 48,911          | (38,002)        | (78%)         |
| <b>Income/(Loss) for the year</b>  | <b>(360)</b>                   | <b>38,863</b>   | <b>(39,223)</b> | <b>(101%)</b> |
| <b>Other comprehensive income/(loss) for the year</b>                    |                                |                 |                 |               |
| <i>Items that will not be reclassified under income:</i>                 |                                |                 |                 |               |
| Change of income tax rate - Revaluation of property, plant and equipment | -                              | (7,871)         | 7,871           | (100%)        |
| Benefit plan   | (13)                           | 5               | (18)            | (360%)        |
| Translation differences  | -                              | -               | -               | 100%          |
| Impact on Income Tax   | 5                              | (2)             | 7               | (350%)        |
| <b>Other comprehensive income/(loss) for the year</b>                    | <b>(8)</b>                     | <b>(7,868)</b>  | <b>7,860</b>    | <b>(100%)</b> |
| <b>Total comprehensive income/(loss) for the year</b>                    | <b>(368)</b>                   | <b>30,995</b>   | <b>(31,363)</b> | <b>(101%)</b> |

### Sales:

Net sales for the year ended December 31, 2022 amounted to USD 70,017 thousand, as against the USD 71,530 thousand for fiscal year 2021, showing a decrease of USD 1,513 thousand (2%).

During the fiscal year ended December 31, 2022, the dispatch of energy was 757,996 MWh, accounting for a decrease of 26% against the 1,027,889 MWh for fiscal year 2021.

Below is a description of the Company's main revenues, and their variation during the fiscal year ended December 31, 2022, as against fiscal year 2021:

- (i) USD 52,412 thousand from energy and power sales on the forward market to CAMMESA under Resolution No. 21, representing a 2% decrease as against the USD 53,390 thousand for fiscal year 2021. This variation is mainly explained by the decrease in the MWh of energy sold.
- (ii) USD 17,605 thousand steam sales under the contract for steam supply to Renova SA, representing a 3% decrease as against the USD 18,140 thousand for fiscal year 2021.

### Cost of sales:

Total cost of sales for the year ended December 31, 2022 reached USD 35,998 thousand, as against the USD 31,760 thousand for fiscal year 2021, representing an increase of USD 4,238 thousand (13%).

The Company's main cost of sales for the fiscal year ended December 31, 2022 are depreciation of property, plant and equipment, gas and diesel consumption, maintenance services, and salaries, social security liabilities and employee benefits.

### Administrative expenses:

Total administrative expenses for the fiscal year ended December 31, 2022 amounted to USD 1,861 thousand, showing an increase of USD 147 thousand from the USD 1,714 thousand recorded in 2021.

### Operating income/(loss):

Operating income/(loss) for the year ended December 31, 2022 amounted to USD 31,251 thousand, compared with the USD 37,107 thousand recorded in fiscal year 2021, accounting for a decrease of USD 5,856 thousand.

### Financial and holding results, net:

Net financial and holding results for the fiscal year ended December 31, 2022 amounted to a total loss of USD 42,520 thousand compared with the loss of USD 47,155 thousand recorded in fiscal year 2021, which accounted for a decrease of 10%. This variation is primarily due to the effect of the difference in UVA value, exchange differences and the variation in interest on loans.

The most noticeable aspects of the variation are:

- (i) USD 28,902 thousand loss for interest on loans, a 10% decrease from the USD 31,968 thousand loss for fiscal year 2021.
- (ii) USD 10,146 thousand income due to net exchange differences, accounting for a variation of 541% compared with the USD 2,302 thousand loss recorded in fiscal year 2021. This variation is chiefly the result of the Company's change of functional currency from Argentine pesos to US dollars in 2021, which leads to an asset position in pesos

for the year ended December 31, 2022, and a devaluation of 72.47% in the first three quarters of 2022 and 20.7% in the first three quarters of 2021.

- (iii) USD 26,264 thousand variation due to the difference in UVA value, which represents an increase of 277%. The variation is mainly due to the difference in UVA value.

Net income/(loss):

For the fiscal year ended December 31, 2022, the Company reports a pre-tax loss for USD 11,269 thousand, compared to a loss of USD 10,048 thousand for fiscal year 2021.

The Company recognized an Income Tax benefit of USD 10,909 thousand for the fiscal year ended December 31, 2022, as against the Income Tax benefit of USD 48,911 thousand for fiscal year 2021. This variation is mainly explained by the recognition of the inflation adjustment for tax purposes on accumulated tax losses in fiscal year 2021.

The net (loss) for the fiscal year ended December 31, 2022 was a loss of USD 360 thousand, compared to the income of USD 38,863 thousand for the previous fiscal year.

Comprehensive income/(loss) for the year:

Total comprehensive loss for the year amounted to USD 368 thousand, representing a decrease of 101% compared with the comprehensive income of USD 30,995 thousand for fiscal year 2021.

**2. Comparative balance sheet figures** (in thousands of US dollars)

|   | 12/31/2022     | 12/31/2021     | 12/31/2020     | 12/31/2019     | 12/31/2018     |
|---|----------------|----------------|----------------|----------------|----------------|
| Non-current assets                                | 247,848        | 250,950        | 247,442        | 250,786        | 242,720        |
| Current assets                                    | 34,936         | 24,824         | 22,310         | 27,369         | 27,384         |
| <b>Total assets</b>                               | <b>282,784</b> | <b>275,774</b> | <b>269,752</b> | <b>278,155</b> | <b>270,104</b> |
| Equity  | 32,054         | 32,422         | (6,591)        | 4,703          | 27,919         |
| <b>Total equity</b>                               | <b>32,054</b>  | <b>32,422</b>  | <b>(6,591)</b> | <b>4,703</b>   | <b>27,919</b>  |
| Non-current liabilities                           | 87,139         | 201,489        | 77,504         | 233,760        | 49,469         |
| Current liabilities                               | 163,591        | 41,863         | 198,839        | 39,692         | 192,716        |
| <b>Total liabilities</b>                          | <b>250,730</b> | <b>243,352</b> | <b>276,343</b> | <b>273,452</b> | <b>242,185</b> |
| <b>Total Liabilities and Shareholders' equity</b> | <b>282,784</b> | <b>275,774</b> | <b>269,752</b> | <b>278,155</b> | <b>270,104</b> |

### 3. Comparative income statement figures (in thousands of US dollars)

|  | 12/31/2022      | 12/31/2021      | 12/31/2020      | 12/31/2019      | 12/31/2018      |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Ordinary operating income                | 31,251          | 37,107          | 34,390          | 41,850          | 13,438          |
| Financial and holding results            | (42,520)        | (47,155)        | (46,073)        | (58,072)        | (65,474)        |
| Net ordinary income/(loss)               | <b>(11,269)</b> | <b>(10,048)</b> | <b>(11,683)</b> | <b>(16,222)</b> | <b>(52,036)</b> |
| Income Tax                               | 10,909          | 48,911          | (5,045)         | (16,870)        | 14,894          |
| <b>Net income/(loss)</b>                 | <b>(360)</b>    | <b>38,863</b>   | <b>(16,728)</b> | <b>(33,092)</b> | <b>(37,142)</b> |
| Other comprehensive income/(loss)        | (8)             | (7,868)         | 5,435           | 9,876           | 57,348          |
| <b>Total comprehensive income/(loss)</b> | <b>(368)</b>    | <b>30,995</b>   | <b>(11,293)</b> | <b>(23,216)</b> | <b>20,206</b>   |

### 4. Comparative cash flow figures (in thousands of US dollars)

|   | 12/31/2022   | 12/31/2021   | 12/31/2020     | 12/31/2019      | 12/31/2018      |
|---|--------------|--------------|----------------|-----------------|-----------------|
| Cash provided by operating activities                   | 28,682       | 30,572       | 32,811         | 26,047          | 17,231          |
| Cash (used in) investing activities                     | (517)        | (5,905)      | (902)          | (4,971)         | (35,712)        |
| Cash (used in)/provided by financing activities         | (19,784)     | (22,113)     | (33,480)       | (31,653)        | 6,796           |
| <b>Increase/(Decrease) in cash and cash equivalents</b> | <b>8,381</b> | <b>2,554</b> | <b>(1,571)</b> | <b>(10,577)</b> | <b>(11,685)</b> |

### 5. Comparative ratios:

|                       | 12/31/2022 | 12/31/2021 | 12/31/2020 | 12/31/2019 | 12/31/2018 |
|-----------------------|------------|------------|------------|------------|------------|
| Liquidity (1)         | 0.21       | 0.59       | 0.11       | 0.69       | 0.14       |
| Solvency (2)          | 0.13       | 0.13       | (0.02)     | 0.02       | 0.12       |
| Tied-up capital (3)   | 0.88       | 0.91       | 0.92       | 0.90       | 0.90       |
| Indebtedness (4)      | 7.62       | 5.16       | 4.86       | 4.23       | 12.03      |
| Interest coverage (5) | 1.41       | 1.48       | 1.41       | 1.47       | 1.20       |
| Return on equity(6)   | 0.04       | 2.86       | 17.74      | (2.03)     | 0.92       |

(1) Current Assets / Current Liabilities

(2) Equity / Total Liabilities

(3) Non-current Assets / Total Assets

(4) Financial debt / annual EBITDA (\*)

(5) Annual EBITDA (\*) / accrued annual financial interest (\*)

(6) Net income/(loss) for the period (without OCI) / Total average Equity

(\*) Amount not covered in the Audit Report.

#### 4. CORPORATE STRUCTURE

The structure of the organization at December 31, 2022 is shown in the following table.



#### Share Capital

Capital status at December 31, 2022 is detailed below:

| Principal                  | Amount<br>In thousands<br>of USD | Approved by       |  |   |
|----------------------------|----------------------------------|-------------------|--|---|
|                            |                                  | Date              | Body   | Date of registration<br>with the Public<br>Registry of Commerce |
| Total at December 31, 2015 | 5                                | February 15, 2012 | Bylaws   | February 23, 2012   |
| Capital increase           | 949                              | December 16, 2016 | Extraordinary Shareholders' Meeting              | January 12, 2017  |
| Capital reduction          | (148)                            | April 19, 2018    | Ordinary and Extraordinary Shareholders' Meeting | September 10, 2019  |
| Capital increase           | 8,018                            | January 06, 2021  | Extraordinary Shareholders' Meeting              | February 7, 2023  |
| <b>Total</b>               | <b>8,824</b>                     |                   |  |   |

The Extraordinary Shareholders' Meeting held on January 6, 2021 unanimously approved a capital increase through cash contributions for USD 5,018 (\$425,000 thousand) and decided to capitalize shareholders' current receivables for USD 3,000 (\$255,000 thousand). Consequently, at September 30, 2021, the Company's capital amounts to USD 8,824 (\$747,850 thousand) and is made up of 747,850,000 shares, entitled to 1 vote per share. As a result of this capitalization, Article 4 of the Bylaws was amended. This amendment was registered with the Public Registry of the Legal Entities Regulator on February 7, 2023, under Number 1085 of Book 111, Volume -- of Companies by Shares.

In compliance with the prevailing legal provisions, the Board of Directors of the Company informs that a loss of USD 360 has been recorded for the year.

## **Organization of the decision-making process**

As indicated in the various sections of Annex IV, Heading IV, of the Rules of the CNV that are attached to this Annual Report relating to the degree of compliance with the Code of Corporate Governance, the Company's policies and strategies are defined by the Board of Directors to be executed by each of the sectors under the supervision of the corresponding Management divisions and, ultimately, of the Board of Directors.

Decisions that are considered significant and/or relevant in terms of their magnitude and/or amount involved relating to the administration of the Company's activities are made directly by the Board of Directors in a meeting specially convened for this purpose. All the decisions by the Shareholders' Meeting on the events that took place in 2022 have been taken unanimously, while those related to the Board have been taken holding the majority as set forth in the Bylaws.

### **Directors' fees**

The decisions made by the Company relating to the fees of the members of the Board of Directors are in compliance with the limits and guidelines envisaged in Section 261 of Law No. 19550, and Articles 1 to 7 of Chapter III, Heading II, of the Rules of the National Securities Commission.

## **5. OUTLOOK FOR FISCAL YEAR 2023**

### **5.1 Outlook for the Electricity Generation Market**

Numerous power plants were incorporated as a result of the tenders for contracting new energy and power organized since 2016, as explained in detail. The regulatory changes that took place since then, especially after the period of financial and economic instability commenced in April 2018, have given way to a complex situation in the electricity generation sector.

A similar situation occurred in the natural gas sector, which is essential for electricity supply due to its impact on thermoelectric generation. The reduction in gas prices at the wellhead has led to levels below the cost of developing reserves; as a result, investments were halted with the consequent reduction in production.

The change of government administration in December 2019 fueled the uncertainty in the electricity market, owing to a delay in making the necessary decisions to maintain adequate supply conditions; in 2021, the market resumed its growth pattern and 2022 started with prospects of acceleration, at least in the first half of the year as compared with the same months of 2021, marked by social isolation due to the COVID-19 pandemic.

The freezing of tariffs, prices, and remunerations extended in practical terms from February 2019 with a reduced adjustment in current currency to final consumers generated a growing fiscal deficit. The execution of an Agreement with the International Monetary Fund at the end of the first quarter of 2022 established strict deficit reduction targets.

In the last months of 2022, the Ministry of Economy began to push for significant increases in the prices of natural gas and electricity paid by consumers with subsidies, aiming chiefly at reducing the fiscal deficit. Additionally, Public Hearings were called to determine adjustments to the tariffs charged by electricity transmission and distribution companies that are higher than last year's inflation, on account of the Comprehensive Tariff Review process that was postponed until the end of 2023, or passed to the next Administration.



At the time this Report was prepared, the Ministry of Energy was analyzing the situation of thermoelectric generators to increase the availability of thermoelectric units mainly in order to maintain a higher level of certainty as to future supply.

The Ministry has announced that bids for new electric transmission lines will be called in connection with the installation of new renewable energy plants, although the financing and tariff remuneration has not been specified yet.

As anticipated at the beginning of 2022, the maintenance of units whose remuneration has not been fairly adjusted had an impact on the level of unavailability of these generation units that dispatch energy to the spot market. In the current state of uncertainty, no new generation revenues should be expected beyond the closures of the combined cycle at the Ensenada de Barragán and Estanislao López plants.

According to our projections, in 2023, investments in new units will only resume eventually and on a selective basis, and will focus on improving conditions to increase the availability of units with inadequate maintenance.

Since the positive trend in electricity demand has extended over time, it is possible that the Energy Secretariat will accelerate the adjustment of remunerations to generators in the spot market while complying with the long-term contracts with CAMMESA in order to recover the availability that had been achieved.

Despite the persistent reduction in value of the Argentine peso, CAMMESA honored all its long-term contracts meeting the economic and financial conditions, and making the payments at the official exchange rate for US dollars. Despite some delays in payments, CAMMESA recognized interest on late payment at the rates prevailing in the market and regularized most of them following the winter of 2022. The fact of having fulfilled the contractual conditions and made the payments in accordance with prevailing regulations is a significant event in such complex years as the 2018-2022 period.

The incipient improvement in hydroelectric supply during the second half of 2022 and early 2023, together with the marked reduction of LNG import prices in the 2023 futures market, and of gas oil, could result in a lower deficit in CAMMESA allowing for the adjustments previously mentioned. The approved adjustments in the Seasonal Energy Price to a higher than expected number of Residential and Commercial-SME consumers will help to reduce the fiscal deficit.

The extension of the emergency situation in the regulation of the Electricity Sector requires that decisions be made to normalize its operation; however, we believe that it will be up to the next Administration to decide on the matter, including the complete readjustment of Seasonal Energy Prices and tariffs across the electricity value chain.

The outlook for business operations and commercial dispatch is favorable for modern thermoelectrical generators located in regions with a high growth in demand, since their units will receive increasing dispatch requirements. The same will hold true for those power plants with no forward contracts but with their maintenance and availability preserved. Under the scenario expected for 2023, some units in various Grupo Albanesi power plants could require dispatch with probably higher remunerations, as previously mentioned.

The prospects of the Energy Sector are uncertain due to delays in the decisions that must be made and the economic and financial situation of Argentina, particularly, of the National State. The policy of maintaining minimum tariff and price adjustments seems to have been modified during 2022, although the presidential elections make the outlook for 2023 uncertain.

Winter fuel supply prospects will be similar to those of previous winters due to the fact that the entry to Stage I of the new gas pipeline is scheduled for July 2023 and could be delayed.

International financing restrictions for Argentina delay the entry of power generation units under forward contracts, being 2021, 2022, and 2023 years of deceleration in the investment process launched between 2016 and 2020, revaluing the existing energy production and projects at final construction stages.

The absence of new hydroelectric power plants in the coming years and the deterioration of the nuclear fleet, together with the decrease in the entry of new plants from renewable sources, provide a favorable outlook for the dispatch of thermoelectric units. Having halted investment decisions for the entry of new generation units from renewable sources since 2018 also leads to a situation in which the expected growth in electricity demand will have to be satisfied by thermoelectric units. It is probable that a higher increase in the demand of electric power in the first half of 2023 exerts pressure for higher thermoelectric dispatch.

If the incorporation of new renewable energy plants were to be resumed and financed in a way that seems unclear, there might be a reduced thermoelectric dispatch since 2024-2025. However, for this to happen, it will be necessary to expand electricity transmission capacity.

Due to their intrinsic characteristics, renewable units require backup from thermoelectric units in good working condition to be able to operate, given their natural interruptibility. The backup of thermoelectric units is essential to support these units.

The fiscal crisis starting in 2020 and the Agreement reached with the International Monetary Fund, together with a new Administration taking office in December 2023, reopen the opportunity for a stabilization in the electricity market that allows for predictability in a sector that requires long-term rules for investments that can match demand.

## **5.2 Outlook for the Company**

### Electric power

The Company's objective for fiscal year 2023 is to maintain the availability of the generating unit and the supply of steam enabled at maximum levels to comply with the demand contract.

### Financial position

In the course of the current fiscal year, the Company will keep up with the high operating standards hitherto displayed by the power plant, ensuring a stable cash flow, and will seek refinancing of the current debt for the purpose of gradually getting out of debt.

## **6. DISTRIBUTION OF INCOME/LOSS**

In compliance with the prevailing legal provisions, the Board of Directors of the Company states that loss for the year amounted to USD 360 thousand, thus recording retained earnings for USD 32,129 thousand at December 31, 2022.

The Shareholders' Meeting will discuss and decide on the final destination of such retained earnings.

## 7. ACKNOWLEDGEMENTS

The Board of Directors wishes to thank all the employees of the Company for their work during the year under review, which has been essential to the achievement of the Company's technical and economic results. Additionally, it wishes to expressly acknowledge the contribution of its customers and suppliers, and of the banking entities and other collaborators, who have worked toward better management of the business throughout the year.

City of Buenos Aires, March 20, 2023

THE BOARD OF DIRECTORS

# **Albanesi Energía S.A.**

## **Members of the Board of Directors and Syndics' Committee at December 31, 2022**

### **President**

Armando Losón (Jr.)

### **1st Vice President**

Guillermo Gonzalo Brun

### **2nd Vice President**

Julián Pablo Sarti

### **Full Directors**

María Eleonora Bauzas

Oscar Camilo De Luise

Ricardo Martín López

### **Alternate Directors**

José Leonel Sarti

Juan Gregorio Daly

Oswaldo Enrique Alberto Cado

María Andrea Bauzas

### **Full Syndics**

Enrique Omar Rucq

Francisco Agustín Landó

Marcelo Claudio Barattieri

### **Alternate Syndics**

Carlos Indalecio Vela

Julieta De Ruggiero

Marcelo Rafael Tavarone

## Legal Information

Company Name: Albanesi Energía S.A.  
Legal domicile: Av. L.N. Alem 855, 14th floor - City of Buenos Aires  
Main business activity: Generation and sale of electric energy  
Tax Registration Number: 30-71225509-5

### Dates of registration with the Public Registry of Commerce

Bylaws or incorporation agreement: February 23, 2012  
Latest amendment: February 7, 2023

Registration with the Legal Entities Regulator under number: 1085, Book: 111, volume: - Companies by Shares

Expiration of Bylaws or Incorporation Agreement: February 23, 2111

# Albanesi Energía S.A.

## Statement of Financial Position at December 31, 2022 and 2021 Stated in thousands of US dollars

|   | Note | 12/31/2022     | 12/31/2021     |
|---|------|----------------|----------------|
| <b>ASSETS</b>                             |      |                |                |
| <b>NON-CURRENT ASSETS</b>                 |      |                |                |
| Property, plant and equipment             | 7    | 227,038        | 240,977        |
| Deferred tax assets, net                  | 20   | 19,842         | 8,928          |
| Other receivables                         | 9    | 968            | 1,045          |
| <b>Total non-current assets</b>           |      | <b>247,848</b> | <b>250,950</b> |
| <b>CURRENT ASSETS</b>                     |      |                |                |
| Inventories                               |      | 3,741          | 481            |
| Other receivables                         | 9    | 2,197          | 4,212          |
| Trade receivables                         | 10   | 13,599         | 10,683         |
| Cash and cash equivalents                 | 11   | 15,399         | 9,448          |
| <b>Total current assets</b>               |      | <b>34,936</b>  | <b>24,824</b>  |
| <b>Total assets</b>                       |      | <b>282,784</b> | <b>275,774</b> |
| <b>EQUITY</b>                             |      |                |                |
| Share Capital                             | 12   | 8,824          | 8,824          |
| Capital Adjustment                        |      | 2,305          | 2,305          |
| Technical revaluation reserve             |      | 53,060         | 55,994         |
| Other comprehensive income/(loss)         |      | (6)            | 2              |
| Unappropriated retained earnings/(losses) |      | (32,129)       | (34,703)       |
| <b>TOTAL EQUITY</b>                       |      | <b>32,054</b>  | <b>32,422</b>  |
| <b>LIABILITIES</b>                        |      |                |                |
| <b>NON-CURRENT LIABILITIES</b>            |      |                |                |
| Defined benefit plan                      | 14   | 214            | 101            |
| Loans                                     | 16   | 84,929         | 199,392        |
| Trade payables                            | 15   | 1,996          | 1,996          |
| <b>Total non-current liabilities</b>      |      | <b>87,139</b>  | <b>201,489</b> |
| <b>CURRENT LIABILITIES</b>                |      |                |                |
| Tax payables                              | 19   | 2,594          | 4,437          |
| Salaries and social security liabilities  | 18   | 254            | 282            |
| Defined benefit plan                      | 14   | 2              | 1              |
| Loans                                     | 16   | 158,810        | 32,429         |
| Trade payables                            | 15   | 1,931          | 4,714          |
| <b>Total current liabilities</b>          |      | <b>163,591</b> | <b>41,863</b>  |
| <b>Total liabilities</b>                  |      | <b>250,730</b> | <b>243,352</b> |
| <b>Total liabilities and equity</b>       |      | <b>282,784</b> | <b>275,774</b> |

The accompanying notes form an integral part of these Financial Statements.

# Albanesi Energía S.A.

## Statement of Comprehensive Income

For the fiscal years ended December 31, 2022 and 2021  
Stated in thousands of US dollars

|  | Note | 12/31/2022      | 12/31/2021      |
|--|------|-----------------|-----------------|
| Sales revenue  | 21   | 70,017          | 71,530          |
| Cost of sales  | 22   | (35,998)        | (31,760)        |
| <b>Gross income</b>  |      | <b>34,019</b>   | <b>39,770</b>   |
| Selling expenses   | 23   | (915)           | (951)           |
| Administrative expenses  | 24   | (1,861)         | (1,714)         |
| Other income   |      | 70              | 2               |
| Other expenses   |      | (62)            | -               |
| <b>Operating income/(loss)</b>   |      | <b>31,251</b>   | <b>37,107</b>   |
| Financial income   | 25   | 2,198           | 1,776           |
| Financial expenses   | 25   | (30,208)        | (32,920)        |
| Other financial results  | 25   | (14,510)        | (16,011)        |
| <b>Financial results, net</b>  |      | <b>(42,520)</b> | <b>(47,155)</b> |
| <b>Pre-tax profit/(loss)</b>   |      | <b>(11,269)</b> | <b>(10,048)</b> |
| Income Tax   | 20   | 10,909          | 48,911          |
| <b>(Loss) Income for the year</b>  |      | <b>(360)</b>    | <b>38,863</b>   |
| <b>Other comprehensive income/(loss)</b>                                     |      |                 |                 |
| <i>These items will not be reclassified under income/(loss):</i>             |      |                 |                 |
| Change in the Income Tax rate - Revaluation of property, plant and equipment | 20   | -               | (7,871)         |
| Defined benefit plan   | 14   | (13)            | 5               |
| Impact on Income Tax   | 20   | 5               | (2)             |
| <b>Other comprehensive income/(loss) for the year</b>                        |      | <b>(8)</b>      | <b>(7,868)</b>  |
| <b>Total comprehensive income/(loss) for the year</b>                        |      | <b>(368)</b>    | <b>30,995</b>   |
| <b>Earnings/(losses) per share</b>   |      |                 |                 |
| Basic and diluted earnings per share   | 26   | (0.0005)        | 0.0526          |

The accompanying notes form an integral part of these Financial Statements.

## Albanesi Energía S.A.

**Statement of Changes in Equity**  
For the fiscal years ended December 31, 2022 and 2021  
Stated in thousands of US dollars

|  | Share capital<br>(Note 12) | Capital<br>Adjustment | Technical<br>revaluation<br>reserve | Other<br>comprehensive<br>income/(loss) | Unappropriated<br>retained<br>earnings/(losses) | Total equity   |
|--|----------------------------|-----------------------|-------------------------------------|---|---|----------------|
| <b>Balances at December 31, 2020</b>   | <b>806</b>                 | <b>2,305</b>          | <b>67,145</b>                       | <b>(1)</b>                              | <b>(76,846)</b>                                 | <b>(6,591)</b> |
| Capital increase as per Minutes of Shareholders' Meeting held on January 6, 2021 | 8,018                      | -                     | -                                   | -                                       | -   | 8,018          |
| Other comprehensive income/(loss) for the year                                   | -                          | -                     | (7,871)                             | 3                                       | -   | (7,868)        |
| Reversal of technical revaluation reserve  | -                          | -                     | (3,280)                             | -                                       | 3,280   | -              |
| Income for the year  | -                          | -                     | -                                   | -                                       | 38,863  | 38,863         |
| <b>Balances at December 31, 2021</b>   | <b>8,824</b>               | <b>2,305</b>          | <b>55,994</b>                       | <b>2</b>                                | <b>(34,703)</b>                                 | <b>32,422</b>  |
| Other comprehensive income/(loss) for the year                                   | -                          | -                     | -                                   | (8)                                     | -   | (8)            |
| Reversal of technical revaluation reserve  | -                          | -                     | (2,934)                             | -                                       | 2,934   | -              |
| Loss for the year  | -                          | -                     | -                                   | -                                       | (360)   | (360)          |
| <b>Balances at December 31, 2022</b>   | <b>8,824</b>               | <b>2,305</b>          | <b>53,060</b>                       | <b>(6)</b>                              | <b>(32,129)</b>                                 | <b>32,054</b>  |

The accompanying notes form an integral part of these Financial Statements.



# Albanesi Energía S.A.

## Statement of Cash Flows

For the fiscal years ended December 31, 2022 and 2021  
Stated in thousands of US dollars

|  | Notes | 12/31/2022      | 12/31/2021      |
|--|-------|-----------------|-----------------|
| <b>Cash flows provided by operating activities</b>                               |       |                 |                 |
| Comprehensive (loss)/income for the year   |       | (360)           | 38,863          |
| <b>Adjustments to arrive at net cash flows provided by operating activities:</b> |       |                 |                 |
| Income Tax   | 20    | (10,909)        | (48,911)        |
|  | 7 and |                 |                 |
| Depreciation of property, plant and equipment                                    | 22    | 11,826          | 11,772          |
| Provision for defined benefit plans  |       | 121             | 20              |
| Present value  |       | 99              | 541             |
| Exchange difference, net   | 25    | (10,146)        | 2,302           |
| Accrued interest, net  | 25    | 27,779          | 31,055          |
| Sale (repurchase) of AESA's own Negotiable Obligations                           | 25    | (11)            | 24              |
| Difference in UVA value  | 25    | 26,264          | 9,478           |
| Other financial results  |       | 51              | 33              |
| Income/(loss) from changes in the fair value of financial instruments            | 25    | (5,645)         | (1,635)         |
| <b>Changes in operating assets and liabilities:</b>                              |       |                 |                 |
| (Increase) in trade receivables  |       | (3,601)         | (27)            |
| Decrease/(increase) in other receivables   |       | 776             | (2,312)         |
| (Increase) in inventories  |       | (608)           | (115)           |
| (Decrease) in trade payables   |       | (3,762)         | (6,823)         |
| Increase in salaries and social security liabilities                             |       | 109             | 128             |
| (Decrease) in tax payables   |       | (2,362)         | (3,821)         |
| Extraordinary advance payment of Income Tax                                      |       | (939)           | -               |
| <b>Net cash flows provided by operating activities</b>                           |       | <b>28,682</b>   | <b>30,572</b>   |
| <b>Cash flows from investing activities</b>                                      |       |                 |                 |
| Acquisition of property, plant and equipment                                     | 7     | (517)           | (5,905)         |
| <b>Net cash flows (used in) investing activities</b>                             |       | <b>(517)</b>    | <b>(5,905)</b>  |
| <b>Cash flows from financing activities</b>                                      |       |                 |                 |
| Borrowings   | 16    | 45,631          | 71,875          |
| Payment of interest  | 16    | (22,754)        | (32,791)        |
| Leases received  | 16    | 70              | -               |
| Leases paid  | 16    | (329)           | (441)           |
| Payment of principal   | 16    | (48,032)        | (57,336)        |
| Sale of AESA's own Negotiable Obligations  |       | 6,645           | (6,664)         |
| Capital contributions  |       | -               | 5,018           |
| Payment of financial instruments   |       | (1,015)         | (1,774)         |
| <b>Net cash flows (used in) financing activities</b>                             |       | <b>(19,784)</b> | <b>(22,113)</b> |
| <b>Increase in cash, net</b>   |       | <b>8,381</b>    | <b>2,554</b>    |
| Cash and cash equivalents at the beginning of the year                           | 11    | 9,448           | 4,675           |
| Financial results of cash and cash equivalents                                   |       | (2,430)         | 2,219           |
| Cash and cash equivalents at year end  | 11    | 15,399          | 9,448           |
|  |       | <b>8,381</b>    | <b>2,554</b>    |

## Albanesi Energía S.A.

### Statement of Cash Flows (Cont'd)

For the fiscal years ended December 31, 2022 and 2021

Stated in thousands of US dollars

|   |                  | <u>12/31/2022</u> | <u>12/31/2021</u> |
|---|------------------|-------------------|-------------------|
| <b>Significant transactions not entailing changes in cash:</b>                    |                  |                   |                   |
| Transfer of property, plant and equipment to inventories                          |                  | 2,652             | -                 |
| Acquisition of property, plant and equipment not yet paid                         | 7                | (22)              | (17)              |
| Capital increase resulting from assignment of debt                                | <b>12 and 16</b> | -                 | (3,000)           |
| Advances to suppliers applied to the acquisition of property, plant and equipment | 7                | -                 | (10)              |
| Benefit plan, net   |                  | 8                 | (3)               |

The accompanying notes form an integral part of these Financial Statements.

# Albanesi Energía S.A.

## Notes to the financial statements (Cont'd)

**Notes to the Financial Statements**  
for the fiscal year ended December 31, 2022  
presented in comparative format  
Stated in thousands of US dollars

### NOTE 1: GENERAL INFORMATION

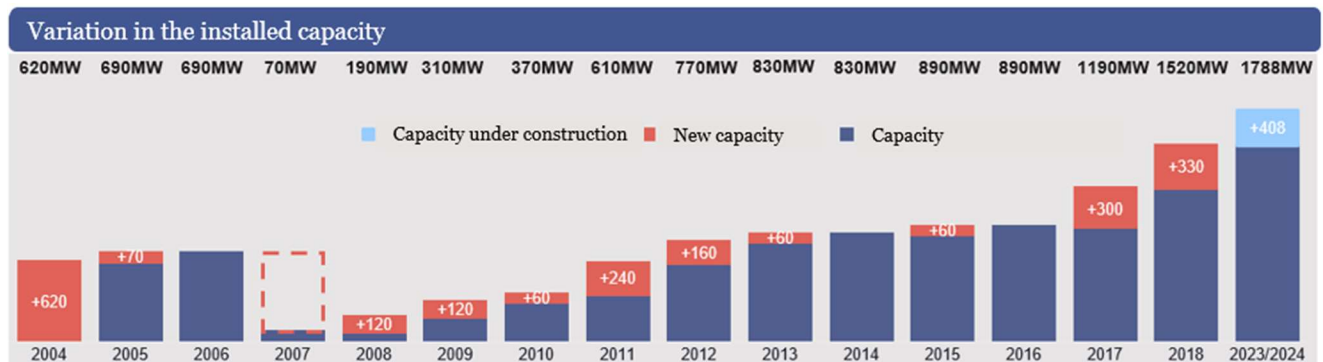
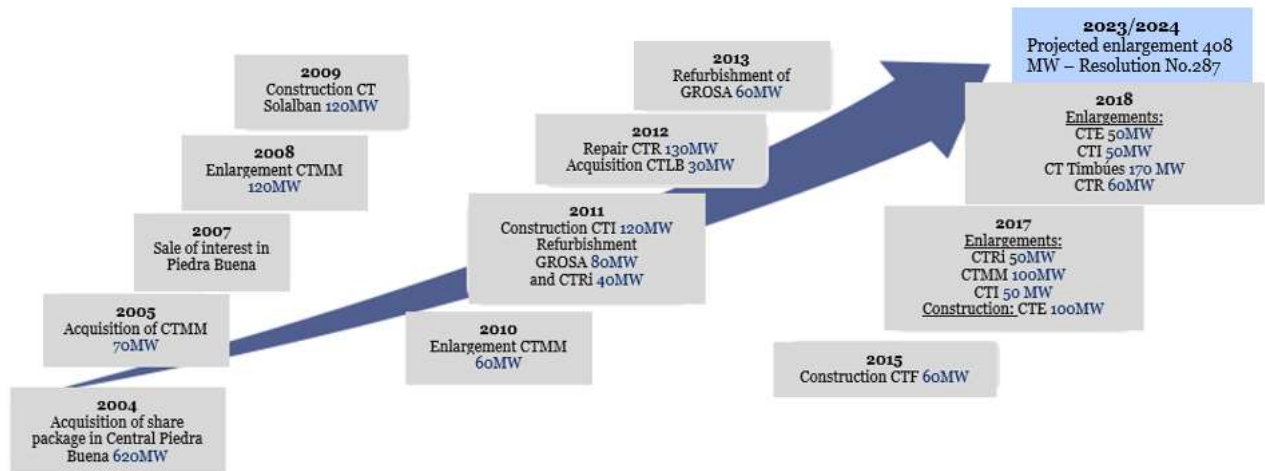
AESA's main line of business is the generation and sale of electric energy and steam through a co-generation system. Nominal installed capacity is 170 MW under EES Resolution No. 21/16.

On February 24, 2018 the Timbúes Cogeneration Thermal Power Plant was authorized for commercial operation in the WEM up to 172 MW of power and on February 11, 2019 it was authorized for steam generation and delivery (see Note 30).

The Company is located in Timbúes, Province of Santa Fe.

At the date of these Financial Statements, Grupo Albanesi had a total installed capacity of 1,380 MW, it being expanded with additional 408 MW with all the new projects awarded.

Grupo Albanesi entered the electricity market in 2004 with the purchase of the power plant Luis Piedra Buena S.A. In this way the development of the electricity segment became one of the main purposes of the Group.



**Albanesi Energía S.A.**  
**Notes to the financial statements (Cont'd)**

**NOTE 2: REGULATORY ASPECTS RELATING TO THE COMPANY'S POWER GENERATION ACTIVITIES**

**Sales under EES Resolution No. 21/2016**

EES Resolution No. 21 dated March 22, 2016 called for bids for new thermal generation capacity and associated energy production by generating, co-generating and self-generating agents, with a commitment to be available in the WEM during the summer periods of (2016/2017 and 2017/2018) and for the 2017 winter season.

Through EES Note No. 161/2016 the Energy Secretariat made public the bidding process whereby 1000 MW of thermoelectric power was expected to be installed. Power to be installed should arise from new generation projects. Bids could not commit, at each connection point proposed, a generation capacity lower than 40 MW total and, in turn, the net power of each generating unit forming the offer for location may not be lower than 10 MW. Equipment committed in the offers should have dual capacity of fuel consumption to operate interchangeably and specific consumption should not exceed 2,500 kilocalories per kWh.

Finally, through EES Resolution No. 155/2016 the first projects awarded by EES Resolution No. 21/2016 were reported, among which was Central Térmica Cogeneración Timbúes (Cogeneración Timbúes Thermal Power Plant).

The Supply Contract was entered into between AESA and CAMMESA for ten years. The valuable consideration for availability of power and energy generated was established in each contract based on the bids made by the generators and awarded by the ES. Sales under this modality are denominated in US dollars and paid by CAMMESA.

The agreements set forth a remuneration made up of 5 components:

- i) a fixed charge for hired power, affected by monthly average availability; the remunerated price is:

| Power plants                   | Fixed charge for power hired | Hired power |
|--------------------------------|------------------------------|-------------|
|                                | USD/MW-month                 | MW          |
| C.T. RENOVA Open cycle         | USD 18,250                   | 165         |
| C.T. RENOVA Cogeneration cycle | USD 23,000                   |             |

- ii) the fixed charge recognizes transportation costs plus other costs inherent to the generating agents;  
 iii) the variable charge associated with the energy effectively prescribed under the contract and which purpose is to remunerate the operation and maintenance of the Plant:

| Power plants | Variable charge in USD/MWh |           |
|--------------|----------------------------|-----------|
|              | Gas                        | Diesel    |
| C.T. RENOVA  | USD 8.00                   | USD 10.00 |

- iv) a variable charge for repayment of fuel costs, all of them at reference price; and  
 v) a discount for penalties. These penalties are applied to the hours in which 92% of the agreed upon power has not been reached and are valued on a daily basis and according to the operating condition of the machine and the market situation.

**Albanesi Energía S.A.**  
**Notes to the financial statements (Cont'd)**

**NOTE 2: REGULATORY ASPECTS RELATING TO THE COMPANY'S POWER GENERATION ACTIVITIES (Cont'd)**

**ES Resolutions No. 238/2022 and No. 826/2022**

ES Resolution No. 238/2022 has replaced Annexes I, II, III, IV and V of ES Resolution No. 440/2021 and adjusted the remuneration for the generation not committed under any kind of contracts for transactions as from February 2022.

The remuneration of the power availability is subdivided into a minimum price associated with the Actual Power Availability (“DRP”, for its acronym in Spanish) and a price for the guaranteed power in compliance with the Offered Guaranteed Availability (DIGO). Remuneration for power will be allocated depending on the use factor of the generation equipment

1. Power prices:

a. Base power (for generators that do not guarantee availability)

| Technology/Scale                  | Power Base Price<br>[\$/MW-month]<br>February-May 2022 | Power Base Price<br>[\$/MW-month] as<br>from June 2022 |
|-----------------------------------|--|--|
| CC large P>150 MW                 | 168,791  | 185,670  |
| CC small P≤150 MW                 | 188,159  | 206,975  |
| TV large P>100 MW                 | 240,734  | 264,807  |
| TV small P≤100MW                  | 287,773  | 316,551  |
| TG large P>50 MW                  | 196,461  | 216,107  |
| TG small P≤50MW                   | 254,569  | 280,025  |
| Internal combustion engines>42 MW | 287,773  | 316,551  |
| CC small P≤15 MW                  | 342,108  | 376,319  |
| TV small P≤15 MW                  | 523,224  | 575,546  |
| TG small P≤15 MW                  | 462,852  | 509,137  |
| Internal combustion engines≤42 MW | 523,224  | 575,546  |

b. DIGO guaranteed power

| Period   | DIGO Power Price<br>[\$/MW - month]<br>February-May 2022 | DIGO Power Price<br>[\$/MW - month]<br>as from June 2022 |
|--|--|--|
| <b>Summer:</b><br>December - January - February                                  | 603,720  | 664,092  |
| <b>Winter:</b><br>June - July - August   | 603,720  | 664,092  |
| <b>Rest of the year:</b><br>March - April - May - September - October - November | 452,790  | 498,069  |

**Albanesi Energía S.A.**  
**Notes to the financial statements (Cont'd)**

**NOTE 2: REGULATORY ASPECTS RELATING TO THE COMPANY'S POWER GENERATION ACTIVITIES (Cont'd)**

**ES Resolutions No. 238/2022 and No. 826/2022 (Cont'd)**

Power remuneration is defined as the sum of three components: Generated Power, Operating Reserve (associated with Spinning reserve per hour) and the power actually generated in the hours of the month.

2. Power prices:

a. Operation and maintenance

| Technology/Scale            | Natural gas<br>February-May<br>2022 | Natural gas<br>as from June<br>2022 | Fuel Oil / Gas<br>Oil<br>February-May<br>2022 | Fuel Oil / Gas<br>Oil<br>as from June<br>2022 |
|-----------------------------|-------------------------------------|-------------------------------------|---|---|
|                             | \$/MWh                              | \$/MWh                              | \$/MWh  | \$/MWh  |
| CC large P>150 MW           | 403                                 | 443                                 | 705   | 775   |
| CC small P≤150 MW           | 403                                 | 443                                 | 705   | 775   |
| TV large P>100 MW           | 403                                 | 443                                 | 705   | 775   |
| TV small P≤100MW            | 403                                 | 443                                 | 705   | 775   |
| TG large P>50 MW            | 403                                 | 443                                 | 705   | 775   |
| TG small P≤50MW             | 403                                 | 443                                 | 705   | 775   |
| Internal combustion engines | 403                                 | 443                                 | 705   | 775   |

b. It will receive \$140/MWh for Operating Energy from February 2022 to May 2022, and \$154/MWh as from June 2022.

Resolution No. 826/2022, published by the Energy Secretariat on December 14, 2022, adjusted the remuneration of all units, whose power is not committed under any kind of contracts.

Such adjustment has retroactive effects to September 2022 and also establishes increases and a new remuneration methodology as from November 2022 to August 2023.

The first adjustment represents a 20% increase of the remuneration in effect under ES Resolution No. 238/22, while the second increase effective on December 2022 is of 10% over the new prices in effect under ES Resolution No. 826/2022. Prices will subsequently increase by 25% in February 2023 and 28% in August 2023 over the then-effective prices.

This Resolution establishes that power remunerated in the month corresponds to monthly average available power and sets forth a remuneration for the power generated in peak hours (7 p.m. to 11 p.m.) equivalent to twice the remuneration for Operation and Maintenance during summer and winter and to once the remuneration for Operation and Maintenance during spring and autumn.

# **Albanesi Energía S.A.**

## **Notes to the financial statements (Cont'd)**

### **NOTE 3: BASIS FOR PRESENTATION**

These financial statements have been prepared in accordance with IFRS issued by the IASB and IFRIC Interpretations. All IFRS effective at the date of preparation of these financial statements have been applied.

The presentation in the statement of financial position segregates current and non-current assets and liabilities. Current assets and liabilities are those which are expected to be recovered or settled within twelve months following the end of the reporting period. In addition, the Company reports on the cash flows from operating activities using the indirect method.

The fiscal year commences on January 1 and ends on December 31 of each year. Economic and financial results are presented on the basis of the fiscal year.

These Financial Statements are stated in thousands of US dollars without cents, as are notes, except for net earnings per share.

The preparation of these Financial Statements in accordance with IFRS requires making estimates and assessments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of issue of these financial statements, as well as the income and expenses recorded in the fiscal year. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 6.

These Financial Statements were approved for issuance by the Company's Board of Directors on March 20, 2023.

#### **Purpose of these Financial Statements**

These non-statutory Financial Statements are presented in US dollars (USD), which is the Company's functional currency, and prepared mainly for the purpose of their use by non-Argentine holders of the Company's Negotiable Obligations and foreign financial entities.

#### **Comparative information**

Balances at December 31, 2021, disclosed for comparative purposes in these Financial Statements, arise from Financial Statements at those dates.

Certain reclassifications have been included in the financial statement figures presented for comparative purposes to conform them to the current year presentation.

#### **Inflation adjustment for tax purposes**

To determine the net taxable income, an adjustment for inflation computed according to Sections 105 to 108 of Income Tax Law must be deducted from or added to the tax result for the fiscal period being calculated. This will apply in the fiscal year in which a variation percentage of the Consumer Price Index (CPI) accumulated over the 36 months prior to the year-end exceeds 100%. These provisions are applicable for fiscal years commencing on or after January 1, 2018.

The Company estimated that, at December 31, 2022, the CPI variation will exceed the index mentioned in the paragraph above; accordingly, the Company included this adjustment in the determination of the taxable income for the current year.

**Albanesi Energía S.A.**  
**Notes to the financial statements (Cont'd)**

**NOTE 3: BASIS FOR PRESENTATION (Cont'd)**

**Going concern**

As of the date of these Financial Statements, there are no uncertainties regarding events or conditions that may lead to doubts about the possibility that the Company will continue to operate normally as a going concern.

**NOTE 4: ACCOUNTING POLICIES**

The main accounting policies used in the preparation of these Financial Statements are explained below. These accounting policies have been applied consistently for all the fiscal years presented, unless otherwise indicated.

**4.1 Changes in accounting policies**

**4.1.1 New standards, amendments and interpretations mandatory for fiscal years beginning on January 1, 2022 and not early adopted by the Company**

IFRS 3 - Business Combinations, amended in May 2020. It introduces references to the definitions of assets and liabilities under the new conceptual framework as well as clarifications as to contingent assets and liabilities recognized separately from those recognized in a business combination.

IAS 16 - Property, Plant and Equipment, amended in May 2020. It introduces amendments to the recognition of inventories, sales and costs of items incurred while an item of property, plant and equipment is restored to the site and under the necessary conditions to operate as expected.

IAS 37 - Provisions, Contingent Liabilities and Contingent Assets, amended in May 2020. Onerous contracts. It clarifies the scope of the cost of fulfilling a contract.

Annual improvements to IFRS 2018-2020 Cycle: the amendments were issued in May 2020.

- Annual improvements to IFRS 1 - First-time Adoption of International Financial Reporting Standards, IFRS 9 - Financial Instruments, IAS 41 - Agriculture, and IFRS 16 - Leases: the amendments were issued in May 2020.

The application of the detailed standards and/or amendments did not generate any impact on the results of the Company's operations or its financial position.

**4.1.2 New standards, amendments and interpretations not yet effective and not early adopted by the Company**

- IAS 1 - Presentation of Financial Statements, amended in February 2021. It improves the presentation of accounting policies and helps users to distinguish between a change in accounting policy and a change in accounting estimate. Amendments are applicable for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The application thereof will not have a significant impact on the results of operations or the financial position of the Company.

- IAS 12 Income Tax, amended in May 2021. It requires companies to recognize deferred taxes on those transactions which, at initial recognition, give rise to equal temporary taxable and deductible differences. Amendments are applicable for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The application thereof will not have a significant impact on the results of operations or the financial position of the Company.



**Albanesi Energía S.A.**  
**Notes to the financial statements (Cont'd)**

**NOTE 4: ACCOUNTING POLICIES (Cont'd)**

**4.1.2 New standards, amendments and interpretations not yet effective and not early adopted by the Company (Cont'd)**

- IFRS 17 - Insurance contracts, amended in June 2020. It replaces IFRS 4, introduced as a provisional standard in 2004 to account for insurance contracts using the national accounting standards, and resulting in multiple application approaches. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and is applicable for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted if both IFRS 15 and IFRS 9 have also been applied. The Company estimates that the application thereof will not have a significant impact on the results of operations or the financial position of the Company.

IFRS 16 - Lease Liability in a Sale and Leaseback, amended in September 2022. These amendments included the requirements for sale and leaseback transactions to explain how an entity recognizes a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all lease payments are variable and do not depend on an index or rate are more likely to be affected. Amendments are applicable for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted. The Company estimates that the application thereof will not have a significant impact on the results of operations or the financial position of the Company.

IAS 1 - Non-current Liabilities with Covenants, amended in November 2022. These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. Amendments are applicable for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted. The Company estimates that the application thereof will not have a significant impact on the results of operations or the financial position of the Company.

**4.2 Revenue recognition**

**a) Sale of energy**

The Company recognizes revenue from supply contracts with CAMMESA for:

- i) power availability, if any, on a monthly basis, to the extent that the power plant is available for generation, and
- ii) energy generated when there is an effective delivery of energy, based on the price set in each contract.

Revenue is not adjusted due to the effects of financing components as sales are performed in an average term of 45 days, which is in line with market practice.

The Company recognizes revenue from the sale of steam on an accrual basis, comprising the steam generated.

**Albanesi Energía S.A.**  
**Notes to the financial statements (Cont'd)**

**NOTE 4: ACCOUNTING POLICIES (Cont'd)**

**4.2 Revenue recognition (Cont'd)**

**b) Other revenue - Interest income**

Interest income is recognized applying the effective interest rate method. This income is registered on a temporary basis, considering outstanding principal and the effective tax rate.

Such income is recognized when it is likely that the entity will receive the economic benefits associated with the transaction and the transaction amount can be measured reliably.

**4.3 Effects of the foreign exchange rate fluctuations**

*a) Functional and presentation currency*

The information included in the Financial Statements is recorded in US dollars, which is the Company's functional currency, i.e. the currency of the primary economic environment in which the entity operates.

*b) Foreign currency balances and transactions*

Transactions in foreign currency are translated into the functional currency at the selling exchange rate prevailing at the transaction date or valuation date, when the pertinent items are remeasured. Exchange gains and losses from the settlement of monetary items and from the translation of monetary items at year end using the closing exchange rate are recognized under Financial results, in the Statement of Comprehensive Income, except for the amounts that are capitalized.

*c) Translation to the Company's presentation currency*

The Company's results and financial position are translated to presentation currency at the end of each year, as follows:

- assets and liabilities are translated at the closing exchange rates;
- results are translated at the exchange rates of the transactions;
- translation gain/(loss) from functional currency to presentation currency are recorded under Other comprehensive income/(loss).

*d) Classification of Other comprehensive income within the Company's equity*

The Company classifies and directly accumulates the translation differences (at the beginning and for the year) in the Retained earnings/accumulated losses account, within equity.

As a result of applying this policy, the translation from functional currency to a different presentation currency does not modify the way in which the underlying items are measured; thus, the amounts of both income/loss and capital are maintained in the functional currency in which they are generated.

**Albanesi Energía S.A.**  
**Notes to the financial statements (Cont'd)**

**NOTE 4: ACCOUNTING POLICIES (Cont'd)**

**4.4 Property, plant and equipment**

In general, property, plant and equipment, excluding land, buildings, facilities, and machinery are recognized at cost net of accumulated depreciation and/or accumulated impairment losses, if any.

Depreciation of property, plant and equipment begins when available for use. Repair and maintenance expenses of property, plant and equipment are recognized in the Statement of Income during the financial year in which they are incurred.

The Company measures facilities, machinery and buildings at fair value less accumulated depreciation and impairment losses recognized at the date of revaluation, if any. Land is measured at fair value and is not depreciated. Revaluations are made frequently enough to ensure that the fair value of a revalued asset does not differ significantly from its carrying amount.

At December 31, 2022, the Company has not revalued land, buildings, facilities and machinery, as there have not been important changes in the fair values of those assets caused by macroeconomic fluctuations.

The Company uses the “income approach” to determine the fair value of facilities and machinery. The income approach consists of valuation techniques that convert future amounts (e.g. cash flows or income and expenses) into a single present value (i.e., discounted). Fair value measurement is determined based on the value indicated by current market expectations of those future amounts. The Company considers that the income approach more reliably reflects the true value of these assets.

The appraiser used a valuation method based on a discounted cash flow model, in view of the absence of comparable market information due to the nature of those assets, that is, a combination of Level 3 inputs has been used.

External appraisers participate in the appraisal of those assets. The participation of external appraisers is decided by the Board of Directors. The criteria for the selection of appraisers include attributes, such as market knowledge, reputation, independence and whether they meet professional standards.

Fair value was determined using the income approach, which reflects current market expectations of those future amounts. This means that the revalued amounts are based on present value techniques which convert future income amounts into a single present value, that is, discounted.

In measuring the facilities and machinery according to the fair value revaluation model, the present value technique was used, as this technique better allows to capture attributes of the use of the asset and the existing synergies with the rest of the Group's assets and liabilities.

# Albanesi Energía S.A.

## Notes to the financial statements (Cont'd)

### **NOTE 4: ACCOUNTING POLICIES (Cont'd)**

#### **4.4 Property, plant and equipment (Cont'd)**

If an asset's carrying amount is increased as a result of a revaluation, the increase shall be recognized in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss. If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognized in profit or loss. However, the decrease shall be recognized in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

At the time of sale of the revalued assets, any revaluation surplus related to this asset is transferred to retained earnings. However, some of the surplus may be transferred to retained earnings as the asset is used by the company. In such a case, the amount of the surplus transferred would be the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

According to IAS 23 Borrowing Costs, financial costs must be capitalized in the cost of an asset when it is in the process of production, construction, assembly or finishing, and those processes are not interrupted due to their long-term nature; the term for production, construction, assembly or finishing does not exceed the period technically required; the activities needed for the asset to be ready for its intended use or sale are not substantially complete; and the asset is not in condition to be used in the production of other assets or placed into service, according to the purpose of its production, construction, assembly or finishing.

Subsequently to initial recognition, costs are included in the carrying amount of that asset or recognized as a separate asset, as applicable, only when it is probable that the future economic benefits associated to those assets will flow to the Company and their cost can be determined reliably. In the case of replacements, the carrying amounts of the replaced part is derecognized from accounting. Other repair and maintenance costs are recognized as an expense in the fiscal year in which they are incurred.

If land, building, facilities, and machinery had been measured using the cost model, the carrying amounts would have been the following:

|                          | <b>12/31/2021</b> | <b>12/31/2020</b> |
|--------------------------|-------------------|-------------------|
| Cost                     | 162,624           | 162,085           |
| Accumulated depreciation | (40,907)          | (29,081)          |
| <b>Residual value</b>    | <b>121,717</b>    | <b>133,004</b>    |

In accordance with the technical evaluation made by expert appraisers of property, plant and equipment, reclassifications have been made within the class of elements to disclose them adequately.

#### **4.5 Impairment of non-financial assets**

For assets subject to depreciation, an impairment test is performed whenever facts or circumstances suggest that the carrying amount may not be recoverable. An impairment loss is recognized for the amount in which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is the higher of the fair value less costs to sell or value in use. The value in use is the total amount of the net discounted cash flows expected to be derived from the use of the assets and from their eventual disposal. To this purpose, the assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset are considered, among other elements. To assess impairment losses, assets are grouped at the lowest level for which cash flows can be identified separately (cash-generating units).

# **Albanesi Energía S.A.**

## **Notes to the financial statements (Cont'd)**

### **NOTE 4: ACCOUNTING POLICIES (Cont'd)**

#### **4.5 Impairment of non-financial assets (Cont'd)**

The possible reversal of impairment losses of non-financial assets is reviewed at every date that financial information is presented.

At December 31, 2022, the Company considered that the carrying amount of land, buildings, facilities, and machinery does not exceed their recoverable value.

#### **4.6 Financial assets**

##### **4.6.1 Classification**

The Company classifies its financial assets in the following categories: assets subsequently measured at fair value and assets measured at amortized cost. This classification depends on whether the financial asset is an investment in a debt or equity instrument. For the asset to be measured at amortized cost, the two conditions described below must be fulfilled. The remaining financial assets are measured at fair value. IFRS 9 - *Financial instruments* requires that all the investments in equity instruments are measured at fair value.

##### *a) Financial assets at amortized cost*

Financial assets are measured at amortized cost if the following conditions are met:

- the business model of the Company is aimed at keeping the assets to obtain contractual cash flows;
- contractual conditions give rise on specified dates to cash flows that are only payments of the principal and interest on the outstanding principal amount.

##### *b) Financial assets at fair value*

If any of the conditions above is not fulfilled, financial assets are measured at fair value through profit or loss.

All the investments in equity instruments are measured at fair value. The Company may irrevocably opt at initial recognition of investments not held for trading to disclose the changes in fair value under other comprehensive income. The Company has decided to recognize the changes in fair value in income.

##### **4.6.2 Recognition and measurement**

Regular purchases and sales of financial assets are recognized on the trade date, when the Company undertakes to purchase or sell the asset. Financial assets are de-recognized when the rights to receive cash flows from investments have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Financial assets are initially recognized at fair value plus, in the case of financial assets that are not measured at fair value through profit or loss, transaction costs directly attributable to the purchase of those financial assets.

**Albanesi Energía S.A.**  
**Notes to the financial statements (Cont'd)**

**NOTE 4: ACCOUNTING POLICIES (Cont'd)**

**4.6 Financial assets (Cont'd)**

**4.6.3 Impairment of financial assets**

*Financial assets at amortized cost*

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets may have suffered impairment losses. A financial asset or a group of financial assets is impaired, and an impairment loss is incurred if, and only if, there is objective evidence of the impairment of value as a result of one or more events that have occurred after the initial recognition of the asset, and such an event (or events) causing the loss has (have) an impact on the estimated future cash flows from the financial asset or group of financial assets, which may be reliably estimated.

The Company uses the following criteria for determining whether there is objective evidence of an impairment loss:

- significant financial difficulties of the debtor;
- breach of contractual clauses, such as late payment of interest or principal;
- and probability that the debtor will enter into bankruptcy or other financial reorganization.

The amount of the impairment is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted using the original effective interest rate. The carrying amount of the asset is reduced and the amount of the impairment loss is recognized in the Statement of Comprehensive Income. If the financial asset bears a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate under the contract. As a useful measure, the Company may calculate the value of impairment based on the fair value of the financial asset using an observable market price.

If in future fiscal years the amount of the impairment loss declines and that decline may be objectively associated with an event subsequent to the recognition of impairment (such as the improvement in a debtor's credit rating), the reversal of the impairment loss previously recorded is recognized in the Statement of Comprehensive Income.

**4.7 Offsetting of financial instruments**

Financial assets and liabilities are offset, and presented net on the Statement of Financial Position, when there is a legally enforceable right to offset the recognized amounts, and an intention to settle the net amount, or to simultaneously realize the asset and settle the liability.

**4.8 Advances to suppliers**

The Company has adopted as accounting policy to disclose advances to suppliers under other current receivables, until the assets are received.

At December 31, 2022, the Company recorded an advance to suppliers balance of USD 238.

**4.9 Inventories**

Materials and spare parts are valued at the lower of acquisition cost or net realizable value.

**Albanesi Energía S.A.**  
**Notes to the financial statements (Cont'd)**

**NOTE 4: ACCOUNTING POLICIES (Cont'd)**

**4.9 Inventories (Cont'd)**

Since materials and spare parts are not for sale, their value is calculated based on the purchase price, import duties (if any) and other taxes (non-refundable taxes by the tax authorities), transportation, storage and other costs directly attributable to the purchase of those assets.

Cost is determined applying the weighted average price method.

The Company classified materials and spare parts into current and non-current depending on their final allocation and the term during which they are expected to be used, whether for maintenance or improvement of present assets. The non-current portion of materials and spare parts is disclosed under Property, plant and equipment.

The value of inventories as a whole does not exceed their recoverable value at the end of each fiscal year.

**4.9 Trade and other receivables**

Trade receivables are amounts due from customers for sale of energy and steam made by the Company in the ordinary course of business. If collection is expected within one year or less, receivables are classified under current assets. Otherwise, they are classified as non-current assets.

Trade and other receivables are recognized at fair value and subsequently at amortized cost, using the effective interest rate method and, where appropriate, adjusted at the time value of money.

The Company sets up bad debt allowances when there is objective evidence that it will not be able to collect all amounts due according to the original terms of the receivables, based on an individual analysis of historical performance of accounts receivable to assess the recoverability of the credit portfolio.

To measure expected credit losses, credits have been grouped by segment and, based on shared credit risk characteristics and the number of days past due.

Expected losses at December 31, 2022 were determined based on the following ratios calculated for the numbers of days past due:

| <b>RATIO PCE</b> | <b>No vencido</b> | <b>30 días</b> | <b>60 días</b> | <b>90 días</b> | <b>120 días</b> | <b>150 días</b> | <b>180 días</b> | <b>+180 días</b> |
|------------------|-------------------|----------------|----------------|----------------|-----------------|-----------------|-----------------|------------------|
| CAMMESA          | -                 | -              | -              | -              | -               | -               | -               | -                |
| Interco          | -                 | -              | -              | -              | -               | -               | -               | -                |
| Otros deudores   | -                 | -              | -              | -              | -               | -               | -               | -                |

For the application of the expected loss model as regards trade receivables, no impairment allowance adjustment has been made at January 1, 2022 as against the allowance recorded at December 31, 2021. Further, in the year ended on December 31, 2022, no allowance for impairment was set up.

**Albanesi Energía S.A.**  
**Notes to the financial statements (Cont'd)**

**NOTE 4: ACCOUNTING POLICIES (Cont'd)**

**4.10 Trade and other receivables (Cont'd)**

Trade receivables are written off when there is no reasonable expectation of their recovery. The Company understands that the following are signs of non-compliance: i) reorganization proceedings, bankruptcy or commencement of litigation, ii) insolvency that implies a high degree of impossibility of collection and iii) balances in arrears for more than 180 business days from the first expiration date of the invoice.

In addition, and in the event of similar and/or exception situations, the Company's management may redefine the amounts for setting up provisions to support and justify the criteria adopted.

**4.11 Leases**

The Company adopted IFRS 16 Leases and applied the following options established by the standard:

- For leases classified as finance leases due to the application of IAS 17 and IFRIC 4, carrying amounts of assets for rights of use and lease liabilities were computed prior to the initial application of IFRS 16, as provided for by item 11 of the Appendix C of the standard. Those values are disclosed under Property, plant and equipment and Loans.
- Finance charges generated for lease liabilities are disclosed under Loan interest in Note 17.
- The rest of lease commitments identified are related to contracts ending within 12 months as from adoption and which continue to be recognized on a straight-line basis by the Company.

Consequently, the Company did not change the accounting for assets recorded for operating and finance leases as a result of the adoption of IFRS 16.

**4.12 Cash and cash equivalents**

Cash and cash equivalents include cash on hand, sight deposits in banks and other short-term highly liquid investments originally falling due within three months or less and subject to low material risk of changes in value. Bank overdrafts, if any, are disclosed under cash and cash equivalents in the Statement of Cash Flows since they are part of the Company's cash management.

**4.13 Trade and other payables**

Trade payables are obligations to pay for goods or services acquired from suppliers in the ordinary course of business. Trade payables are classified as current liabilities if payments fall due within one year or less. Otherwise, they are classified as non-current liabilities.

Trade and other payables are initially recognized at fair value and subsequently valued at amortized cost applying the effective interest rate method.



**Albanesi Energía S.A.**  
**Notes to the financial statements (Cont'd)**

**NOTE 4: ACCOUNTING POLICIES (Cont'd)**

**4.14 Loans**

Loans are initially recognized at fair value, less direct transaction costs incurred. They are subsequently measured at amortized cost, and any difference between the funds received (net of transaction costs) and the amount payable at due date is recognized in the statement of income over the term of the loan, applying the effective interest rate method. The Company analyzes loan renegotiation terms to determine if as a result of the quantitative and qualitative changes to their conditions, they should be considered as amended or settled.

**4.15 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. those that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets until the moment they are ready for their use or sale.

Other borrowing costs are recognized as expenses in the period in which they are incurred.

**4.16 Income tax and minimum notional income tax**

**a) Current and deferred Income Taxes**

The Income Tax charge for the year comprises deferred tax. Income Tax is recognized in income/loss.

Deferred tax is recognized, according to the liability method, on the basis of the temporary differences arising between the tax bases of assets and liabilities and their respective carrying amounts shown in the Statement of Financial Position. However, no deferred tax liability is recognized if the differences arise from the initial recognition of goodwill, or from the initial recognition of assets and liabilities in a transaction (different from a business combination) that did not affect accounting income nor tax income at the moment of being performed.

Deferred tax assets are recognized only to the extent that it is likely that the Company has future tax income against which to offset the temporary differences.

Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset recognized amounts and if deferred tax assets and liabilities derive from Income Tax levied by the same tax authority on either the same taxable entity or different taxable entities with intention to settle the tax assets and liabilities on a net basis.

Current and deferred Income Tax assets and liabilities have not been discounted and are stated at nominal value.

**IFRIC 23 Uncertainty over Income Tax Treatments**

The interpretation issued in June 2017 clarifies how the recognition and measurement requirements of IAS 12 are applied where there is uncertainty over Income Tax treatments.

To that end, an entity must evaluate whether an uncertain tax treatment used, proposed or expected to be used in its Income Tax return will be accepted by the tax authority.

**Albanesi Energía S.A.**  
**Notes to the financial statements (Cont'd)**

**NOTE 4: ACCOUNTING POLICIES (Cont'd)**

**4.16 Income Tax and Minimum Notional Income Tax (Cont'd)**

**a) Current and deferred Income Tax (Cont'd)**

**IFRIC 23 Uncertainty over Income Tax Treatments (Cont'd)**

If an entity concludes that it is probable that the tax authority will accept an uncertain tax treatment that has been taken or is expected to be taken on a tax return, it should determine its accounting for Income Taxes consistently with that tax treatment. If an entity concludes that it is not probable that the treatment will be accepted, it should reflect the effect of the uncertainty in its Income Tax accounting for the taxable profit or loss, tax bases, unused tax losses, unused tax credits and tax rates.

IFRIC 23 requires consistent judgments and estimates to be applied to current and deferred taxes.

An entity will reassess the judgments or estimates required by this interpretation whenever facts and circumstances change or when there is new information that affects those judgments.

At December 31, 2022 and 2021, the Company has applied this interpretation to record the current and deferred income tax, in relation to the recognition of the tax-purpose inflation adjustment over cumulative tax loss carry-forwards (Note 20).

**b) Minimum Notional Income Tax**

Although minimum notional income tax was repealed, the Company has recognized as a credit the tax paid in prior years, considering that it will be offset against future taxable profits.

Minimum notional income tax assets and liabilities have not been discounted and are stated at nominal value.

**4.17 Balances with related parties**

Payables and receivables with related parties have been valued based on the terms agreed upon between the parties.

**4.18 Derivative instruments**

Derivative instruments are initially recognized at fair value on the date when the contract is executed. Subsequent to initial recognition, they are again measured at fair value.

The method for recognizing the resulting loss or profit depends on whether the derivative has been designated as a hedging instrument and, if so, on the nature of the item it is covering. The Company has executed derivative contracts in foreign currency to hedge the next installment payments falling due in connection with principal and interest on its loans in US dollars. However, the Company has not applied hedge accounting; therefore, the changes in its value are recognized in profit or loss, in the caption Changes of fair value of financial instruments, under Other financial results.

Fair values of derivative instruments that are traded in active markets are recorded according to quoted market prices. Fair values of derivative instruments that are not traded in active markets are determined by using valuation techniques. The Company applies critical judgment to select the most appropriate methods and to determine assumptions that are based mainly on the market conditions existing at the end of each year.

**Albanesi Energía S.A.**  
**Notes to the financial statements (Cont'd)**

**NOTE 4: ACCOUNTING POLICIES (Cont'd)**

**4.18 Derivative instruments**

At December 31, 2022, the economic impact of NDF and ROFEX shows a net loss in the amount of USD 1,015, which is shown under Other financial results from the Statement of Comprehensive Income.

**4.19 Defined benefit plan**

The Company offers defined benefit plans. Usually, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, generally dependent on one or more factors such as age, years of service and compensation.

The liability recorded in the Statement of Financial Position in relation to defined benefit plans is the present value of the obligation from defined benefit plans at the closing date. The obligation from defined benefit plans is calculated annually by independent actuaries in accordance with the projected unit credit method.

The current value of the defined benefit obligation is determined by discounting the future cash outflows estimated using actuarial assumptions based on the demographic and financial variables that have an influence in determining the amount of those benefits.

Actuarial gains and losses arising from adjustments due to the experience and changes of actuarial assumptions are recognized in Other comprehensive income in the year when they occur. The costs for past services are immediately recognized in the Statement of Income.

**4.20 Equity accounts**

Movements in this item have been accounted for in accordance with the pertinent decisions of shareholders' meetings and legal or regulatory provisions.

*a) Share Capital*

Share capital represents the capital issued, composed of the contributions that were committed and/or made by the shareholders and represented by shares that comprise outstanding shares at nominal value. Ordinary shares are classified under equity.

*b) Irrevocable contributions*

Irrevocable contributions approved by the competent body have been paid in and arise from a written agreement between the parties, which state the term of permanence and conditions for conversion into shares; as a result, they were considered as part of equity.

*c) Technical revaluation reserve*

Corresponds to the technical revaluation reserve as a result of applying the revaluation model for property, plant and equipment.

*d) Other comprehensive income/(loss)*

It includes income/(loss) generated, plus actuarial gains and losses corresponding to defined benefit plans and their related tax effects.

**Albanesi Energía S.A.**  
**Notes to the financial statements (Cont'd)**

**NOTE 4: ACCOUNTING POLICIES (Cont'd)**

**4.20 Equity accounts (Cont'd)**

*e) Unappropriated retained earnings/(losses)*

Unappropriated earnings comprise accumulated profits or losses without a specific appropriation; positive earnings can be distributable by the decision of the Shareholders' Meeting, as long as they are not subject to legal restrictions. These earnings comprise prior year earnings that were not distributed and prior year adjustments derived from application of the accounting standards.

In case of existence of unappropriated losses to be absorbed at the end of the year under consideration by the shareholders' meeting, the following order for appropriation of balances must be followed:

- (i) Retained earnings
  - Optional reserves
  - Reserves provided for by Company bylaws
  - Legal reserve
- (ii) Capital contributions
- (iii) Additional paid-in capital
- (iv) Other equity instruments (if feasible from the legal and corporate point of view)
- (v) Capital Adjustment

*f) Distribution of dividends*

The distribution of dividends among the shareholders of the Company is recognized as a liability in the Financial Statements for the year in which dividends are approved by the meeting of shareholders

(such as legal reserve, optional reserve, reserves provided for by bylaws or other reserves relating to the distribution of profits, and unappropriated retained earnings including income/(loss) for the year).

**NOTE 5: FINANCIAL RISK MANAGEMENT**

**5.1 Financial risk factors**

Financial risk management is encompassed within the global policies of the Company, which are focused on the uncertainty of the financial markets and are aimed at minimizing the potential adverse effects on its financial yield. Financial risks are the risks associated with financial instruments to which the Company is exposed during or at the end of each fiscal year. Financial risks comprise market risk (including the foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk.

**Albanesi Energía S.A.**  
**Notes to the financial statements (Cont'd)**

**NOTE 5: FINANCIAL RISK MANAGEMENT (Cont'd)**

**5.1 Financial risk factors (Cont'd)**

Financial risk management is controlled by the Finance Division of the Company, which identifies, assesses and covers the financial risks. The financial risk management policies and systems are reviewed regularly to reflect the changes in the market conditions and in the Company's business activities.

This section includes a description of the main financial risks and uncertainties that could have a material adverse effect on the Company's strategy, performance, results of operations and financial condition.

**a) Market risk**

Price risk

The price for the Company's sales revenues under Resolution No. 21/16 is expressly stipulated in US dollars in the contract in force signed with CAMMESA, the duration of which is 10 years.

The price for the Company's steam sales is stipulated in the contract in force signed with RENOVA (see Note 30), the duration of which is 15 years as from the start of steam generation.

If Resolution No. 21/16 was repealed or substantially amended in such a way that the Company is obliged to sell the power generated in the Spot Market, the income/loss of AESA might depend on the price of electricity in the Spot Market. Likewise, the Company's results could also be badly affected if the National Government or CAMMESA limited the price receivable under Resolution No. 21/16. If these situations occur, there might be an adverse impact on the Company's business, financial condition and results of operations.

Interest rate risk

Interest rate risk arises from the Company's debt at floating rate. Indebtedness at floating rate exposes the Company to interest rate risk on their cash flows. At December 31, 2022, a small portion of the loans in effect had been taken out at floating rates.

The Company analyzes its exposure to interest rate risk in a dynamic manner. Hypothetical situations are simulated considering the positions relating to refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the Company estimates the impact on profit or loss of a definite variation in interest rates. Simulation is only made in relation to obligations representing the main positions that accrue interest.

The following table shows the Company's financial debts broken down by interest rate:

|               | <u>12/31/2022</u>     | <u>12/31/2021</u>     |
|---------------|-----------------------|-----------------------|
| Fixed rate    | 236,533               | 231,594               |
| Floating rate | 7,206                 | 227                   |
|               | <u><b>243,739</b></u> | <u><b>231,821</b></u> |

**Albanesi Energía S.A.**  
**Notes to the financial statements (Cont'd)**

**NOTE 5: FINANCIAL RISK MANAGEMENT (Cont'd)**

**5.1 Financial risk factors (Cont'd)**

*a) Market risks (Cont'd)*

Based on simulations run with all the other variables kept constant, an increase of 1% in the variable interest rates would increase the loss for the year as follows:

|  | 12/31/2022 | 12/31/2021 |
|--|------------|------------|
| Floating rate                          | 72         | 2          |
| <b>Decrease in income for the year</b> | <b>72</b>  | <b>2</b>   |

*a) Credit risks*

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, and from the exposure to credit with CAMMESA and RENOVA, including the outstanding balances of accounts receivable and arranged transactions.

As for the commercial analysis of RENOVA, our credit analysis division assesses privately-held corporate customers' payment ability, taking as a basis their financial statements, financial position, market reports, historical behavior towards the Company and other financial creditworthiness factors. Credit limits are set on the basis of the indicators described above, and are regularly monitored by the respective area.

The electricity generators with sales to the spot market, Resolution No. 826/22, and with contracts under ES Resolution No. 21/16 collect through CAMMESA the payments for making available the power and energy supplied to the system.

In the last quarter of 2022, CAMMESA paid its past due obligations, recognizing interest and exchange difference as agreed in the pertinent contracts.

*b) Liquidity risk*

The following table shows an analysis of the Company's financial liabilities classified according to the due dates, considering the remaining period from the respective Statement of Financial Position date to their contractual due date. The amounts shown in the table are the non-discounted contractual cash flows.

| At December 31, 2022     | Less than 3 months | Between 3 months and 1 year | Between 1 and 2 years | After 2 years | Total          |
|--------------------------|--------------------|-----------------------------|-----------------------|---------------|----------------|
| Trade and other payables | 1,210              | 721                         | -                     | 1,996         | 3,927          |
| Finance leases           | 3                  | 10                          | 19                    | 8             | 40             |
| Loans                    | 30,301             | 144,592                     | 47,394                | 55,413        | 277,700        |
| <b>Total</b>             | <b>31,514</b>      | <b>145,323</b>              | <b>47,413</b>         | <b>57,417</b> | <b>281,667</b> |
| At December 31, 2021     | Less than 3 months | Between 3 months and 1 year | Between 1 and 2 years | After 2 years | Total          |
| Trade and other payables | 2,104              | 2,610                       | -                     | 1,996         | 6,710          |
| Finance leases           | 56                 | 170                         | -                     | -             | 227            |
| Loans                    | 14,881             | 48,141                      | 194,833               | 67,967        | 325,822        |
| <b>Total</b>             | <b>17,042</b>      | <b>50,921</b>               | <b>194,833</b>        | <b>69,963</b> | <b>332,759</b> |

**Albanesi Energía S.A.**  
**Notes to the financial statements (Cont'd)**

**NOTE 5: FINANCIAL RISK MANAGEMENT (Cont'd)**

**5.1 Management of capital risk**

Consistently with the industry, the Company monitors its capital based on the Principal Debt to Adjusted EBITDA ratio. This ratio is calculated dividing the loan principal by Adjusted EBITDA. Adjusted EBITDA represents the earnings before net financial results, income tax, and depreciation and amortization.

To maintain or adjust its capital structure, the Company may adjust the amount of dividends paid to its shareholders, refund capital to the shareholders, issue new shares or sell assets to reduce its debt.

Principal Debt to Adjusted EBITDA ratio at December 31, 2022 was as follows:

|                         |                     |
|-------------------------|---------------------|
|                         | <u>12/31/2022</u>   |
| Principal debt          | 197,201             |
| EBITDA (*)              | <u>43,077</u>       |
| <b>Net debt/ EBITDA</b> | <b><u>4.578</u></b> |

(\*) Amount not covered in the Audit Report.

**NOTE 6: CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of financial statements requires the Company Management to make estimates and assessments concerning the future, apply critical judgments and establish premises that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses.

These estimates and judgments are continually evaluated and are based on historical experience and other factors that are believed to be reasonable under the circumstances. Actual future results may differ from those estimates and assessments made at the date these Financial Statements were prepared. The estimates that have a significant risk of causing an adjustment to the carrying amounts of assets and liabilities within the next fiscal year are detailed below:

***a) Impairment of assets***

Long-lived assets are tested for impairment at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs).

The electricity production plant of the Company constitutes a cash generating unit, already representing the lowest level of separation of assets that generate independent cash flows.

Assets that are subject to amortization are tested for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable.

In evaluating whether there is any indication that the cash generating unit could be affected, internal and external sources of information are analyzed. Specific events and circumstances are considered, which in general include the discount rate used in the projections of cash flows of each of the CGU and the business condition in terms of market and economic factors, such as the cost of raw materials, the regulatory framework of the energy industry, projected capital expenditure and the evolution of energy demand.

**Albanesi Energía S.A.**  
**Notes to the financial statements (Cont'd)**

**NOTE 6: CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Cont'd)**

***a) Impairment of financial assets (Cont'd)***

An impairment loss is recognized when the asset's carrying amount exceeds its recoverable value. The recoverable value is the higher of an asset's fair value less costs to sell and value in use. Any impairment loss will be distributed (to reduce the carrying amount of the assets of the CGU) as follows:

- First, reduce the carrying amount of goodwill allocated to the cash generating unit, and
- then, reduce the carrying amounts of the other assets of the unit (or group of units) pro rata on the basis of the carrying amount of each asset of the unit (or group of units). The carrying amount of an asset should not be reduced below the highest of its fair value less costs of disposal, its value in use, or zero.
- The amount of the impairment loss that would otherwise have been allocated to the asset shall be allocated pro rata to the other assets of the CGU.

Judgment is required from Management at the time of estimating the future cash flows. Actual cash flows and values may significantly vary from expected future cash flows and the related values obtained through discount techniques.

***b) Current and deferred income tax / Minimum notional income tax***

The Company recognizes income taxes applying the deferred tax method. Consequently, the deferred tax assets and liabilities are recognized according to the future tax consequences attributable to the differences between the carrying amount of existing assets and liabilities and the respective tax bases. Deferred tax assets and liabilities are valued at the approved tax rates that should theoretically be applied on the taxable income in the years in which the temporary differences are expected to be settled. A high degree of judgment is required to determine the provision for income tax since Management regularly assesses the positions on the tax returns regarding situations where the applicable tax regulation is subject to interpretation and, if necessary, sets out provisions based on the amounts payable to the tax authorities. When the final outcome of these matters is different from the initially recognized amounts, such differences will have an impact on income tax and deferred taxes in the fiscal year in which they are determined.

Deferred tax assets are reviewed at every reporting date and reduced according to the probability that a sufficient tax base might be available to allow recovering these assets in whole or in part. Deferred assets and liabilities are not discounted. When assessing the realizability of deferred tax assets, Management considers it probable that some, or all, deferred tax assets are not realizable.

Whether deferred tax assets are realizable depends on the generation of future taxable income for the periods in which these temporary differences are deductible. In making this assessment, Management takes into account the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies.

***b) Allowances and provisions***

Provisions cover contingencies arising in the ordinary course of business and other sundry risks that could create obligations for the Company. In estimating the amounts and probabilities of occurrence, the opinion of the Company's legal advisors has been considered.



**Albanesi Energía S.A.**  
**Notes to the financial statements (Cont'd)**

**NOTE 6: CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Cont'd)**

***b) Allowances and provisions (Cont'd)***

At the date of issue of these Financial Statements, the Company Management understands that there are no elements which may determine the existence of contingencies that could materialize and have a negative impact on these Financial Statements.

***c) Defined benefit plans***

The Company determines the liabilities related to accumulated bonuses for service length and to the employee benefits plans mentioned, considering all the rights accrued by the beneficiaries until period end, based on an actuarial study performed by an independent professional at that date. The actuarial method applied by the Company is the Projected Benefit Unit method.

***d) Fair value of property, plant and equipment***

The Company has opted to value land, buildings, facilities, and machinery at fair value applying discounted cash flows or market comparables techniques.

The fair value calculated by means of the discounted cash flow was used to value facilities and machinery. This cash flow was prepared on the basis of estimates with an approach to consider different scenarios according to their probability of occurrence.

The following variables have been taken into account in relation to the estimates made: (i) exchange rate fluctuations; (ii) availability and dispatch of turbines associated with demand projections according to vegetative growth; (iii) operating and maintenance cost; (iv) number of employees; (v) discount rate used, among others. Each of these scenarios contemplate different assumptions regarding the critical variables used.

The discounted cash flows at December 31, 2022 consider two scenarios (pessimistic and base scenarios) with different probabilities of occurrence. The two scenarios arise from current rate schedules and are combined with different turbine dispatch alternatives.

The criteria considered in each scenario are the following:

1. Base scenario: in this case the Company considers a historical average availability and an expected dispatch according to projections of the demand for energy with a vegetative growth. Probability of occurrence: 80%.
2. Pessimistic scenario: in this case the Company considers a historical average availability and a dispatch of less than expected of the demand for energy. Probability of occurrence: 20%.

In all scenarios a discount rate in US dollars of approximately 11.50% was used, which contemplates future scenarios.

The percentages of probability of occurrence assigned are mainly based on the occurrence of different past events (experience).

Actual results could differ from the estimates, so the projected cash flows might be badly affected if any of the above-mentioned factors changes in the near future.

**Albanesi Energía S.A.**  
**Notes to the financial statements (Cont'd)**

**NOTE 6: CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Cont'd)**

***d) Fair value of property, plant and equipment (Cont'd)***

The Company cannot assure that the future behavior of those variables will be in line with projections, and differences might arise between the estimated cash flows and the ones really obtained.

The fair value determination of property, plant and equipment is significantly affected by the US dollar exchange rate. This situation, valuation processes and results are discussed and approved by the Board of the Companies at least once a year.

However, if the discounted cash flow differs by 10% from Management estimates, the Company will need:

- To increase the fair value of land, buildings, facilities, and machinery by USD 22 million, if it were favorable; or
- To reduce the fair value of land, buildings, facilities, and machinery by USD 22 million, if it were not favorable.

At December 31, 2022, the Company performed an analysis of the variables that are considered for the calculation of the recoverable value of property, plant and equipment and concluded that there were no significant changes in such variables.

***e) Allowance for bad debts***

The allowance for bad debts has been set up based on a historical analysis of accounts receivable to assess the recoverability of the credit portfolio.

At December 31, 2022 and December 31, 2021, there were no allowances for bad debts.

**Albanesi Energía S.A.**  
**Notes to the financial statements (Cont'd)**

**NOTE 7: PROPERTY, PLANT AND EQUIPMENT**

| Type of asset                 | Original values      |              |                       |                | Depreciation                     |                  |                         | Net amount at year end |                |
|-------------------------------|----------------------|--------------|-----------------------|----------------|----------------------------------|------------------|-------------------------|------------------------|----------------|
|                               | At beginning of year | Increases    | Transfers/Withdrawals | At year end    | Accumulated at beginning of year | For the year (1) | Accumulated at year end | At 12/31/2022          | At 12/31/2021  |
| Land                          | 250                  | -            | -                     | 250            | -                                | -                | -                       | 250                    | 250            |
| Buildings                     | 16,501               | -            | -                     | 16,501         | 350                              | 350              | 700                     | 15,801                 | 16,151         |
| Facilities                    | 35,999               | 275          | -                     | 36,274         | 1,814                            | 1,872            | 3,686                   | 32,588                 | 34,185         |
| Machinery                     | 193,860              | 131          | -                     | 193,991        | 9,482                            | 9,496            | 18,978                  | 175,013                | 184,378        |
| Computer and office equipment | 383                  | 15           | -                     | 398            | 280                              | 74               | 354                     | 44                     | 103            |
| Furniture and fixtures        | 58                   | 7            | -                     | 65             | 16                               | 6                | 22                      | 43                     | 42             |
| Vehicles                      | 25                   | 111          | -                     | 136            | 25                               | 28               | 53                      | 83                     | -              |
| Spare parts and materials     | 5,868                | -            | (2,652)               | 3,216          | -                                | -                | -                       | 3,216                  | 5,868          |
| <b>Total at 12/31/2022</b>    | <b>252,944</b>       | <b>539</b>   | <b>(2,652)</b>        | <b>250,831</b> | <b>11,967</b>                    | <b>11,826</b>    | <b>23,793</b>           | <b>227,038</b>         | <b>-</b>       |
| <b>Total at 12/31/2021</b>    | <b>247,012</b>       | <b>5,932</b> | <b>-</b>              | <b>252,944</b> | <b>195</b>                       | <b>11,772</b>    | <b>11,967</b>           | <b>-</b>               | <b>240,977</b> |

(1) Depreciation charges for the year ended on December 31, 2022 and 2021 were allocated to the cost of sales

**Albanesi Energía S.A.**  
**Notes to the financial statements (Cont'd)**

**NOTE 8: FINANCIAL AND NON-FINANCIAL ASSETS AND LIABILITIES**

| At December 31, 2022            | Financial<br>assets/liabilities at<br>amortized cost | Financial<br>assets/liabilities at<br>fair value through<br>profit or loss | Non-financial<br>assets/<br>liabilities | Total          |
|---------------------------------|--|--|---|----------------|
| <b>Assets</b>                   |  |  |   |                |
| Trade and other receivables     | 13,988   | -  | 2,776                                   | 16,764         |
| Cash and cash equivalents       | 138  | 15,261   | -                                       | 15,399         |
| Non-financial assets            | -  | -  | 250,621                                 | 250,621        |
| <b>Total</b>                    | <b>14,126</b>  | <b>15,261</b>  | <b>253,397</b>                          | <b>282,784</b> |
| <b>Liabilities</b>              |  |  |   |                |
| Trade payables                  | 3,927  | -  | -                                       | 3,927          |
| Loans (finance leases excluded) | 243,699  | -  | -                                       | 243,699        |
| Finance leases                  | 40   | -  | -                                       | 40             |
| Non-financial liabilities       | -  | -  | 3,064                                   | 3,064          |
| <b>Total</b>                    | <b>247,666</b>                                       | <b>-</b>   | <b>3,064</b>                            | <b>250,730</b> |
| <br>                            |  |  |   |                |
| At December 31, 2021            | Financial<br>assets/liabilities at<br>amortized cost | Financial<br>assets/liabilities at<br>fair value through<br>profit or loss | Non-financial<br>assets/<br>liabilities | Total          |
| <b>Assets</b>                   |  |  |   |                |
| Trade and other receivables     | 13,613   | -  | 2,327                                   | 15,940         |
| Cash and cash equivalents       | 421  | 9,027  | -                                       | 9,448          |
| Non-financial assets            | -  | -  | 250,386                                 | 250,386        |
| <b>Total</b>                    | <b>14,034</b>  | <b>9,027</b>   | <b>252,713</b>                          | <b>275,774</b> |
| <b>Liabilities</b>              |  |  |   |                |
| Trade payables                  | 6,710  | -  | -                                       | 6,710          |
| Loans (finance leases excluded) | 231,595  | -  | -                                       | 231,595        |
| Finance leases                  | 226  | -  | -                                       | 226            |
| Non-financial liabilities       | -  | -  | 4,821                                   | 4,821          |
| <b>Total</b>                    | <b>238,531</b>                                       | <b>-</b>   | <b>4,821</b>                            | <b>243,352</b> |

The categories of financial instruments were determined based on IFRS 9.

**Albanesi Energía S.A.**  
**Notes to the financial statements (Cont'd)**

**NOTE 8: FINANCIAL AND NON-FINANCIAL ASSETS AND LIABILITIES (Cont'd)**

Below are presented the revenues, expenses, profits, and losses arising from each financial instrument category.

| At December 31, 2022                                  | Financial assets<br>at amortized cost | Financial<br>assets/liabilities at<br>fair value | Financial<br>liabilities at<br>amortized cost | Total           |
|---|---------------------------------------|--|---|-----------------|
| Interest earned                                       | 2,198                                 | -  | -   | 2,198           |
| Interest paid   | -                                     | -  | (29,977)                                      | (29,977)        |
| Income/(loss) from sale of own negotiable obligations | 11                                    | -  | -   | 11              |
| Exchange difference, net                              | (14,132)                              | -  | 24,278  | 10,146          |
| Other financial costs                                 | -                                     | (20,619)   | (4,279)                                       | (24,898)        |
| <b>Total</b>  | <b>(11,923)</b>                       | <b>(20,619)</b>                                  | <b>(9,978)</b>                                | <b>(42,520)</b> |

| At December 31, 2021                                    | Financial assets<br>at amortized cost | Financial<br>assets/liabilities at<br>fair value | Financial<br>liabilities at<br>amortized cost | Total           |
|---|---------------------------------------|--|---|-----------------|
| Interest earned   | 1,776                                 | -  | -   | 1,776           |
| Interest paid   | -                                     | -  | (32,831)                                      | (32,831)        |
| Income/(loss) from repurchase of negotiable obligations | (24)                                  | -  | -   | (24)            |
| Exchange difference, net                                | (4,136)                               | -  | 1,834   | (2,302)         |
| Other financial costs                                   | -                                     | (7,843)  | (5,931)                                       | (13,774)        |
| <b>Total</b>  | <b>(2,384)</b>                        | <b>(7,843)</b>                                   | <b>(36,928)</b>                               | <b>(47,155)</b> |

**Determination of fair value**

The Company classifies fair value measurements of financial instruments using a three-level hierarchy, which gives priority to the inputs used in making such measurements: Fair value hierarchies:

- Level 1: Inputs such as (unadjusted) quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e., prices) or indirectly (i.e. deriving from prices). No financial instrument should be included in Level 2.
- Level 3: Inputs on the assets or liabilities not based on observable market inputs (i.e. unobservable inputs).

**Albanesi Energía S.A.**  
**Notes to the financial statements (Cont'd)**

**NOTE 8: FINANCIAL AND NON-FINANCIAL ASSETS AND LIABILITIES (Cont'd)**

**Determination of fair value (Cont'd)**

The following table shows the Company's financial assets measured at fair value at December 31, 2022 and 2021. The Company does not have financial liabilities measured at fair value at those dates.

| <u>At December 31, 2022</u>  | <u>Level 1</u> | <u>Level 3</u> | <u>Total</u>   |
|--|----------------|----------------|----------------|
| <b>Assets</b>  |                |                |                |
| <i>Other financial assets at fair value through profit or loss</i> |                |                |                |
| Mutual funds   | 5,051          | -              | 5,051          |
| Short-term investments   | 10,210         | -              | 10,210         |
| Property, plant and equipment                                      | -              | 223,652        | 223,652        |
| <b>Total</b>   | <b>15,261</b>  | <b>223,652</b> | <b>238,913</b> |
| <hr/>  |                |                |                |
| <u>At December 31, 2021</u>  | <u>Level 1</u> | <u>Level 3</u> | <u>Total</u>   |
| <b>Assets</b>  |                |                |                |
| <i>Other financial assets at fair value through profit or loss</i> |                |                |                |
| Mutual funds   | 5,305          | -              | 5,305          |
| Short-term investments   | 3,722          | -              | 3,722          |
| Property, plant and equipment                                      | -              | 234,964        | 234,964        |
| <b>Total</b>   | <b>9,027</b>   | <b>234,964</b> | <b>243,991</b> |

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the Statement of Financial Position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on the Company's specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. No financial instruments should be included in Level 2.

If one or more of the significant inputs is not based on observable market inputs (i.e. unobservable inputs), the instrument is included in level 3. These instruments are included in Level 3. This is the case of the revaluation of certain categories of property, plant and equipment.

Specific valuation techniques used to determine the fair value of property, plant and equipment include:

- a) As for Land and Buildings, they have been adjusted by a method using coefficients that comprise changes in the purchasing power of the currency to conform a fair value at December 31, 2022.
- b) The fair values of "Facilities" and "Machinery" were calculated by means of the discounted cash flows (See Note 6.e).

**Albanesi Energía S.A.**  
**Notes to the financial statements (Cont'd)**

**NOTE 9: OTHER RECEIVABLES**

|                                     | <u>Note</u> | <u>12/31/2022</u> | <u>12/31/2021</u> |
|-------------------------------------|-------------|-------------------|-------------------|
| <u>Non-current</u>                  |             |                   |                   |
| Minimum Notional Income Tax credit  |             | 11                | 19                |
| Tax Law No. 25413                   |             | 957               | 1,026             |
|                                     |             | <b>968</b>        | <b>1,045</b>      |
| <u>Current</u>                      |             |                   |                   |
| Extraordinary Income Tax prepayment |             | 939               | -                 |
| Social security withholdings        |             | -                 | 33                |
| Sundry tax credits                  |             | 6                 | -                 |
| Sub-total tax credits               |             | 945               | 33                |
| Balance with related parties        | 27          | 390               | 2,930             |
| Insurance to be accrued             |             | 613               | 473               |
| Advances to suppliers               |             | 238               | 248               |
| Guarantees                          |             | -                 | 525               |
| Sundry                              |             | 11                | 3                 |
|                                     |             | <b>2,197</b>      | <b>4,212</b>      |

The carrying amount of other current receivables approximates fair value due to their short-term maturity.

Other long-term receivables are measured at present value applying a market rate. The amount thus obtained does not differ from its fair value.

**NOTE 10: TRADE RECEIVABLES**

|                            | <u>12/31/2022</u> | <u>12/31/2021</u> |
|----------------------------|-------------------|-------------------|
| Trade receivables - energy | 9,297             | 4,942             |
| Trade receivables- steam   | 29                | 94                |
| Energy sold to be billed   | 4,273             | 4,734             |
| Steam sold to be billed    | -                 | 913               |
|                            | <b>13,599</b>     | <b>10,683</b>     |

The carrying amount of current trade receivables approximates fair value due to their short-term maturity.

**NOTE 11: CASH AND CASH EQUIVALENTS**

|                        | <u>12/31/2022</u> | <u>12/31/2021</u> |
|------------------------|-------------------|-------------------|
| Cash                   | -                 | 1                 |
| Banks                  | 138               | 420               |
| Mutual funds           | 5,051             | 5,305             |
| Short-term investments | 10,210            | 3,722             |
|                        | <b>15,399</b>     | <b>9,448</b>      |

**Albanesi Energía S.A.**  
**Notes to the financial statements (Cont'd)**

**NOTE 12: CAPITAL STATUS**

Capital status at December 31, 2022 is detailed below:

| Principal                  | Amount<br>In thousands<br>of USD | Approved by          |   | Date of<br>registration<br>with the Public<br>Registry of<br>Commerce |
|----------------------------|----------------------------------|----------------------|---|---|
|                            |                                  | Date                 | Body  |   |
| Total at December 31, 2015 | 5                                | February<br>15, 2012 | Bylaws  | February 23,<br>2012  |
| Capital increase           | 949                              | December<br>16, 2016 | Extraordinary Shareholders' Meeting                 | January 12, 2017  |
| Capital reduction          | (148)                            | April 19,<br>2018    | Ordinary and Extraordinary Shareholders'<br>Meeting | September 10,<br>2019   |
| Capital increase           | 8,018                            | January 06,<br>2021  | Extraordinary Shareholders' Meeting                 | 02/07/2023  |
| <b>Total</b>               | <b>8,824</b>                     |                      |   |   |

The Extraordinary Shareholders' Meeting held on January 6, 2021 unanimously approved a capital increase through cash contributions for USD 5,018 (\$425,000 thousand) and decided to capitalize shareholders' current receivables for USD 3,000 (\$255,000 thousand). Consequently, at December 31, 2022, the Company's capital amounts to USD 8,824 (\$747,850 thousand) and is made up of 747,850,000 shares, entitled to 1 vote per share. As a result of this capitalization, Article 4 of the Bylaws was amended. This amendment was registered with the Public Registry of the Legal Entities Regulator on February 7, 2023, under Number 1085 of Book 111, Volume -- of Companies by Shares.

In compliance with the prevailing legal provisions, the Board of Directors of the Company informs that a loss of USD 360 has been recorded for the year.

**NOTE 13: DISTRIBUTION OF PROFITS**

*Dividends*

A tax is levied on dividends or profits distributed, among others, by Argentine companies or permanent establishments to: individuals, undivided estates or foreign beneficiaries, according to the following rates: (i) dividends deriving from profits generated during fiscal years beginning on or after January 1, 2018 until December 31, 2022 will be subject to tax at a rate of 7%, and; (ii) dividends deriving from profits obtained during fiscal years beginning on or after January 1, 2021 will be subject to tax at a rate of 13%.

Dividends on profits obtained until the fiscal year prior to the fiscal year beginning on or after January 1, 2018 will continue to be subject to withholdings, for all beneficiaries, at a rate of 35% of the amount exceeding retained earnings to be distributed free of tax (transition period of equalization tax).

On June 16, 2021, the National Executive Branch enacted Law No. 27630 whereby a tax rate of 7% was set for tax on dividends. This amendment is applicable for annual reporting periods beginning on or after January 1, 2021.

Pursuant to General Companies Law No. 19550, 5% of the profit reported in the Statement of Comprehensive Income for the year, net of prior year adjustments, transfers of other comprehensive income to unappropriated retained earnings and prior year accumulated losses, is to be allocated to the legal reserve, until it reaches 20% of the capital stock.

Due to the conditions of the Loan with UBS AG Stamford Branch, the Company must comply with some ratios to distribute dividends.



**Albanesi Energía S.A.**  
**Notes to the financial statements (Cont'd)**

**NOTE 14: DEFINED BENEFIT PLAN - LABOR COMMITMENTS WITH PERSONNEL**

A detailed description of the estimated cost and liability for benefits after retirement granted to employees of the Company is included below. These benefits are:

- A bonus for all the employees retiring under the differential regime of Decree No. 937/74, when reaching 55 years of age and 30 years of service, consisting in 10 salaries, augmented by 2% per each year of service exceeding the first 5 years.
- A bonus for service length, consisting in paying one salary after 20 years of employment (17 years, for women) plus another one every 5 years up to 35 years' service (32 years, for women) and two more salaries upon reaching 40 years of service (37 years, for women).

The liabilities related to accumulated bonuses for service length and to the employee benefits plans mentioned above were determined considering all the rights accrued by the beneficiaries until closing date of the year ended on December 31, 2022, based on an actuarial study performed by an independent professional at that date. The actuarial method applied by the Company is the Projected Benefit Unit method.

The amounts and conditions vary according to the collective bargaining agreement.

|              | <b>12/31/2022</b> | <b>12/31/2021</b> |
|--------------|-------------------|-------------------|
| Non-current  | 214               | 101               |
| Current      | 2                 | 1                 |
| <b>Total</b> | <b>216</b>        | <b>102</b>        |

Changes in the Company's obligations for benefits at December 31, 2022 and 2021 are as follows:

|   | <b>12/31/2022</b> | <b>12/31/2021</b> |
|---|-------------------|-------------------|
| Present value of the obligations for benefits | 216               | 102               |
| Obligations for benefits at year end          | <b>216</b>        | <b>102</b>        |

The actuarial assumptions used were:

|                                      | <b>12/31/2022</b> | <b>12/31/2021</b> |
|--------------------------------------|-------------------|-------------------|
| Obligations for benefits at year end | 5.5%              | 5.5%              |
| Salary growth rate                   | 1%                | 1.0%              |
| Inflation                            | 83%               | 45%               |

At December 31, 2022, the Company does not have assets related to pension plans.

**Albanesi Energía S.A.**  
**Notes to the financial statements (Cont'd)**

**NOTE 14: DEFINED BENEFIT PLAN - LABOR COMMITMENTS WITH STAFF (Cont'd)**

The charge recognized in the Statement of Comprehensive Income is as follows:

|  | <u>12/31/2022</u> | <u>12/31/2021</u> |
|--|-------------------|-------------------|
| Cost of current services                                 | 121               | 20                |
| Interest charges   | 51                | 33                |
| Actuarial gain/(loss) through Other comprehensive income | 13                | (5)               |
| Total cost   | <u><b>185</b></u> | <u><b>48</b></u>  |

Changes in the obligation for defined benefit plans are as follows:

|  | <u>12/31/2022</u> | <u>12/31/2021</u> |
|--|-------------------|-------------------|
| Balance at the beginning of the year                     | 102               | 70                |
| Cost of current services                                 | 121               | 20                |
| Interest charges   | 51                | 33                |
| Actuarial gain/(loss) through Other comprehensive income | 13                | (5)               |
| Exchange difference                                      | <u>(71)</u>       | <u>(16)</u>       |
| Balance at year end                                      | <u><b>216</b></u> | <u><b>102</b></u> |

Estimates based on actuarial techniques involve the use of statistical tools, such as the demographic tables used in the actuarial valuation of the Group active personnel. To determine mortality for the Group active personnel, the mortality table “RP 2000” has been used. In general, a mortality table shows, for each age group, the probability that a person in that age group will die before reaching a predetermined age. Mortality tables are elaborated separately for men and women, given that both have substantially different mortality rates.

To estimate total and permanent disability due to any cause, the table “Pension Disability Table 1985” has been used.

To estimate the probability that the Group active personnel will leave the job or stay, the table “AES 77” has been used.

The liabilities related to the above-mentioned benefits were determined considering all the rights accrued by the beneficiaries of the plans until closing date of the year ended on December 31, 2022.

**Albanesi Energía S.A.**  
**Notes to the financial statements (Cont'd)**

**NOTE 15: TRADE PAYABLES**

|                                      | <u>Note</u> | <u>12/31/2022</u> | <u>12/31/2021</u> |
|--------------------------------------|-------------|-------------------|-------------------|
| <u>Non-current</u>                   |             |                   |                   |
| Balance with related parties         | 27          | 1,996             | 1,996             |
|                                      |             | <b>1,996</b>      | <b>1,996</b>      |
| <u>Current</u>                       |             |                   |                   |
| Suppliers                            |             | 480               | 2,702             |
| Balance with related parties         | 27          | 721               | 883               |
| Provision for maintenance contract   |             | 209               | 540               |
| Suppliers - purchases not yet billed |             | 521               | 589               |
|                                      |             | <b>1,931</b>      | <b>4,714</b>      |

The carrying amount of current trade payables approximates fair value due to their short-term maturity.

**NOTE 16: LOANS**

|                        | <u>Note</u> | <u>12/31/2022</u> | <u>12/31/2021</u> |
|------------------------|-------------|-------------------|-------------------|
| <u>Non-current</u>     |             |                   |                   |
| Related companies      | 27          | 46,397            | 42,117            |
| UBS Loan               |             | -                 | 100,129           |
| Negotiable Obligations |             | 38,505            | 57,146            |
| Finance lease debts    |             | 27                | -                 |
|                        |             | <b>84,929</b>     | <b>199,392</b>    |
| <u>Current</u>         |             |                   |                   |
| UBS Loan               |             | 100,617           | 26,139            |
| Negotiable Obligations |             | 52,411            | 6,064             |
| Bond insurance         |             | 5,769             | -                 |
| Finance lease debts    |             | 13                | 226               |
|                        |             | <b>158,810</b>    | <b>32,429</b>     |

**Albanesi Energía S.A.**  
**Notes to the financial statements (Cont'd)**

**NOTE 16: LOANS (Cont'd)**

At December 31, 2022, the financial debt totals USD 244 million. Our total debt at that date is disclosed in the table below.

|                                  | <b>Principal<br/>(in<br/>thousands)</b> | <b>Balance at<br/>December 31,<br/>2022</b> | <b>Interest rate</b> | <b>Currency</b> | <b>Date of Issue</b> | <b>Maturity date</b>     |
|----------------------------------|---|---|----------------------|-----------------|----------------------|--------------------------|
|                                  |   | (in thousands of<br>USD)                    | (%)                  |                 |                      |                          |
| <b>Debt securities</b>           |   |   |                      |                 |                      |                          |
| Class I Negotiable Obligations   | USD 5,047                               | 5,073                                       | 6.00%                | USD Linked      | May 6, 2021          | November 7, 2023         |
| Class II Negotiable Obligations  | UVA 35,973                              | 37,828                                      | UVA +<br>5.99%       | ARS             | May 6, 2021          | November 7, 2023         |
| Class III Negotiable Obligations | USD 24,104                              | 24,062                                      | 4.90%                | USD Linked      | December 14, 2021    | September 14, 2024       |
| Class V Negotiable Obligations   | USD 16,933                              | 16,786                                      | 2.75%                | USD Linked      | August 22, 2022      | August 17, 2024          |
| Class VI Negotiable Obligations  | \$1,191,500                             | 7,167                                       | Badlar +<br>2.35%    | ARS             | August 22, 2022      | August 22, 2023          |
| <b>Subtotal</b>                  |   | <b>90,916</b>                               |                      |                 |                      |                          |
| <b>Loan agreement</b>            |   |   |                      |                 |                      |                          |
| UBS Loan                         | USD 100,953                             | 100,617                                     | 13.85%               | USD             | February 3, 2017     | December 30, 2023        |
| <b>Subtotal</b>                  |   | <b>100,617</b>                              |                      |                 |                      |                          |
| <b>Other liabilities</b>         |   |   |                      |                 |                      |                          |
| Related parties (Note 27)        | USD 20,000                              | 37,743                                      | 17.00%               | USD             | July 21, 2017        | Subordinated to UBS Loan |
| Related parties (Note 27)        | USD 4,701                               | 8,654                                       | 19.00%               | USD             | August 17, 2018      | Subordinated to UBS Loan |
| Bond insurance                   | USD 500                                 | 500   | 1.00%                | USD             | September 7, 2022    | March 4, 2023            |
| Bond insurance                   | USD 1,500                               | 1,500                                       | 1.00%                | USD             | September 7, 2022    | April 17, 2023           |
| Bond insurance                   | USD 1,500                               | 1,500                                       | 1.00%                | USD             | September 7, 2022    | May 16, 2023             |
| Bond insurance                   | USD 2,000                               | 2,000                                       | 1.00%                | USD             | September 7, 2022    | June 19, 2023            |
| Bond insurance                   | USD 50                                  | 50  |                      | USD             | November 23, 2023    | April 4, 2023            |
| Bond insurance                   | USD 200                                 | 200   |                      | USD             | November 23, 2023    | April 4, 2023            |
| Bond insurance                   | \$3,435                                 | 19  |                      | ARS             | December 26, 2022    | January 2, 2023          |
| Finance lease                    |   | 40  |                      |                 |                      |                          |
| <b>Subtotal</b>                  |   | <b>52,206</b>                               |                      |                 |                      |                          |
| <b>Total financial debt</b>      |   | <b>243,739</b>                              |                      |                 |                      |                          |

**a) Loan with UBS AG Stamford Branch**

On April 14, 2021, an amendment to the loan agreement was executed to extend the repayment term for a further two years and modify the loan interest rate.

Below are the original and new payment schedules, after the amendment.

**Original Payment Schedule:**

| <b>Payment Date of Principal</b> | <b>Principal percentage</b> | <b>Principal, in<br/>thousands</b> |
|----------------------------------|-----------------------------|------------------------------------|
| December 31, 2020                | 2.00%                       | USD 3,900                          |
| March 31, 2021                   | 7.50%                       | USD 14,800                         |
| June 30, 2021                    | 10.00%                      | USD 19,700                         |
| September 30, 2021               | 10.00%                      | USD 19,700                         |
| December 31, 2021                | 57.50%                      | USD 113,500                        |

**Albanesi Energía S.A.**  
**Notes to the financial statements (Cont'd)**

**NOTE 16: LOANS (Cont'd)**

**a) Loan with UBS AG Stamford Branch (Cont'd)**

**New Payment Schedule:**

| <b>Payment Date of Principal</b> | <b>Principal percentage</b> | <b>Principal, in thousands</b> |
|----------------------------------|-----------------------------|--------------------------------|
| June 30, 2021                    | 8.90%                       | USD 15,280                     |
| September 30, 2021               | 4.60%                       | USD 7,897                      |
| December 31, 2021                | 12.00%                      | USD 20,602                     |
| March 31, 2022                   | 3.80%                       | USD 6,524                      |
| June 30, 2022                    | 3.80%                       | USD 6,524                      |
| September 30, 2022               | 3.80%                       | USD 6,524                      |
| December 31, 2022                | 4.30%                       | USD 7,382                      |
| March 31, 2023                   | 5.20%                       | USD 8,927                      |
| June 30, 2023                    | 6.90%                       | USD 11,846                     |
| September 30, 2023               | 6.90%                       | USD 11,846                     |
| December 30, 2023                | 39.80%                      | USD 68,332                     |

Also, coupon rate decreased from 15.1% to 14.35% and certain milestones were established which, if complied with by the Company, will reduce the rate for up to a further 100 basis points.

As from January 1, 2022 onwards, the applicable interest rate has been reduced 50 additional basis points to 13.85%.

The UBS Loan requires Company's compliance with financial commitments, as usual in this type of transactions (leverage ratio and EBITDA-to-interest coverage ratio) and limitations on indebtedness, the creation of liens, distribution of dividends, disposition of assets and realization of investments, among others.

The outstanding principal amount under the UBS Loan at the date of publication of these Financial Statements is USD 100,953.

As the Company failed to comply with all commitments undertaken, a waiver was obtained at December 31, 2022. The Company undertook certain standard commitments as regards the UBS Loan.

To secure the UBS Loan, the following guarantees were set up:

(i) RGA surety

(ii) Assignment in trust: The Company, the Administrative Agent and TMF Trust Company (Argentina) S.A., as trustee (the "Trustee"), entered into an agreement for the assignment in trust and trust guarantee to secure the obligations undertaken by the Company with the Creditors and/or the Trustee ("Agreement for assignment in trust") whereby, up to the full amortization of the obligations secured, the following are assigned in guarantee: (a) the funds to be received by the Company under the Supply Contract; (b) the contractual position of the Company under the main contracts of the Projects; and (c) the insurance policies hired by the Company in relation to the Project.

**Albanesi Energía S.A.**  
**Notes to the financial statements (Cont'd)**

**NOTE 16: LOANS (Cont'd)**

**a) Loan with UBS AG Stamford Branch (Cont'd)**

(iii) Chattel mortgage: The Company shall create a chattel mortgage on the Gas Turbine and Recovery Steam Generator, once all the assets have been imported and cleared through customs.

(iv) Pledge on shares: A senior pledge has been created on the shares of the Company on behalf of the creditors under the UBS loan on the total of shares of the Company.

**b) Issuance of Negotiable Obligations**

On May 6, 2021, AESA issued Class I and Class II Negotiable Obligations under the following conditions:

**Class I Negotiable Obligations (Dollar Linked):**

**Principal:** USD 5,937

**Interest:** Nominal annual rate of 6%.

**Payment term and method:** November 7, 2023 (the “Maturity date”). Interest payments shall be made on a quarterly basis, on the following dates: August 7, 2021, November 7, 2021, February 7, 2022, May 7, 2022, August 7, 2022, November 7, 2022, February 7, 2023, May 7, 2023, August 7, 2023 and the Maturity Date.

The principal of Class I Negotiable Obligations shall be amortized in 5 (five) consecutive installments equivalent to: 15% for the first installment; 20% for the second installment; 20% for the third installment; 20% for the fourth installment and 25% for the fifth and last installment, of the nominal value of Class I Negotiable Obligations, on the following dates: November 7, 2022, February 7, 2023, May 7, 2023, August 7, 2023 and the Maturity Date.

Principal balance due on that class of Negotiable Obligations at December 31, 2022 is USD 5,047.

**Class II Negotiable Obligations (UVA):**

**Principal:** UVA 42,321 thousand

**Interest:** Nominal annual rate of 5.99%.

**Payment term and method:** November 7, 2023 (the “Maturity date”). Interest payments shall be made on a quarterly basis, on the following dates: August 7, 2021, November 7, 2021, February 7, 2022, May 7, 2022, August 7, 2022, November 7, 2022, February 7, 2023, May 7, 2023, August 7, 2023 and the Maturity Date.

**Albanesi Energía S.A.**  
**Notes to the financial statements (Cont'd)**

**NOTE 16: LOANS (Cont'd)**

**b) Issuance of Negotiable Obligations (Cont'd)**

The principal of Class II Negotiable Obligations shall be amortized in 5 (five) consecutive installments equivalent to: 15% for the first installment; 20% for the second installment; 20% for the third installment; 20% for the fourth installment and 25% for the fifth and last installment, of the nominal value of Class I Negotiable Obligations, on the following dates: November 7, 2022, February 7, 2023, May 7, 2023, August 7, 2023 and the Maturity Date.

Principal balance due on that class of Negotiable Obligations at December 31, 2022 is UVA 35,973 thousand.

On December 14, 2021, AESA issued Class III Negotiable Obligations under the following conditions:

**Class III Negotiable Obligations (Dollar Linked):**

**Principal:** USD 24,104. Issuance is US dollar-linked.

**Interest:** Nominal annual rate of 4.90%.

**Payment of interest:** They shall be paid in arrears. Interest payments shall be made on a quarterly basis, in arrears, on the following dates: March 14, 2022, June 14, 2022, September 14, 2022, December 14, 2022, March 14, 2023, June 14, 2023, September 14, 2023, December 14, 2023, March 14, 2024, June 14, 2024 and September 14, 2024.

**Payment term and method:** Class III Negotiable Obligations shall be amortized in four consecutive installments equivalent to: 10% for the first installment, and 30% for the second, third, fourth and last installment of the nominal value of Class III Negotiable Obligations, on the dates on which 24, 27, 30 and 33 months have elapsed, counted as from the issuance and settlement date; that is, respectively, on December 14, 2023, March 14, 2024, June 14, 2024 and September 14, 2024.

Principal balance due on that class of Negotiable Obligations at December 31, 2022 is USD 24,104.

On August 18, 2022, AESA tendered Class V and Class VI Negotiable Obligations under the following conditions:

**Class V Negotiable Obligations (Dollar Linked):**

**Principal:** USD 16,933.

**Interest:** Nominal annual rate of 2.75%.

**Payment term and method:** August 22, 2024 (the "Maturity Date"). Interest payments shall be made on a quarterly basis, on the following dates: November 22, 2022, February 22, 2023, May 22, 2023, August 22, 2023, November 22, 2023, February 22, 2024, May 22, 2024 and the Maturity Date.

Principal on the Class V Negotiable Obligations shall be amortized in a lump sum payment at maturity, that is, August 22, 2024.

Principal balance due on that class of Negotiable Obligations at December 31, 2022 is USD 16,933.

**Albanesi Energía S.A.**  
**Notes to the financial statements (Cont'd)**

**NOTE 16: LOANS (Cont'd)**

**b) Issuance of Negotiable Obligations (Cont'd)**

**Class VI Negotiable Obligations (ARS):**

**Principal:** ARS 1,191,500 thousand.

**Interest:** Badlar + 2.35%, with quarterly payments.

**Payment term and method:** August 22, 2023 (the “Maturity date”). Interest payments shall be made on a quarterly basis, on the following dates: November 22, 2022, February 22, 2023, May 22, 2023 and the Maturity Date.

Principal on the Class VI Negotiable Obligations shall be amortized in a lump sum payment at maturity, that is, August 22, 2023.

Principal balance due on that class of Negotiable Obligations at December 31, 2022 is ARS 1,191,500 thousand.

The due dates of Company loans and their exposure to interest rates are as follows:

|                       | <u>12/31/2022</u> | <u>12/31/2021</u> |
|-----------------------|-------------------|-------------------|
| <b>Fixed rate</b>     |                   |                   |
| Less than 1 year      | 151,631           | 32,202            |
| Between 1 and 2 years | 38,505            | 157,275           |
| Between 2 and 3 years | 46,397            | 42,117            |
|                       | <u>236,533</u>    | <u>231,594</u>    |
| <b>Floating rate</b>  |                   |                   |
| Less than 1 year      | 7,179             | 227               |
| Between 1 and 2 years | 19                | -                 |
| Between 2 and 3 years | 8                 | -                 |
|                       | <u>7,206</u>      | <u>227</u>        |
|                       | <u>243,739</u>    | <u>231,821</u>    |

The loans granted at variable rates have been stated at fair value. Given the proximity of their issuance, fixed-rate loans do not differ significantly from their fair value.



**Albanesi Energía S.A.**  
**Notes to the financial statements (Cont'd)**

**NOTE 16: LOANS (Cont'd)**

Fair values are based on the present value of the contractual cash flows, using a discount rate derived from observable market prices of other similar debt instruments plus the corresponding credit risk.

Company loans are denominated in the following currencies:

|                 | <u>12/31/2022</u>     | <u>12/31/2021</u>     |
|-----------------|-----------------------|-----------------------|
| Argentine pesos | 45,054                | 33,430                |
| US dollars      | 198,685               | 198,391               |
|                 | <u><b>243,739</b></u> | <u><b>231,821</b></u> |

The changes to the Company's loans during the year were as follows:

|   | <u>12/31/2022</u>     | <u>12/31/2021</u>     |
|---|-----------------------|-----------------------|
| Loans at the beginning of the period                  | 231,821               | 225,379               |
| Loans received  | 45,631                | 71,875                |
| Loans paid  | (48,032)              | (57,336)              |
| Sale of AESA's own Negotiable Obligations             | 6,645                 | (6,664)               |
| Leases received                                       | 70                    | -                     |
| Leases paid   | (329)                 | (441)                 |
| Accrued interest                                      | 28,902                | 31,968                |
| Assigned interest                                     | -                     | (3,000)               |
| Interest paid   | (22,754)              | (32,791)              |
| Income/(loss) from sale of own negotiable obligations | (11)                  | 24                    |
| Difference in UVA value                               | 26,264                | 9,478                 |
| Exchange difference                                   | (24,114)              | (3,267)               |
| Translation difference                                | -                     | -                     |
| Capitalized expenses/present values                   | (354)                 | (3,404)               |
| <b>Loans at period end</b>                            | <u><b>243,739</b></u> | <u><b>231,821</b></u> |

**NOTE 17: LEASES**

This note provides information on leases in which the Company acts as lessor.

Amounts recognized in the Statement of Financial Position:

|                                 | <u>12/31/2022</u> | <u>12/31/2021</u> |
|---------------------------------|-------------------|-------------------|
| <b>Right of use of assets</b>   |                   |                   |
| <b>Original value</b>           |                   |                   |
| Machinery                       | 2,624             | 2,588             |
| Vehicles                        | 111.83            | -                 |
| <b>Accumulated depreciation</b> | <u>(261)</u>      | <u>(117)</u>      |
|                                 | 2,474             | 2,471             |
| <b>Lease liabilities</b>        |                   |                   |
| Current                         | 13                | 226               |
| Non-current                     | 27                | -                 |

**Albanesi Energía S.A.**  
**Notes to the financial statements (Cont'd)**

**NOTE 17: LEASES (Cont'd)**

Changes in Company finance leases were as follows:

|  | <u>12/31/2022</u> | <u>12/31/2021</u> |
|--|-------------------|-------------------|
| Finance lease at the beginning           | 226               | 613               |
| Additions                                | 70                | -                 |
| Payments made for the year               | (327)             | (441)             |
| Accrued interest and exchange difference | 71                | 54                |
| <b>Financial lease at the year-end</b>   | <b><u>40</u></b>  | <b><u>226</u></b> |

**NOTE 18: SALARIES AND SOCIAL SECURITY LIABILITIES**

| <u>Current</u>                      | <u>12/31/2022</u> | <u>12/31/2021</u> |
|-------------------------------------|-------------------|-------------------|
| Social security liabilities payable | 177               | 221               |
| Salaries payable                    | 2                 | 1                 |
| Vacation accrual                    | 75                | 60                |
|                                     | <b><u>254</u></b> | <b><u>282</u></b> |

**NOTE 19: TAX PAYABLES**

| <u>Current</u>                          | <u>12/31/2022</u>   | <u>12/31/2021</u>   |
|---|---------------------|---------------------|
| Income tax withholdings to be deposited | 542                 | 736                 |
| Provision for Turnover Tax, net         | 55                  | 79                  |
| Payment-in-installment plan             | 1,526               | 3,383               |
| Value added tax                         | 466                 | 234                 |
| Sundry                                  | 5                   | 5                   |
|   | <b><u>2,594</u></b> | <b><u>4,437</u></b> |

**NOTE 20: INCOME TAX - DEFERRED TAX**

The analysis of deferred tax assets and liabilities is as follows:

|   | <u>12/31/2022</u>    | <u>12/31/2021</u>   |
|---|----------------------|---------------------|
| Deferred tax assets:  |                      |                     |
| Deferred tax assets to be recovered over more than 12 months    | 85,792               | 90,847              |
|   | <u>85,792</u>        | <u>90,847</u>       |
| Deferred tax liabilities:                                       |                      |                     |
| Deferred tax liabilities to be settled over more than 12 months | (65,950)             | (81,919)            |
|   | <u>(65,950)</u>      | <u>(81,919)</u>     |
| <b>Deferred tax assets (net)</b>                                | <b><u>19,842</u></b> | <b><u>8,928</u></b> |

**Albanesi Energía S.A.**  
**Notes to the financial statements (Cont'd)**

**NOTE 20: INCOME TAX - DEFERRED TAX (Cont'd)**

The gross transactions recorded in the deferred tax account are as follows:

|   | <u>12/31/2022</u>    | <u>12/31/2021</u>   |
|---|----------------------|---------------------|
| Balance at the beginning of year        | 8,928                | (32,110)            |
| Charge to income statement              | 10,909               | 48,911              |
| Charge to technical revaluation reserve | -                    | (7,871)             |
| Charge to employee benefit plans        | 5                    | (2)                 |
| <b>Balance at year end</b>              | <b><u>19,842</u></b> | <b><u>8,928</u></b> |

The activity in deferred tax assets and liabilities, without considering the offsetting of balances that correspond to the same tax jurisdiction, has been as follows:

|  | <u>Balance at<br/>December 31,<br/>2021</u> | <u>Charge to<br/>income<br/>statement</u> | <u>Charge to<br/>employee benefit<br/>plans</u> | <u>Balance at<br/>December 31,<br/>2022</u> |
|--|---|---|---|---|
| Lease  | (295)                                       | 66  | -   | (229)                                       |
| Other receivables  | (22)  | 9   | -   | (13)  |
| Property, plant and equipment                                  | (60,349)                                    | 2,675                                     | -   | (57,674)                                    |
| Inventories  | (113)                                       | 21  | -   | (92)  |
| Accumulated tax losses   | 89,890                                      | (6,989)                                   | -   | 82,901                                      |
| Mutual fund valuation  | (18)  | (62)                                      | -   | (80)  |
| Other financial assets at fair value<br>through profit or loss | (6)   | 3   | -   | (3)   |
| Trade payables   | 957   | (957)                                     | -   | -   |
| Employee benefit plans   | (57)  | 74  | 5   | 22  |
| Inflation adjustment for tax purposes                          | (18,953)                                    | 11,094                                    | -   | (7,859)                                     |
| Loans  | (2,106)                                     | 4,975                                     | -   | 2,869                                       |
| <b>Total</b>   | <b><u>8,928</u></b>                         | <b><u>10,909</u></b>                      | <b><u>5</u></b>                                 | <b><u>19,842</u></b>                        |

**Albanesi Energía S.A.**  
**Notes to the financial statements (Cont'd)**

**NOTE 20: INCOME TAX (Cont'd)**

Income Tax losses are valued at the rate prevailing in the year in which they are expected to be used, considering their index-adjustment in line with the tax-purpose inflation adjustment procedures mentioned in Note 4.16. In accordance with the guidelines of IFRIC 23 Uncertainty over Income Tax Treatments and with the opinions of the legal and tax advisors, the Company has adjusted the tax losses for inflation by applying the domestic wholesale price index, as laid down in Section 19 of the Income Tax Law. The Company recognizes the deferred tax assets only if there are sufficient future taxable profits against which the tax losses may be offset.

Accumulated tax losses pending use at December 31, 2022 and which may be offset against taxable income for the year ended on that date are the following:

| Year   | In thousands of<br>USD | Year of<br>expiration |
|--|------------------------|-----------------------|
| Tax losses for the year 2018                             | 90,485                 | 2023                  |
| Tax losses for the year 2019                             | 92,164                 | 2024                  |
| Tax losses for the year 2020                             | 54,210                 | 2025                  |
| <b>Total accumulated tax losses at December 31, 2022</b> | <b>236,859</b>         |                       |

On June 16, 2021, the National Executive Branch enacted Law No. 27630. Detailed below are the amendments introduced by the law:

- Income Tax rate: the fixed rate for taxation of Companies' income was discontinued and a progressive scale was set up, starting from a 25% rate for income from \$0 to 5 million, a 30% rate for income from \$5 to 50 million and a 35% rate for income above \$50 million. The law also provides that the fixed amounts in the tax brackets shall be CPI-adjusted as from the fiscal years beginning on or after January 1, 2022.
- Tax on dividends: the 7% rate shall apply.

These amendments apply as from fiscal years beginning on or after January 1, 2021.

By means of Law No. 27701 on the National Budget for 2023, it was established that taxpayers which compute, under Title VI of the Income Tax Law, a positive adjustment for inflation for the first and the second fiscal year beginning on or after January 1, 2022, may allocate one third of such adjustment for inflation in that fiscal period, and the remaining two thirds may be allocated in equal parts in the two fiscal periods immediately following.

The computation of the positive adjustment for inflation under the terms of the foregoing paragraph may only be applicable to taxpayers whose investment in the purchase, construction, manufacture, production or final import of fixed assets, except vehicles, in each of the two fiscal periods immediately following that of the computation of one third of a given period, is equal to or higher than thirty billion (\$30,000,000 thousand). Failure to comply with this requirement will result in the benefit loss.

**Albanesi Energía S.A.**  
**Notes to the financial statements (Cont'd)**

**NOTE 20: INCOME TAX (Cont'd)**

**Extraordinary prepayment**

By means of General Resolution No 5248/22, AFIP established an Income Tax prepayment to be made by the so-called *corporate taxpayers* that comply with the following parameters:

- the determined tax amount reported on the tax return for the fiscal period 2021 or 2022, as applicable, was equal to or higher than ARS 100,000 thousand, or
- the amount of the taxable income, as shown by the tax return mentioned above, without applying the deduction of prior years' tax losses, was equal to or higher than \$ 300,000 thousand.

The prepayment amount is calculated by applying 25% on prior year's determined tax if higher than zero (0), or 15% on the taxable income before computing losses in all other cases.

It was also established that the determined tax prepayment shall be made in three (3) equal and consecutive installments as from October 2022 onwards (according to the year's closing date).

The tax prepayment shall be computable in tax period 2022 for years ended between August and December 2021 and in tax period 2023 for years ended between January and July 2022. It was applicable to the Company and a tax credit for USD 939 was disclosed under Other current receivables (see Note 9).

The reconciliation between Income Tax charged to income and that resulting from the application of the tax rate to the accounting profit before taxes is shown below:

|  | <u>12/31/2022</u>    | <u>12/31/2021</u>    |
|--|----------------------|----------------------|
| Income before Income Tax   | (11,269)             | (10,048)             |
| Current tax rate   | 35%                  | 35%                  |
| Income/(loss) at the tax rate  | 3,944                | 3,517                |
| Other permanent differences  | (626)                | (24)                 |
| Change in the Income Tax rate (a)  | -                    | (3,187)              |
| Effects of exchange and translation differences of property, plant and equipment | 1,701                | 9,563                |
| Inflation adjustment for tax purposes and tax losses adjustment                  | 5,883                | 39,004               |
| Overstatement in the prior year provision  | 7                    | 38                   |
| <b>Total Income Tax loss / Income Tax charge</b>                                 | <b><u>10,909</u></b> | <b><u>48,911</u></b> |
| Deferred tax for the year  | <u>10,909</u>        | <u>48,911</u>        |
| <b>Total income tax charge - (Income)</b>  | <b><u>10,909</u></b> | <b><u>48,911</u></b> |

- (a) It corresponds to the effect of the application of the changes in income tax rates on deferred tax assets and liabilities, in line with the tax reform detailed above, based on the expected year of realization.

**Albanesi Energía S.A.**  
**Notes to the financial statements (Cont'd)**

**NOTE 21: SALES REVENUE**

|                                 | <u>12/31/2022</u>    | <u>12/31/2021</u>    |
|---------------------------------|----------------------|----------------------|
| Sale of energy Res. No. 21/2016 | 52,412               | 53,390               |
| Sale of steam                   | 17,605               | 18,140               |
|                                 | <u><b>70,017</b></u> | <u><b>71,530</b></u> |

**NOTE 22: COST OF SALES**

|   | <u>12/31/2022</u>      | <u>12/31/2021</u>      |
|---|------------------------|------------------------|
| Purchase of electric energy                   | (895)                  | (760)                  |
| Gas and diesel consumption at the plant       | (16,100)               | (12,997)               |
| Salaries and social security liabilities      | (1,982)                | (1,445)                |
| Defined benefit plan                          | (121)                  | (20)                   |
| Other employee benefits                       | (269)                  | (120)                  |
| Fees for professional services                | (53)                   | (23)                   |
| Maintenance services                          | (3,563)                | (3,612)                |
| Depreciation of property, plant and equipment | (11,826)               | (11,772)               |
| Security guard and janitor                    | (296)                  | (206)                  |
| Insurance                                     | (608)                  | (550)                  |
| Communication expenses                        | (64)                   | (51)                   |
| Snacks and cleaning                           | (128)                  | (113)                  |
| Taxes, rates and contributions                | (62)                   | (75)                   |
| Sundry  | (31)                   | (16)                   |
|   | <u><b>(35,998)</b></u> | <u><b>(31,760)</b></u> |

**NOTE 23: SELLING EXPENSES**

|                                | <u>12/31/2022</u>   | <u>12/31/2021</u>   |
|--------------------------------|---------------------|---------------------|
| Taxes, rates and contributions | (915)               | (951)               |
|                                | <u><b>(915)</b></u> | <u><b>(951)</b></u> |

**Albanesi Energía S.A.**  
**Notes to the financial statements (Cont'd)**

**NOTE 24: ADMINISTRATIVE EXPENSES**

|   | <u>12/31/2022</u>     | <u>12/31/2021</u>     |
|---|-----------------------|-----------------------|
| Salaries and social security liabilities      | (223)                 | (207)                 |
| Other employee benefits                       | (27)                  | (34)                  |
| Fees and compensation for services            | (1,534)               | (1,411)               |
| Taxes, rates and contributions                | (6)                   | (8)                   |
| Leases  | (36)                  | (40)                  |
| Per diem, travel, and representation expenses | (3)                   | (1)                   |
| Insurance                                     | -                     | (1)                   |
| Office expenses                               | (21)                  | (9)                   |
| Gifts   | (1)                   | -                     |
| Sundry  | (10)                  | (3)                   |
|   | <u><b>(1,861)</b></u> | <u><b>(1,714)</b></u> |

**NOTE 25: FINANCIAL RESULTS**

|   | <u>12/31/2022</u>      | <u>12/31/2021</u>      |
|---|------------------------|------------------------|
| <u>Financial income</u>                               |                        |                        |
| Commercial interest                                   | 2,198                  | 1,776                  |
| <b>Total financial income</b>                         | <u><b>2,198</b></u>    | <u><b>1,776</b></u>    |
| <u>Financial expenses</u>                             |                        |                        |
| Interest on loans                                     | (28,902)               | (31,968)               |
| Commercial and other interest                         | (1,075)                | (863)                  |
| Bank expenses and commissions                         | (231)                  | (89)                   |
| <b>Total financial expenses</b>                       | <u><b>(30,208)</b></u> | <u><b>(32,920)</b></u> |
| <u>Other financial results</u>                        |                        |                        |
| Exchange difference, net                              | 10,146                 | (2,302)                |
|   | 5,645                  | 1,635                  |
| Changes in the fair value of financial instruments    |                        |                        |
| Income/(loss) from sale of own negotiable obligations | 11                     | (24)                   |
| Difference in UVA value                               | (26,264)               | (9,478)                |
| Other financial results                               | (4,048)                | (5,842)                |
| <b>Total other financial results</b>                  | <u><b>(14,510)</b></u> | <u><b>(16,011)</b></u> |
| <b>Total financial results, net</b>                   | <u><b>(42,520)</b></u> | <u><b>(47,155)</b></u> |

**Albanesi Energía S.A.**  
**Notes to the financial statements (Cont'd)**

**NOTE 26: EARNINGS/(LOSSES) PER SHARE**

***Basic***

The basic earnings per share are calculated by dividing the income attributable to the holders of the Company's equity instruments by the weighted average number of ordinary shares outstanding during the fiscal year.

|   | <b>12/31/2022</b> | <b>12/31/2021</b> |
|---|-------------------|-------------------|
| Comprehensive (loss)/income for the year        | (360)             | 38,863            |
| Weighted average of outstanding ordinary shares | 747,850           | 738,535           |
| <b>Basic (losses)/earnings per share</b>        | <b>(0.0005)</b>   | <b>0.0526</b>     |

There are no differences between the calculation of the basic earnings per share and the diluted earnings per share.

**NOTE 27: TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

*a) Balances at the date of the statements of financial position*

|                          | <b>12/31/2022</b> | <b>12/31/2021</b> |
|--------------------------|-------------------|-------------------|
| <b>Other receivables</b> |                   |                   |
| <u>Current</u>           |                   |                   |
| RGA                      | 390               | 2,930             |
|                          | <b>390</b>        | <b>2,930</b>      |
| <b>Trade payables</b>    |                   |                   |
| <u>Non-current</u>       |                   |                   |
| RGA - Surety payable     | 1,996             | 1,996             |
|                          | <b>1,996</b>      | <b>1,996</b>      |
| <u>Current</u>           |                   |                   |
| GMSA                     | 721               | -                 |
| RGA                      | -                 | 883               |
|                          | <b>721</b>        | <b>883</b>        |
| <b>Financial debts</b>   |                   |                   |
| <u>Non-current</u>       |                   |                   |
| RGA                      | 46,397            | 42,117            |
|                          | <b>46,397</b>     | <b>42,117</b>     |



**Albanesi Energía S.A.**  
**Notes to the financial statements (Cont'd)**

**NOTE 27: TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Cont'd)**

*b) Transactions for the year*

|                                  | 12/31/2022      | 12/31/2021      |
|----------------------------------|-----------------|-----------------|
|                                  | Income/(Loss)   |                 |
|                                  | USD             |                 |
| <b>Purchase of gas</b>           |                 |                 |
| RGA                              | (13,605)        | (10,617)        |
|                                  | <b>(13,605)</b> | <b>(10,617)</b> |
| <b>Leases</b>                    |                 |                 |
| RGA                              | (36)            | (40)            |
|                                  | <b>(36)</b>     | <b>(40)</b>     |
| <b>Services</b>                  |                 |                 |
| RGA                              | (1,248)         | (1,249)         |
|                                  | <b>(1,248)</b>  | <b>(1,249)</b>  |
| <b>Sale of spare parts</b>       |                 |                 |
| CTRO                             | (68)            | -               |
|                                  | <b>(68)</b>     | -               |
| <b>Interest paid</b>             |                 |                 |
| RGA                              | (4,333)         | (4,622)         |
|                                  | <b>(4,333)</b>  | <b>(4,622)</b>  |
| <b>Reimbursement of expenses</b> |                 |                 |
| RGA                              | (7)             | (3)             |
| GMSA                             | (721)           | (588)           |
|                                  | <b>(728)</b>    | <b>(591)</b>    |
| <b>Guarantee</b>                 |                 |                 |
| RGA                              | (393)           | (571)           |
|                                  | <b>(393)</b>    | <b>(571)</b>    |

**Albanesi Energía S.A.**  
**Notes to the financial statements (Cont'd)**

**NOTE 27: TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Cont'd)**

*c) Remuneration of key managerial staff*

|   | 12/31/2022    | 12/31/2021   |
|---|---------------|--------------|
|   | Income/(Loss) |              |
|   | USD           |              |
| <b>Remuneration of key managerial staff</b> |               |              |
| Salaries                                    | (135)         | (112)        |
|   | <b>(135)</b>  | <b>(112)</b> |

*d) Loans received from related parties*

|                                      | 12/31/2022    | 12/31/2021    |
|--------------------------------------|---------------|---------------|
| <b>Loans from RGA</b>                |               |               |
| Loans at the beginning of the period | 42,117        | 40,818        |
| Accrued interest                     | 4,280         | 4,299         |
| Assigned interest                    | -             | (3,000)       |
| <b>Loans at period end</b>           | <b>46,397</b> | <b>42,117</b> |

| Entity                                  | Principal     | Interest rate | Conditions                         |
|---|---------------|---------------|------------------------------------|
| <b>At 12/31/2022</b>                    |               |               |                                    |
| RGA                                     | 20.000        | 17%           | Due date: subordinated to UBS Loan |
| RGA                                     | 4.701         | 19%           | Due date: subordinated to UBS Loan |
| <b>Total in thousands of US dollars</b> | <b>24.701</b> |               |                                    |

**NOTE 28: SEGMENT REPORTING**

The information on exploitation segments is presented in accordance with the internal information furnished to the chief operating decision maker (CODM). The Board of Directors of the Company has been identified as the highest authority in decision-making, responsible for allocating resources and assessing the performance of the operating segments.

The management has determined the operating segment based on reports reviewed by the Board of Directors and used for strategic decision making.

Upon commercial authorization for generation and delivery of steam in February 2019 (see Note 30), the Board of Directors considers the business as two separate segments: generation and sale of electric energy and generation and sale of steam.

The assets (property, plant and equipment) used in these activities are situated in the Republic of Argentina.

**Albanesi Energía S.A.**  
**Notes to the financial statements (Cont'd)**

**NOTE 28: SEGMENT REPORTING (Cont'd)**

| <b>At 12/31/2022</b>              | <b>Energy</b>   | <b>Steam</b>    | <b>Total</b>    |
|-----------------------------------|-----------------|-----------------|-----------------|
| Sales revenue                     | 52,412          | 17,605          | 70,017          |
| Cost of sales                     | (17,634)        | (18,364)        | (35,998)        |
| <b>Gross income</b>               | <b>34,778</b>   | <b>(759)</b>    | <b>34,019</b>   |
| Selling expenses                  | (686)           | (229)           | (915)           |
| Administrative expenses           | (1,395)         | (466)           | (1,861)         |
| Other income                      | 52              | 18              | 70              |
| Other expenses                    | (46)            | (16)            | (62)            |
| <b>Operating income/(loss)</b>    | <b>32,703</b>   | <b>(1,452)</b>  | <b>31,251</b>   |
| Financial income                  | 1,648           | 550             | 2,198           |
| Financial expenses                | (22,648)        | (7,560)         | (30,208)        |
| Other financial results           | (10,879)        | (3,631)         | (14,510)        |
| <b>Financial results, net</b>     | <b>(31,879)</b> | <b>(10,641)</b> | <b>(42,520)</b> |
| <b>Pre-tax profit/(loss)</b>      | <b>824</b>      | <b>(12,093)</b> | <b>(11,269)</b> |
| Income Tax                        | 8,179           | 2,730           | 10,909          |
| <b>Income/(Loss) for the year</b> | <b>9,003</b>    | <b>(9,363)</b>  | <b>(360)</b>    |
| <b>At 12/31/2021</b>              | <b>Energy</b>   | <b>Steam</b>    | <b>Total</b>    |
| Sales revenue                     | 53,390          | 18,140          | 71,530          |
| Cost of sales                     | (21,336)        | (10,424)        | (31,760)        |
| <b>Gross income</b>               | <b>32,054</b>   | <b>7,716</b>    | <b>39,770</b>   |
| Selling expenses                  | (710)           | (241)           | (951)           |
| Administrative expenses           | (1,279)         | (435)           | (1,714)         |
| Other income                      | 1               | 1               | 2               |
| <b>Operating income/(loss)</b>    | <b>30,066</b>   | <b>7,041</b>    | <b>37,107</b>   |
| Financial income                  | 1,326           | 450             | 1,776           |
| Financial expenses                | (24,571)        | (8,349)         | (32,920)        |
| Other financial results           | (11,951)        | (4,060)         | (16,011)        |
| <b>Financial results, net</b>     | <b>(35,196)</b> | <b>(11,959)</b> | <b>(47,155)</b> |
| <b>Pre-tax profit/(loss)</b>      | <b>(5,130)</b>  | <b>(4,918)</b>  | <b>(10,048)</b> |
| Income Tax                        | 36,507          | 12,404          | 48,911          |
| <b>Income for the year</b>        | <b>31,377</b>   | <b>7,486</b>    | <b>38,863</b>   |

The information used by the Board of Directors for decision-making is based primarily on operating indicators of the business. There are no substantial differences between this information and the disclosures in these Financial Statements prepared under IFRS. Considering that the adjustments between the previous accounting standards and IFRS refer to non-operating items, this information has not been substantially affected by the application of new standards.

**Albanesi Energía S.A.**  
**Notes to the financial statements (Cont'd)**

**NOTE 29: INSURANCE CONTRACTS IN FORCE**

**All-risk insurance:**

***All-risk insurance policy with coverage for loss of profit***

The Company has taken out all-risk insurance coverage for all the risks of loss or physical damage, whether it is accidental or unforeseeable, including machinery failures and loss of profit as a result, up to 12 months, directly and totally attributable to any cause. The aim of this policy is to cover the losses caused by the interruption of the activities as a result of the accident, both as regards the profit that is no longer obtained and the expenses the Company continues to bear despite its inactivity, such that the insured may be in the same financial situation as if the accident had not occurred.

This insurance covers all physical assets of any type and description, not expressly excluded from the text of the policy, belonging to the insured or in his/her care, custody or control, for which the insured has assumed a responsibility for insuring against any damage, or for which the insured may acquire an insurable interest.

On October 30, 2022, the all-risk insurance policy of all generators of Grupo Albanesi was renewed for a further 13 months through first-class insurers such as: Starr Insurance Companies, Nación Seguros, Federación Patronal, Sancor, Chubb and Provincia Seguros.

**Civil liability:**

These policies provide coverage for underlying civil liability of the insured, as a result of injuries and/or death of third parties and/or damages to third-party property, caused and/or derived from the development of the insured's activity and product liability, subject to the terms, conditions, limitations and exclusions contained in the policy.

They are structured as follows:

Individual policies were taken out for each of the Group companies, with a maximum compensation of USD 1,000 per event and two reinstatement clauses over the life of the policy.

In addition, an insurance policy common to all companies has been taken out with a compensation limit of USD 9,000 per event and during the effective term of the policy in excess of USD 1,000 (individual policies), with two reinstatements exclusively for operations liability and without reinstatement for product liability.

**Directors and Officers (D&O) liability insurance:**

This policy covers all actions or decision-making of directors and/or officers acting in such capacity, outside the professional service or company where they work; for example, hirings and firings of employees; financial, advertising and marketing decisions; mergers or acquisitions; shareholders' statements, accounting records, which are performed with negligence or fault, error or imprudence and cause an economic damage to an employee, shareholder or third party. It does not cover fraudulent activities.

It also covers the company in case of stock-exchange claims or from holders of bonds or securities.

It covers the personal property of present, past or future directors and/or officers, and the company's exposure to capital market risks.

**Albanesi Energía S.A.**  
**Notes to the financial statements (Cont'd)**

**NOTE 29: INSURANCE CONTRACTS IN FORCE (Cont'd)**

**Automobile insurance:**

This insurance covers the damage to own vehicles as well as extra-contractual civil liability of the owner, user or driver of the automobile involved in an accident where third parties are injured or die.

**Transport insurance:**

The Company has an insurance policy that covers the transport expenses incurred by all generators of Grupo Albanesi under the modality of sworn statement to be presented monthly in arrears. This urban, national or international transport insurance policy covers the losses or damages to the insured's goods while they are being carried whether by land, air or water (by river or sea).

**Environmental Bond:**

The Environmental Damage Risk Insurance Policy with Group Incidence complies with environmental bond required by the enforcement authorities under General Environmental Law No. 25675, Section. 22.

**Judicial bond:**

Insurance bond for judicial guarantees provides litigants with an appropriate means to guarantee their procedural obligations when the respective Code so requires.

These coverages apply both in cases in which the judge hearing the case has ordered the lock of a provisional remedy, and in those in which the constitution of a counterbond has been arranged.

Replacement of provisional remedies: the provisional remedy can be substituted by the defendant in a lawsuit through this policy, thereby releasing the equity affected by such measure.

Counterbond: it is the guarantee that must be provided by the person who has requested the lock of a provisional remedy to guarantee the damages that may arise in case of having requested it without right.

**Electronic equipment technical insurance:**

This insurance provides coverage for the risks that may be suffered by fixed or mobile office electronic equipment for data processing, such as PCs, notebooks, photocopiers, telephone central systems, etc., as per a detail provided by the insured in case of accidental, sudden and unforeseen events.

**Mandatory life insurance:**

Employers are required to take out Mandatory Group Life Insurance in favor of their employees. This insurance policy provides 24-hour coverage for employees' risk of death for whatever reason and without limitation in Argentina and abroad.

**Albanesi Energía S.A.**  
**Notes to the financial statements (Cont'd)**

**NOTE 29: INSURANCE CONTRACTS IN FORCE (Cont'd)**

**Life insurance, as required by the Employment Contract Law (LCT):**

This insurance covers obligations arising under the Employment Contract Law, if the company has to pay compensation in case of total and permanent disability or death of the employee, for whatever reason.

**Group life insurance:**

The Company has taken out a Group Life Insurance Policy to the benefit of all Group's employees. This Policy provides coverage by granting compensation in case of death, partial losses caused by accidents, total and permanent disability, advance payments in case of serious diseases, organ transplants and birth of posthumous child.

**NOTE 30: OFFER FOR THE SALE OF STEAM**

On January 12, 2017, AESA sent to RENOVA an offer to agree on the sale of steam which was accepted by RENOVA at that date. The agreement establishes the technical and commercial conditions for the cogeneration thermal power plant owned by AESA to supply steam to the plant, owned by RENOVA, located in Timbúes, province of Santa Fe. The agreement will become effective as from the starting date of steam generation, for a period of 15 years, during which RENOVA will give priority to the consumption of the steam supplied by AESA.

Further, during the first 60 months, a minimum payment will be set, calculated as the highest between the real consumption and the minimum required in the month. If the generation exceeds the amount required by RENOVA, it can be used freely for the generation of electricity.

The effective date for the start of generation and sale of steam was February 11, 2019.

**NOTE 31: RGA SURETY**

The UBS Loan is secured by a surety (guarantee) granted by RGA governed by the laws of the State of New York, to secure compliance with obligations undertaken by the Company under the UBS Loan and ensure the completion of works until the start-up of the two operating stages.

In fiscal year 2018, RGA billed as suretyship 1% of the total UBS Loan amount; payment of this invoice is subject to the full repayment of the loan.

**NOTE 32: WORKING CAPITAL**

At December 31, 2022, the Company reports a negative working capital of USD 128,655 (calculated as current assets less current liabilities), which means a negative increase of USD 111,616, compared to the working capital at the previous annual closing (USD 17,039 negative working capital at December 31, 2021).

The Board of Directors and the shareholders will implement measures to improve the working capital; among these, the issuance of Negotiable Obligations that took place subsequent to year end. This amount paid-up in cash will enable to settle the short-term debt (see Note 35).

**Albanesi Energía S.A.**  
**Notes to the financial statements (Cont'd)**

**NOTE 33: SUPPLY CONTRACT WITH CAMMESA: AGREED-UPON DATE OF AUTHORIZATION FOR THE COMMERCIAL OPERATION OF THE POWER PLANTS**

On June 30, 2016, AESA –as seller– and CAMMESA –as buyer–, on behalf of the WEM, entered into the Supply Contract for the available power and energy supplied by Central Térmica de Cogeneración Timbúes. December 30, 2017 was the Agreed upon Date set for the commercial operation of the power plant, which was finally effective on February 24, 2018.

On June 12 and 29, 2018, AESA made a filing before CAMMESA and the EES, to inform them that the cogeneration thermal power plant had suffered certain facts that could be considered as a force majeure event or an act of God, which in turn adversely affected the possibility of obtaining the authorization for commercial operation by the Agreed upon Date set on the Supply Contract. In this regard, AESA explained, argued, and produced the pertinent evidence supporting the existence of certain factors, not attributable to the Company, that implied that the commercial operation did not begin on the Agreed upon Date under the Supply Contract. From the filings submitted, twelve days of force majeure event were recognized by CAMMESA and the EES at the date of issue of these Financial Statements.

Under Resolution 264/2018 dated June 6, 2018, the Energy Ministry established that the penalties shall be discounted from the sum receivable by the penalized Generating Agent in 12 equal and consecutive monthly installments, and that the Generating Agent may opt to discount the penalty amount in up to 48 equal and consecutive installments, applying to the balance an effective annual rate of 1.7% in United States dollars, and the number of installments shall not exceed the contract term. In the above-mentioned filings dated June 12 and 29, AESA expressly stated that, once the penalty is determined considering the corresponding force majeure term, the Company chooses to exercise the above-mentioned option.

At December 31, 2022 the penalty recognized has been paid.

**NOTE 34: ECONOMIC CONTEXT IN WHICH THE COMPANY OPERATES**

The Company has been operating in a complex economic environment whose main variables have been affected by a strong volatility, both nationally and internationally.

The main indicators in our country are as follows:

- The year-on-year increase in GDP expected for 2022 is around 4%, as projected by the IMF WEO Report of April 2022.
- Cumulative inflation between January 1, 2022 and December 31, 2022 was 94.79% (CPI).
- Between January 1 and December 31, 2022, the peso depreciated 72.47% relative to the US dollar, according to the Banco de la Nación Argentina exchange rate.
- The monetary authority imposed tighter foreign exchange restrictions, which have also affected the value of the foreign currency in existing alternative markets for certain exchange transactions that are restricted in the official market.

In 2022 and 2021, the government took several measures to mitigate the peso devaluation, the fall in BCRA reserves, the withdrawal of deposits in dollars and the highly-volatile interest rates.

This context of volatility and uncertainty persisted at the date of issue of these Financial Statements. However, all issuances performed over the last 12 months in the capital markets as well as renegotiations with local banks have been successful and it is expected that they continue so in the next fiscal year; this context might limit access to the debt market and could create difficulties in the renegotiation of existing liabilities.

Company Management permanently monitors the performance of variables affecting its business, to define the course of action and identify the potential impact on its economic and financial position. The Company's Financial Statements must be read in light of these circumstances.

**Albanesi Energía S.A.**  
**Notes to the financial statements (Cont'd)**

**NOTE 35: SUBSEQUENT EVENTS**

On February 13, AESA Class VII, VIII and IX Negotiable Obligations were tendered. The results were as follows:

**Class VII (Dollar Linked):**

Amount to be issued: USD 12,913.

- Swap ratio:
  - i. USD 3,036 were paid-in in cash;
  - ii. USD 3,964 were paid-in in kind by delivering Class I Negotiable Obligations;
  - iii. USD 3,138 were paid-in in kind by delivering Class II Negotiable Obligations; and
  - iv. USD 2,775 were paid-in in kind by delivering Class VI Negotiable Obligations.

Term: 24 months.

Amortization: 100% on maturity. Payable in pesos at the applicable exchange rate.

Interest rate: 4.00%, with quarterly payments.

Date of issuance: February 13, 2023.

**Class VIII (ARS):**

Amount to be issued: ARS 388,552 thousand.

- Swap ratio:
  - i. ARS 27,000 thousand were paid-in in cash;
  - ii. ARS 361,552 thousand were paid-in in kind by delivering Class VI Negotiable Obligations.

Term: 12 months.

Amortization: 100% on maturity.

Interest rate: Badlar + 5.00%, with quarterly payments.

Date of issuance: February 13, 2023.

**Class IX (UVA):**

Amount to be issued: UVA 31,589 thousand

- Swap ratio:
  - i. UVA 10,876 thousand were paid-in in cash; and
  - ii. UVA 20,713 thousand were paid-in in kind by delivering Class II Negotiable Obligations.

Term: 36 months.

Amortization: 100% on maturity.

Interest rate: 3.80%, with quarterly payments.

Date of issuance: February 13, 2023.





## *Independent auditor's report*

To the Shareholders, President and Directors of  
Albanesi Energía S.A.

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### **Opinion**

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We have audited the financial statements of Albanesi Energía S.A. (the "Company"), which comprise the statement of financial position as at December 31, 2022 and the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and the notes to the financial statements, which include significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS).

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### **Basis for opinion**

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We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements in Argentina. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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### **Key audit matters**

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Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were 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 matters

Audit response

**Financial position and going concern assessment**

The Company has prepared its financial statements based on the going concern assumption, as mentioned in Note 3 to the financial statements at December 31, 2022.

As mentioned in Note 32, at December 31, 2022, the Company presents a working capital deficit. To reverse this situation, the Company's Management and shareholders have developed a refinancing plan for short-term financial liabilities.

In Note 34, the Company states that debt issuances carried out in the capital market as well as renegotiations with local banks in the last 12 months have been successful. Management expects the same behavior for the next accounting period. However, the current context of the Argentine economy could limit access to the debt market and, in turn, create difficulties in the renegotiation of existing liabilities.

The Company's ability to continue as a going concern depends on management's ability to maintain liquidity to comply with deadlines of existing obligations with its creditors.

Management carried out a sensitivity analysis on its cash flow forecast using alternative financing scenarios and rate patterns.

Management's assessment of the going concern is based on cash flow projections and business plans, each of which depends on significant management judgment and may be influenced by management bias.

The situation described above, the way in which the Company's business will develop and how it will obtain the necessary resources for its normal operation in an uncertain context, have led us to consider this matter as a key issue in our audit.

The audit procedures that we have carried out to validate the correct application of the going concern principle included, among others:

- carry out inquiries to the key members of Management and Board of Directors, to understand the process of assessing the principle of a going concern;
- verify the mathematical precision of Management's cash flow projections and validate the initial cash position;
- gather evidence on Management's underlying cash flow projections for the Company by validating data with other external and internal sources as necessary, including recent dispatch volumes, prices as per current resolutions, and comparing cost assumptions with historical and actual ones and assessing the realistic likelihood of achieving cost reductions;
- carry out an independent sensitivity analysis to assess the impact of changes in the key premises underlying cash flow forecasts. These could be a change in the prices set up in the current resolutions or a lower-than-expected operating performance;
- carry out an acid test of liquidity verifying the Company's ability to comply with existing deadlines within one year with no debts restructured at the date of issuance of the financial statements;
- consider the financial situation of the Company's main clients, the impact of a potential delay in their payments and its correlation on the Company's cash flows;
- assess the disclosures included in the financial statements.



## Key audit matters

## Audit response

### Fair value of property plant and equipment, and impairment of non-current non-financial assets

As described in Notes 4, 6, and 7 to the financial statements at December 31, 2022, the balance of property, plant and equipment is USD 227,038 thousand.

The Company has chosen to state land, buildings, facilities, machinery and turbines at fair value, using discounted cash flow techniques and market comparables.

As described in Notes 4.5 and 6.a, Management analyzes the recoverability of its non-current non-financial assets either periodically or when an event or change of circumstances indicate that its recoverable value may be lower than its carrying value. In evaluating whether there is any indication that an event or circumstance could affect the cash-generating unit (CGU), internal and external sources of information are analyzed. The events and circumstances generally considered are the discount rate used in the cash flow projections of the CGU and the business condition in terms of market and economic factors, such as the cost of raw materials, the regulatory framework of the energy industry, projected capital expenditure and the evolution of energy demand. The recoverable amount is the higher of its fair value less costs of disposal and its value in use. Management took the value in use to determine the recoverable amount. To assess impairment losses, assets are grouped under the CGU. The value in use of the CGU is determined based on projected and discounted cash flows, using discount rates which reflect the time value of money and the particular risks of the assets considered.

The fair value calculated through discounted cash flow was used to value the facilities, machinery, and turbines.

Audit procedures performed in this key audit matter included, among others:

- evaluate the reasonableness of the Management's assessment on the existence of any indication of impairment;
- evaluate the preparation and supervision process carried out by Management for calculations of the fair value of property, plant and equipment;
- examine the key data and premises used to determine the fair value of property, plant and equipment. In particular:
  - ✓ validate with external sources the premises on trends in inflation exchange rates;
  - ✓ for the operational and regulatory assumptions used to prepare future cash flows, evaluate the consistency of the operating conditions of each thermal power plant and its performance based on historical data, as well as the applicable regulations to date;
  - ✓ examine the method for determining the discount rate and the consistency with the underlying market assumptions, checking that the value is within a reasonable range based on the comparables in the sector and the Company's particular risk;



| Key audit matters   | Audit response   |
|---|--|
| <p data-bbox="261 443 889 533"><b>Fair value of property plant and equipment, and impairment of non-current non-financial assets (Cont'd.)</b></p> <p data-bbox="261 554 889 667">At December 31, 2022, the carrying amount of property, plant and equipment does not significantly differ from their fair value; therefore, no revaluation or impairment was registered.</p> <p data-bbox="261 688 889 835">The fair value was determined by using the income approach method based on projected cash flows for each of the thermal power plants based on their useful life, in which different scenarios were weighted depending on their probability of occurrence.</p> <p data-bbox="261 856 889 1054">In addition to the defined deadlines, the projections of future cash flows determined on the basis of macroeconomic assumptions (inflation and exchange rates), price projections in accordance with the resolutions in force and projections of dispatch volumes based on knowledge of the market by the Company were extrapolated.</p> <p data-bbox="261 1075 889 1222">These recoverable amounts are based on assumptions relating to the market outlook and the regulatory environment, of which any modification could have a material impact on the amount of impairment loss to be recognized.</p> <p data-bbox="261 1243 889 1549">We consider that the measurement of the fair value and the determination of the existence of indications of impairment of property plant and equipment are key audit matters due to their materiality in the Company's financial position and because they require the application of critical judgments and significant estimates by Management on the key variables used to evaluate cash flows, as well as for the unpredictability of the future variations of this estimates, and the fact that future significant changes in the key premises may heavily impact on the financial statements.</p> | <ul data-bbox="943 554 1516 814" style="list-style-type: none"><li data-bbox="943 554 1516 625">• evaluate the sensitivity of measurements to changes in certain assumptions;</li><li data-bbox="943 646 1516 718">• confirm the mathematical accuracy of calculations and the proper use of the model prepared by Management;</li><li data-bbox="943 739 1516 814">• assess the disclosures included in the financial statements;</li></ul> <p data-bbox="992 835 1516 982">Additionally, the audit was performed with skilled professionals specialized in the subject matter who assisted us in the assessment of the model and certain key assumptions, including the discount rate.</p> |



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## **Other information**

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The other information comprises the Annual report. The Board of Directors is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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## **Other Matter – Restriction on use and distribution**

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As described in Note 3, these financial statements have been prepared to provide information to specific users. This report is intended solely for the information and use of the Board of Directors of the Company and the Company's foreign lenders and should not be used by or distribute to other parties.

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## **Responsibilities of Board of Directors for the financial statements**

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Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as Board of Directors 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 consolidated financial statements, Board of Directors is responsible for assessing the Group'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.

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## **Auditor's responsibilities for the audit of the financial statements**

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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 auditor's 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 the 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 scepticism 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 control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Board of Directors.
- Conclude on the appropriateness of Board of Directors 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, we are required to draw attention in our auditor's 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 auditor's 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion. (4)

We communicate with 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 to Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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 20, 2023.

  
PRICE WATERHOUSE & CO.S.R.L.  
Raúl Leonardo Viglione  
Partner

