


Results for three-month period ended on March 31st, 2018

Compañía de Transporte de Energía Eléctrica en Alta Tensión Transener S.A. (“Transener” or the “Company”) announces the results for three-month period ended on March 31st, 2018

Stock Information

Bolsa de Comercio
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 Ticker: TRAN

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Transener, Argentina’s leading electricity transmission company, announces results for three-month period ended on March 31st, 2018.

Consolidated net revenues of AR\$ 1.842,9 million, 54,3% higher than the AR\$ 1.194,7 million for the same period last year, principally due to the increase of (i) AR\$ 504,5 million in regulated revenues, mainly as a result of the application of the new tariff system as from February 1st, 2017 and the corresponding tariff adjustments according to the mechanism established under the FTR, (ii) AR\$ 63,5 million in revenues from operation and maintenance of Transba’s 500kV substations in Bahía Blanca, Olavarría and Campana and (iii) AR\$ 57,3 million in the Fourth Line operation and maintenance revenues.

Consolidated adjusted EBITDA¹ of AR\$ 1.179,7 million, 77,7% higher than the AR\$ 663,7 million for the same period last year, mainly due to an increase of AR\$ 518,7 million in the operating profit.

Consolidated net profit attributable to the owner of the parent of AR\$ 808,0 million, 90,9% higher than the profit of AR\$ 423,2 million for the same period last year, mainly due to a higher profit of AR\$ 518,7 million in operating income and of AR\$ 12,5 million in financial results net, partially offset by a higher loss of AR\$ 125,5 million in the income tax charge.

1. Financial Situation

As of March 31st, 2018, consolidated outstanding principal debt amounted to US\$ 98,5 million, corresponding exclusively to the Class 2 Notes. These Notes accrue an annual interest rate of 9,75% and will mature on August 15th, 2021.

Regarding Transener’s Notes qualifications, S&P improved two levels the local qualification from “raA+” to “raAA” and one level the global qualification from “B” to “B+”, all of them with stable outlook.

2. Tariff Situation

On September 28th, 2016, under the instruction given by the National Ministry of Energy and Mining by Res. MEyM N° 196/16, the ENRE through Resolution N° 524/16 approved the program to apply for Full Tariff Review of Electricity Transmission (FTR) in 2016, which provided for the entry into force of the resulting tariff system as from February 2017.

Within the framework of the above mentioned resolution, on January 31st, 2017 the ENRE issued Resolutions N° 66/17, 84/17 and 139/17, and N° 73/17, 88/17 and 138/17, by which the new tariff system in force for the five-year period 2017/2021 was established, resulting in the annual amounts of AR\$ 3.274 and AR\$ 1.499

¹ Consolidated adjusted EBITDA represents consolidated operating results before depreciations plus the Renewal Agreement interest.

million in currency of February 2017, for Transener and Transba, respectively. Those resolutions also provide for the execution of an investment plan during the five-year period 2017/2021 for the amounts of AR\$ 3.336 and AR\$ 2.251 million for Transener and Transba, respectively.

The ENRE also established the tariff adjustment mechanism, the regime of quality of service and penalties and the system of awards.

Due to the differences between the tariff proposals formulated under the framework of the FTR process initiated by the ENRE, on April 7th and 21st, 2017, Transener and Transba filed, respectively, an appeal for reconsideration with a subsidy appeal against the ENRE Resolutions N° 66/17, 84/17 and 139/17, and N° 73/17, 88/17 and 138/17.

On October 31st, 2017, Transener and Transba were notified of ENRE Resolutions N° 516/17 and 517/17, through which the ENRE partially accepted the reconsideration appeals filed against ENRE Resolutions N° 66/17, 84/17 and 139/17 and N° 73/17, 88/17 and 138/17 by Transener and Transba, respectively.

These resolutions established a new tariff system for Transener and Transba, retroactively to February 2017, resulting in annual regulated revenues of AR\$ 3.534 and AR\$ 1.604 million, respectively.

On December 15th, 2017, the ENRE issued Resolutions N° 627/17 and 628/17, through which the new tariff system was established, as a result of the tariff adjustment mechanism established in the FTR, effective as from August 2017, resulting in regulated annual revenues of AR\$ 3.933 and AR\$ 1.771 million for Transener and Transba, respectively.

On February 15th, 2018, the ENRE issued Resolutions N° 37/18 and 38/18, which were modified by Resolutions N° 99/18 and 100/18 on April 5th, 2018, establishing the new tariff system as from February 2018, resulting the annual regulated revenues in AR\$ 4.388 and AR\$ 1.979 million for Transener and Transba, respectively.

Additionally, during the fiscal year 2017, Transener and Transba requested the recognition of the damages from the breaches of the National State with respect to (i) the lack of the adjustment of the remuneration for the provision of the public service of transmission of high voltage electricity and by trunk distribution of the Province of Buenos Aires, in accordance with the real cost variations according to the Transition Tariff Regime and (ii) the lack of the reasonable profitability that should result from the FTR process, both concepts for the period May 2013 - January 2017.

Nevertheless, the claims made by Transener and Transba regarding the valuation of the capital base on which the profitability set by ENRE Resolution N° 553/16 is applied, and other aspects not favorably resolved, will continue their process before the Secretariat of Electrical Energy under the appeals filed on a subsidiary basis to the reconsideration resources.

3. Consolidated Adjusted EBITDA Calculation

Consolidated adjusted EBITDA has been calculated as follows:

AR\$mm	Three-month period ended on March 31st,	
	2018	2017
Consolidated operating result	1.148,2	629,5
Depreciations	31,5	26,2
Consolidated EBITDA	1.179,7	655,7
Adjustments		
Renewal Agreement interest	0,0	8,0
Consolidated adjusted EBITDA	1.179,7	663,7

4. Operating information

The Company continues to carry out the execution of the investment plan, maintaining as of March 31st, 2018 commitments for the acquisition of capital expenditures for an amount of approximately AR\$ 1.100 million.

Transener, as the concessionaire of the extra high voltage electric power transmission network, is in charge of the supervision of the expansions of the network.

Here follows the most significant works in progress under Transener's supervision:

- **Federal Plan for Transmission Works**

- **Rincón Santa María - Resistencia interconnection**

- Construction of the 500kV EHV between Rincón Santa María and Resistencia Substations (270 km).

- **Bahía Blanca - Vivoratá interconnection**

- Construction of the 500kV EHV between Bahía Blanca and Vivoratá Substations (400 km). New 500/132kV Substation at Vivoratá (2x450 MVA).

- **Expansion of La Rioja Sur Substation**

- Connection of a 500/132kV 300 MVA back-up transformer in 500 kV and 132kV, to operate in parallel with the existing transformer. It includes the installation of a complete 500 kV field and six 132kV outputs.

- **Works under the SE Resolutions N° 1/2003 and 821/2006**

- **Ezeiza Substation**

- Supply, installation and commissioning of a new bank of 500/220kV-800MVA transformers with a back-up phase.

- **Rosario Oeste and Ezeiza Substations**

- Supply, civil works and installation of a new bank of 500/220kV-800MVA transformers with a back-up phase.

- **Ramallo Substation**

- Supply, installation and commissioning of a new 500/220kV-300MVA transformer and of a new 220/132kV-150MVA transformer.

- **Rodríguez Substation**

- Installation and commissioning of a new 500/132kV-300 MVA transformer.

- **Chaco Substation**

- Expansion, construction and commissioning of two exit point fields for the 132kV line.

- **Macachín Substation**

- Installation and commissioning of a new 500/200kV-300 MVA transformer.

- **Almafuerte Substation**

- Acquisition of a new 500/132kV-300 MVA transformer.

- **Recreo Substation**

- Acquisition of a new 500/132kV-300 MVA transformer.

- **ET Malvinas**

- Reception of a new bank of 500/138/34,5 kV - 600 MVA transformers made up of three single-phase machines plus one back up phase.

- **New 25 de Mayo Substation**

- Civil works and electromechanical assembly of the new 500/132kV substation.

Paso de la Patria Substation

Civil works and electromechanical assembly for the back-up transformer connection.

Ezeiza Substation

Acquisition of a capacitors bank.

Fast connection works

Fast back-up phase connection for the following substations: Atucha, Puerto Madryn, Santa Cruz Norte, Esperanza and El Bracho.

- **Other works to be undertaken by the Wholesale Electricity Market (WEM) Agents**

Expansion of Paso de la Patria Substation

Two new exit point fields.

Santa Cruz Norte Substation

Installation and commissioning of a new bank of 500/132kV-150 MVA transformers, for the wind power park Parque Eólico del Bicentenerio.

Río Coronda Substation

Adaption of field 9 and construction of field 10 for the connection of the Thermal Power Plant Renova.

Puerto Madryn Substation

Installation and commissioning of a new bank of 500/132kV - 600 MVA transformers with 4 132kV outputs to the wind power parks Geneia and Loma Blanca I, II y III.

Gran Formosa Substation

Installation and commissioning of a new bank of 500/132kV - 300 MVA transformers.

Business Development

Given its position as a leader in electricity transmission, Transener is involved in the supply of operation and maintenance services, engineering, testing and commissioning of lines and substations for new works or for the enhancement of existing works in the 500kV system.

Transener maintains its main contracts with the following customers:

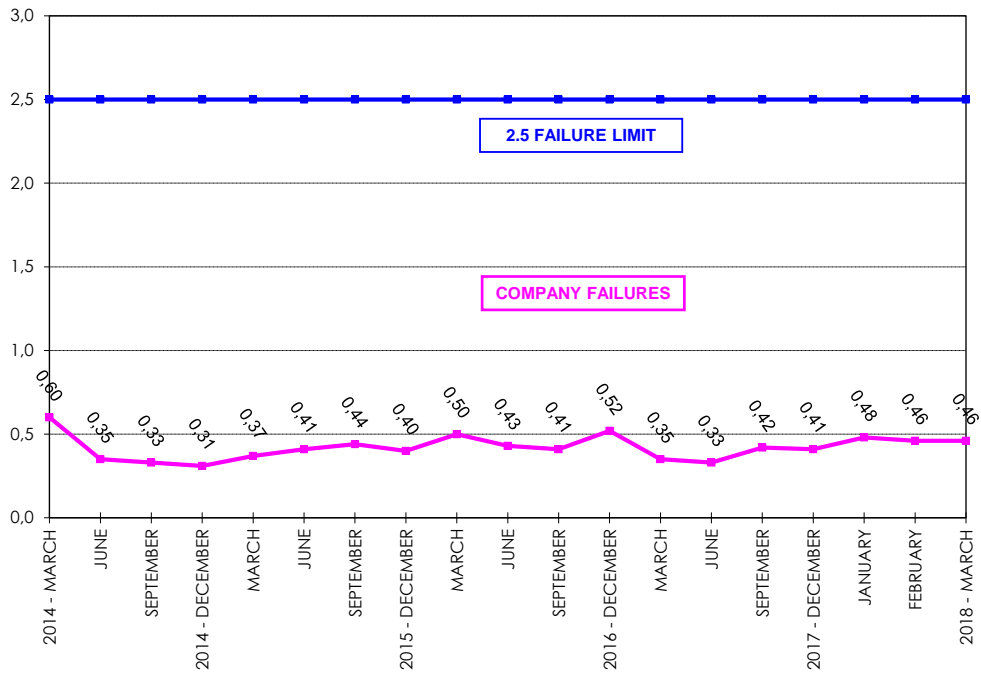
- Minera Alumbrera Ltd.
- Yacylec S.A.
- Integración Eléctrica Sur Argentina S.A.
- Transportadora del Norte S.A.
- Transportadora Cuyana S.A.
- AES Argentina Generación S.A.
- Nucleoeléctrica Argentina S.A.
- Transportel Minera II S.A.

Rate of failures

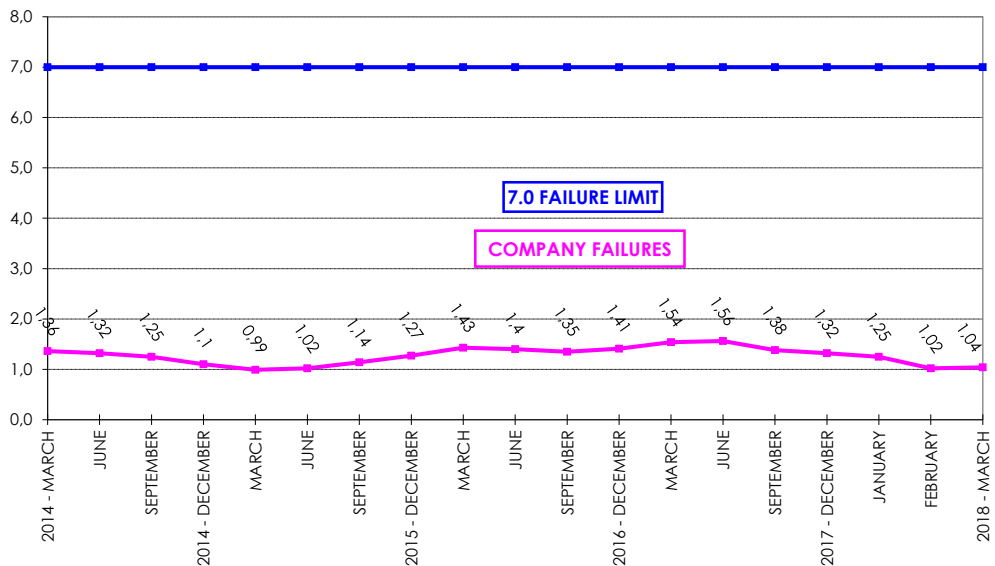
The rate of failures represents the quality of the service provided. The following charts show the quality of the service provided by Transener and Transba as from March 2014.

Transener and Transba Concession Agreements state a maximum rate of failures of 2,5 and 7,0 outages per 100km over a 12-month period, respectively.

Transener



Transba



5. Significant Financial Information

5.1 Consolidated Statements of Operations (AR\$mm)

	Three-month period ended March 31st,	
	2018	2017
Net Revenues	1.842,9	1.194,7
Operating expenses	(592,1)	(474,1)
Gross income	1.250,7	720,6
Administrative expenses	(89,6)	(72,2)
Other gains / (expenses), net	(12,9)	(18,9)
Operating income	1.148,2	629,5
Finance income	129,4	36,6
Finance costs	(60,6)	(46,6)
Other financial results	(15,7)	50,6
Income before taxes	1.201,3	670,0
Income tax	(361,5)	(236,0)
Income for the period	839,8	434,0
Income attributable to :		
Owners of the parent	808,0	423,2
Non-controlling interests	31,8	10,8
Total for the period	839,8	434,0
Other consolidated comprehensive results		
Income for the period	839,8	434,0
Other comprehensive results	0,0	0,0
Total comprehensive income for the period	839,8	434,0
Total comprehensive income attributable to :		
Owners of the parent	808,0	423,2
Non-controlling interests	31,8	10,8
Total for the period	839,8	434,0

5.2 Consolidated Balance Sheets (AR\$mm)

	31.03.2018	31.12.2017
ASSETS		
Non-current assets		
Property, plant and equipment	2.622,8	2.453,1
Other receivables	5,3	5,3
Deferred tax assets	60,4	67,0
Financial assets at amortized cost	20,0	20,0
Total Non-current assets	2.708,6	2.545,4
Current assets		
Trade accounts receivable	1.542,7	1.361,7
Other receivables	499,0	391,6
Financial assets at fair value	2.171,7	1.477,9
Financial assets at amortized cost	1.469,1	1.532,8
Cash and cash equivalents	104,1	25,2
Total Current assets	5.786,6	4.789,2
TOTAL ASSETS	8.495,1	7.334,6
EQUITY		
Common stock	444,7	444,7
Inflation adjustment on common stock	353,0	353,0
Share premium	32,0	32,0
Legal reserve	42,6	42,6
Other comprehensive results	(63,7)	(63,7)
Retained earnings	2.857,9	2.049,9
Equity attributable to owners of the parent	3.666,5	2.858,5
Non-controlling interests	177,6	145,8
TOTAL EQUITY	3.844,1	3.004,3
LIABILITIES		
Non-current liabilities		
Bonds and other indebtedness	1.933,4	1.786,6
Employee benefits payable	306,0	294,7
Trade accounts payable	1,6	1,0
Total Non-current liabilities	2.241,0	2.082,3
Current liabilities		
Provisions	74,6	72,0
Other liabilities	0,8	0,8
Bonds and other indebtedness	23,7	68,7
Income tax liability	1.445,4	1.097,1
Taxes payable	90,7	149,4
Payroll and social securities taxes payable	233,9	432,8
Employee benefits payable	61,2	61,3
Trade accounts payable	479,8	365,8
Total Current liabilities	2.410,0	2.247,9
TOTAL LIABILITIES	4.651,1	4.330,3
TOTAL LIABILITIES AND EQUITY	8.495,1	7.334,6

6. Analysis of results for the three-month period ended on March 31st, 2018 compared to the same period last year

Net revenues

Consolidated net revenues for the three-month period ended on March 31st, 2018 resulted in AR\$ 1.842,9 million, 54,3% higher than the AR\$ 1.194,7 million for the same period last year.

Consolidated net regulated revenue for the three-month period ended on March 31st, 2018 amounted to AR\$ 1.618,2 million, 45,3% higher than the AR\$ 1.113,7 million for the same period last year, principally due to the increase in revenues from the electricity transmission service as a result of the application of the new tariff system as from February 1st, 2017 and the corresponding tariff adjustments according to the mechanism established in the FTR (See “Tariff Situation”).

Consolidated net non-regulated revenue for the three-month period ended on March 31st, 2018 amounted to AR\$ 224,7 million, 177,4% higher than the AR\$ 81,0 million for the same period last year, mainly due to an increase of AR\$ 63,5 million in revenues from operation and maintenance of Transba’s 500kV substations in Bahia Blanca, Olavarría and Campana and of AR\$ 57,3 million in the Fourth Line operation and maintenance revenues.

Operating and administrative expenses

Consolidated operating and administrative expenses for the three-month period ended on March 31st, 2018 amounted to AR\$ 681,7 million, 24,8% higher than the AR\$ 546,3 million for the same period last year, principally due to an increase of AR\$ 72,7 million in salaries and social security charges, of AR\$ 12,5 million in general maintenance and of AR\$ 8,2 million in taxes and government contributions.

Other gains / expenses

Consolidated other gains / expenses, net for the three-month period ended on March 31st, 2018 resulted in a loss of AR\$ 12,9 million, 31,6% lower than the loss of AR\$ 18,9 million for the same period last year, mainly due to a decrease of AR\$ 5,8 million in penalties charges net of awards.

Financial results

Consolidated finance income for the three-month period ended on March 31st, 2018 amounted to AR\$ 129,4 million, 253,9% higher than the AR\$ 36,6 million for the same period last year, mainly due to an increase of AR\$ 92,3 million in the result from financial investments.

Consolidated finance costs for the three-month period ended on March 31st, 2018 amounted to AR\$ 60,6 million, 30,1% higher than the AR\$ 46,6 million for the same period last year, mainly due to an increase of AR\$ 11,0 million in interests generated by loans, due to the variation of the US Dollar exchange rate.

Consolidated other financial results for the three-month period ended on March 31st, 2018 amounted to a loss of AR\$ 15,7 million, in comparison with a profit of AR\$ 50,6 million for the same period last year, mainly due to the effect of the variation of the exchange rate on the net position of loans and financial investments, denominated in U.S. Dollars.

Income tax

Consolidated income tax charges for the three-month period ended on March 31st, 2018 resulted in a loss of AR\$ 361,5 million, 53,2% higher than the AR\$ 236,0 million for the same period last year, due to a higher loss of AR\$ 140,5 million in the current tax charge, partially offset by a lower loss of AR\$ 15,0 million in the deferred tax charge.

You may find additional information on the Company at:

www.transener.com.ar

www.cnv.gob.ar