


## Results for nine-month period ended on September 30<sup>th</sup>, 2018

Compañía de Transporte de Energía Eléctrica en Alta Tensión Transener S.A. (“Transener” or the “Company”) announces the results for nine-month period ended on September 30<sup>th</sup>, 2018

### Stock Information

Bolsa de Comercio  
de Buenos Aires  
 Ticker: TRAN

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Transener, Argentina’s leading electricity transmission company, announces results for nine-month period ended on September 30<sup>th</sup>, 2018.

**Consolidated net revenues of AR\$ 5.671,2 million**, 41,8% higher than the AR\$ 3.999,5 million for the same period last year, principally due to the increase of (i) AR\$ 1.255,3 million in regulated revenues, mainly as a result of the application of the new tariff system as from February 1<sup>st</sup>, 2017 and the corresponding tariff adjustments according to the mechanism established under the FTR and (ii) AR\$ 200,5 and AR\$ 176,2 million from Transba’s and Transener’s revenues, for the operation and maintenance of TIBA and the Fourth Line, respectively.

**Consolidated adjusted EBITDA<sup>1</sup> of AR\$ 3.626,0 million**, 60,9% higher than the AR\$ 2.253,0 million for the same period last year, mainly due to an increase of AR\$ 1.369,0 million in the operating profit.

**Consolidated net profit attributable to the owner of the parent of AR\$ 2.397,5 million**, 73,0% higher than the profit of AR\$ 1.386,1 million for the same period last year, mainly due to a higher operating profit of AR\$ 1.369,0 million and a higher profit of AR\$ 142,7 million in financial results net, partially offset by a higher loss of AR\$ 419,6 million in the income tax charge.

### Main results for the Third Quarter of 2018<sup>2</sup>

**Consolidated net revenues of AR\$ 1.912,6 million**, 41,0% higher than the AR\$ 1.356,9 million for the same period last year, principally due to the increase of (i) AR\$ 419,9 million in regulated revenues, mainly as a result of the application of the tariff adjustments according to the mechanism established under the FTR and (ii) AR\$ 68,3 and AR\$ 64,5 million from Transba’s and Transener’s revenues, for the operation and maintenance of TIBA and the Fourth Line, respectively.

**Consolidated adjusted EBITDA<sup>1</sup> of AR\$ 1.257,6 million**, 70,2% higher than the AR\$ 739,0 million for the same period last year, mainly due to an increase of AR\$ 510,9 million in the operating profit.

**Consolidated net profit attributable to the owner of the parent of AR\$ 858,3 million**, 68,2% higher than the AR\$ 510,2 million for the same period last year, mainly due to a higher operating profit of AR\$ 510,9 million and a higher profit of AR\$ 105,8 million in financial results net, partially offset by a higher loss of AR\$ 237,3 million in the income tax charge.

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

<sup>2</sup> The financial information presented in this document for the quarters ended on September 30<sup>th</sup>, 2018 and of 2017 is based on the unaudited condensed interim consolidated financial statements prepared according to the accounting framework established by the National Securities Commission (CNV), corresponding to the three-month and nine-month periods ended on September 30<sup>th</sup>, 2018 and 2017.

## 1. Financial Situation

As of September 30<sup>th</sup>, 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 15<sup>th</sup>, 2021.

Regarding Transener's Notes qualifications, S&P maintained the local qualification in "raAA" and the global qualification in "B+", modifying the local qualification outlook from stable to special review with negative implications and the global qualification outlook from stable to negative.

## 2. Tariff Situation

On September 28<sup>th</sup>, 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 31<sup>st</sup>, 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 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 7<sup>th</sup> and 21<sup>st</sup>, 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 31<sup>st</sup>, 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 15<sup>th</sup>, 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 15<sup>th</sup>, 2018, the ENRE issued Resolutions N° 37/18 and 38/18, which were modified by Resolutions N° 99/18 and 100/18 on April 5<sup>th</sup>, 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.

On July 3<sup>rd</sup>, 2018, the ENRE informed that it has begun the procedure to determine the remuneration of the Independent Transmitters under the operation and maintenance period: TIBA (Transba), Fourth Line (Transener), YACYLEC and LITSA. These companies must present, within 30 days, the information of costs, investments and tariff requests to the ENRE, which must also have the opinion of Transener as a concessionaire of the High Voltage Transport System.

In this regard, on August 9<sup>th</sup>, 2018 Transener and Transba requested the ENRE a 30-day extension for the submission of the information corresponding to Fourth Line and TIBA, which was granted by the ENRE.

On October 8<sup>th</sup>, 2018, the costs, investments and tariff pretension corresponding to Fourth Line and TIBA were presented to the ENRE.

To date, the ENRE has not issued the resolutions corresponding to the semi-annual adjustment of the Company's remuneration, which, in accordance with the mechanism established in the FTR process, should have been applied as from August 2018.

On October 17<sup>th</sup>, 2018, the Company, through the Association of Electricity Transmission Companies of the Argentine Republic (ATEERA), presented a note to the ENRE claiming the aforementioned adjustment.

### 3. Consolidated adjusted EBITDA Calculation

Consolidated adjusted EBITDA has been calculated as follows:

AR\$mm	Nine-month period ended on September 30th,		Three-month period ended on September 30th,	
	2018	2017	2018	2017
Consolidated operating result	3.524,6	2.155,6	1.221,0	710,1
Depreciations	101,4	82,5	36,6	28,9
Consolidated EBITDA	3.626,0	2.238,1	1.257,6	739,0
Adjustments				
Renewal Agreement interest	0,0	14,9	0,0	0,0
Consolidated adjusted EBITDA	3.626,0	2.253,0	1.257,6	739,0

### 4. Operating information

The Company continues to carry out the execution of the investment plan, maintaining as of September 30<sup>th</sup>, 2018 commitments for the acquisition of capital expenditures for an amount of approximately AR\$ 1.400 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 L between Rincón Santa María and Resistencia Substations (275 km) and two substations expansion.

**Bahía Blanca - Vivoratá interconnection**

Construction of the 500kV EHV L between Bahía Blanca and Vivoratá Substations (437km). New 500/132kV Substation at Vivoratá (2x450MVA) and expansion of the Bahía Blanca Substation.

**Expansion of La Rioja Sur Substation**

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

**Interconnection Nueva San Juan - Rodeo Substation**

Construction and assembly of approximately 162kms of a 500kV EHV L, its connection to a new field in 132kV in the New San Juan Substation and the construction of a 132kV field in the Rodeo Substation.

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

**Chaco Substation**

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

**Macachín Substation**

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

**Almafuerte Substation**

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

**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.

**500kV EHV L Campana - Colonia Elía**

Tower 412 relocation.

**Cobos Substation**

Auxiliary services expansion.

**Ramallo Substation**

Incorporation of a 300MVA transformer.

**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**

**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 - 600MVA transformers with four 132kV outputs to the wind power parks Geneia and Loma Blanca I, II y III.

**Gran Formosa Substation**

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

**Santa Cruz Norte Substation**

Installation and commissioning of a new bank of 500/132kV - 3 x 50MVA transformers, for the wind power park Parque Eólico del Bicentenerio.

**La Rioja Sur Substation**

Installation and commissioning of a 500/132kV-300MVA transformer, two new fields and completion of a third transformer plus six fields of 132kV line output

**Romang Substation**

Final connection of the T2RM transformer to a new 132kV field.

**A.H. Cóndor Cliff - La Barrancosa**

Microwave communication system associated with the 500kV EHV and maneuver stations.

**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:

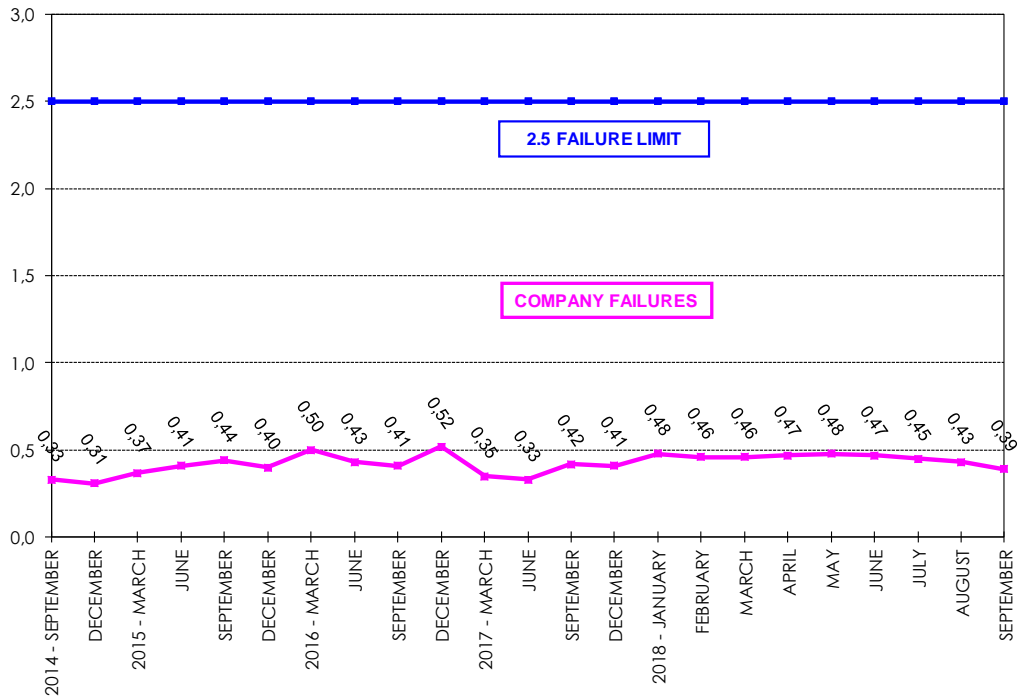
- Minera Alumbrera Ltd.
- Yacylec S.A.
- Transportadora del Norte S.A.
- Transportadora Cuyana S.A.
- AES Argentina Generación S.A.
- Nucleoeléctrica Argentina S.A.
- Transportel Minera II S.A.

### Rate of failures

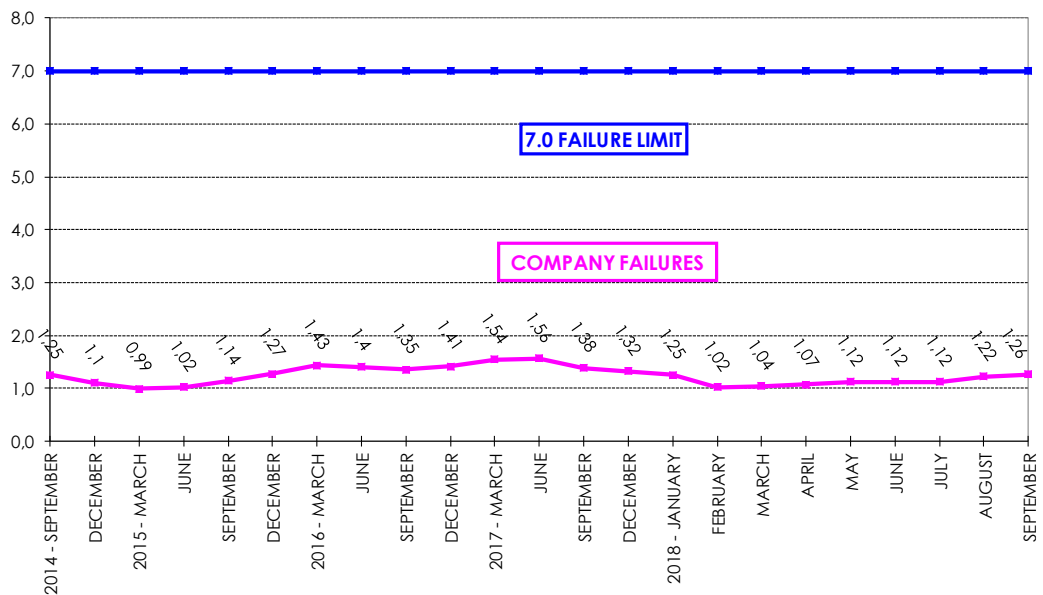
The rate of failures represents the quality of the service provided. The following charts show the quality of the service provided by Transener and Transba as from September 2014.

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)

	Nine-month period ended on September 30th,		Three-month period ended on September 30th,	
	2018	2017	2018	2017
Net Revenues	5.671,2	3.999,5	1.912,6	1.356,9
Operating expenses	(1.954,8)	(1.580,8)	(695,3)	(558,7)
Gross income	3.716,3	2.418,7	1.217,2	798,2
Administrative expenses	(267,4)	(224,3)	(91,5)	(74,7)
Other gains / (expenses), net	75,6	(38,8)	95,3	(13,4)
Operating income	3.524,6	2.155,6	1.221,0	710,1
Finance income	566,5	146,3	302,4	67,9
Finance costs	(263,4)	(154,4)	(124,8)	(57,1)
Other financial results	(233,9)	(65,4)	(95,0)	(33,9)
Income before taxes	3.593,7	2.082,1	1.303,7	687,0
Income tax	(1.064,4)	(644,8)	(390,2)	(152,9)
Income for the period	2.529,3	1.437,2	913,5	534,1
<b>Income attributable to :</b>				
Owners of the parent	2.397,5	1.386,1	858,3	510,2
Non-controlling interests	131,7	51,1	55,2	23,9
Total for the period	2.529,3	1.437,2	913,5	534,1
<b>Other consolidated comprehensive results</b>				
Income for the period	2.529,3	1.437,2	913,5	534,1
Other comprehensive results	0,0	0,0	0,0	0,0
Total comprehensive income for the period	2.529,3	1.437,2	913,5	534,1
<b>Total comprehensive income attributable to :</b>				
Owners of the parent	2.397,5	1.386,1	858,3	510,2
Non-controlling interests	131,7	51,1	55,2	23,9
Total for the period	2.529,3	1.437,2	913,5	534,1

## 5.2 Consolidated Balance Sheets (AR\$mm)

	September 30, 2018	December 31, 2017
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	3.852,6	2.453,1
Other receivables	5,3	5,3
Deferred tax assets	8,6	67,0
Investments at amortized cost	20,0	20,0
<b>Total Non-current assets</b>	<b>3.886,6</b>	<b>2.545,4</b>
<b>Current assets</b>		
Trade accounts receivable	1.521,3	1.361,7
Other receivables	526,0	391,6
Investments at fair value	2.339,6	1.477,9
Investments at amortized cost	1.545,2	1.532,8
Cash and cash equivalents	1.854,5	25,2
<b>Total Current assets</b>	<b>7.786,7</b>	<b>4.789,2</b>
<b>TOTAL ASSETS</b>	<b>11.673,2</b>	<b>7.334,6</b>
<b>EQUITY</b>		
Common stock	444,7	444,7
Inflation adjustment on common stock	353,0	353,0
Share premium	32,0	32,0
Legal reserve	145,1	42,6
Voluntary reserve	63,7	0,0
Reserve for future dividends	1.883,7	0,0
Other comprehensive results	(63,7)	(63,7)
Retained earnings	2.397,5	2.049,9
<b>Equity attributable to owners of the parent</b>	<b>5.256,0</b>	<b>2.858,5</b>
Non-controlling interests	277,5	145,8
<b>TOTAL EQUITY</b>	<b>5.533,6</b>	<b>3.004,3</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Bonds and other indebtedness	3.971,5	1.786,6
Employee benefits payable	306,1	294,7
Trade accounts payable	0,8	1,0
<b>Total Non-current liabilities</b>	<b>4.278,5</b>	<b>2.082,3</b>
<b>Current liabilities</b>		
Provisions	82,8	72,0
Other liabilities	0,8	0,8
Bonds and other indebtedness	50,6	68,7
Income tax payable	461,7	1.097,1
Taxes payable	114,3	149,4
Payroll and social securities taxes payable	400,1	432,8
Employee benefits payable	60,7	61,3
Trade accounts payable	690,2	365,8
<b>Total Current liabilities</b>	<b>1.861,2</b>	<b>2.247,9</b>
<b>TOTAL LIABILITIES</b>	<b>6.139,7</b>	<b>4.330,3</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>11.673,2</b>	<b>7.334,6</b>



## 6. Analysis of results for the nine-month period ended on September 30<sup>th</sup>, 2018 compared to the same period last year

### Net revenues

Consolidated net revenues for the nine-month period ended on September 30<sup>th</sup>, 2018 resulted in AR\$ 5.671,2 million, 41,8% higher than the AR\$ 3.999,5 million for the same period last year.

Consolidated net regulated revenues for the nine-month period ended on September 30<sup>th</sup>, 2018 amounted to AR\$ 5.004,7 million, 33,5% higher than the AR\$ 3.749,3 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 1<sup>st</sup>, 2017 and the corresponding tariff adjustments according to the mechanism established in the FTR (See “Tariff Situation”).

Consolidated net non-regulated revenues for the nine-month period ended on September 30<sup>th</sup>, 2018 amounted to AR\$ 666,5 million, 166,4% higher than the AR\$ 250,2 million for the same period last year, mainly due to an increase of AR\$ 200,5 and AR\$ 176,2 million from Transba’s and Transener’s revenues, for the operation and maintenance of TIBA and the Fourth Line, respectively.

### Operating and administrative expenses

Consolidated operating and administrative expenses for the nine-month period ended on September 30<sup>th</sup>, 2018 amounted to AR\$ 2.222,2 million, 23,1% higher than the AR\$ 1.805,2 million for the same period last year, principally due to an increase of 19,1% in salaries and social security charges (AR\$ 216,8 million), 78,9% in general maintenance (AR\$ 41,2 million), 127,3% in electroduct maintenance (AR\$ 17,6 million), 1.073,9% in regulatory fees (AR\$ 9,8 million), 131,6% in electricity (AR\$ 5,5 million) and 151,4% in prevision for bad debts (AR\$ 11,8 million)

### Other gains / expenses

Consolidated other gains / expenses, net for the nine-month period ended on September 30<sup>th</sup>, 2018 resulted in a profit of AR\$ 75,6 million, compared to a loss of AR\$ 38,8 million for the same period last year, mainly due to a profit of AR\$ 89,6 million from the recovery of insurance claims corresponding to the internal failure in Transener’s T3EZ transformer and a decrease of AR\$ 30,8 million in penalties charges net of awards for quality service.

### Financial results

Consolidated finance income for the nine-month period ended on September 30<sup>th</sup>, 2018 amounted to AR\$ 566,5 million, 287,3% higher than the AR\$ 146,3 million for the same period last year, mainly due to an increase of AR\$ 363,1 million in the result from financial investments.

Consolidated finance costs for the nine-month period ended on September 30<sup>th</sup>, 2018 amounted to AR\$ 263,4 million, 70,6% higher than the AR\$ 154,4 million for the same period last year, mainly due to an increase of AR\$ 79,8 million in interests generated by bonds and other indebtedness, due to the variation of the US Dollar exchange rate.

Consolidated other financial results for the nine-month period ended on September 30<sup>th</sup>, 2018 amounted to a loss of AR\$ 233,9 million, 257,7% higher than the AR\$ 65,4 million for the same period last year, mainly due to exchanges losses generated by the effect of the variation of the exchange rate on the net position of bonds and other indebtedness and financial investments, denominated in U.S. Dollars.

### Income tax

Consolidated income tax charges for the nine-month period ended on September 30<sup>th</sup>, 2018 resulted in a loss of AR\$ 1.064,4 million, 65,1% higher than the AR\$ 644,8 million for the same period last year, due to a higher loss of AR\$ 289,3 million in the current tax charge and of AR\$ 62,8 million in the deferred tax charge.

You may find additional information on the Company at:

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[www.transener.com.ar](http://www.transener.com.ar)

[www.transba.com.ar](http://www.transba.com.ar)

[www.cnv.gob.ar](http://www.cnv.gob.ar)