Compañía de Transporte de Energía Eléctrica en Alta Tensión Transener S.A.

Consolidated Financial Statements as of December 31, 2016 and for the fiscal years ended December 31, 2016 and 2015

Free translation from the original prepared in Spanish for publication in Argentina

Compañía de Transporte de Energía Eléctrica en Alta Tensión Transener S.A.

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors, President and Shareholders of
Compañía de Transporte de Energía Eléctrica en
Alta Tensión Transener S.A.
Legal address: Av. Paseo Colón 728 – 6th Floor
Autonomous City of Buenos Aires
Tax Code No. 30-66314877-6

Report on the financial statements

We have audited the accompanying consolidated financial statements of Compañía de Transporte de Energía Eléctrica en Alta Tensión Transener S.A. and its subsidiaries (hereinafter, "the Company"), including the consolidated balance sheets as of December 31, 2016 the related consolidated statements of operations, changes in equity and cash flows for the year then ended, and a summary of the significant accounting policies and other explanatory information.

The amounts and other information related to the fiscal year 2015 are an integral part of the audited financial statements mentioned above and therefore should be considered in relation to those financial statements.

Management's responsibilities

Company's Board of Directors is responsible for the preparation and reasonable presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) adopted by the Argentine Federation of Professional Councils in Economic Sciences (FACPCE) as the applicable accounting framework, and incorporated by the National Securities Commission (CNV) to its regulations, as they were approved by the International Accounting Standards Board (IASB). Company's Board of Directors is also responsible for the existence of internal control that it deems necessary to enable the preparation of consolidated financial statements free of any material misstatements due to error or irregularities.

Auditors' responsibility

Our responsibility is to express an opinion on the accompanying consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISAs), as they were adopted in Argentina by the FACPCE through Technical Pronouncement No. 32 and its respective Adoption Newsletters. Those standards require that we comply with ethics requirements, as well as plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free of material misstatement.

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An audit involves performing procedures to obtain evidence about the amounts and other information disclosed in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risk of material misstatement in the consolidated financial statements due to fraud or error. In making this risk assessment, the auditor should take into account the internal control relevant to the preparation and fair presentation of the Company's consolidated financial statements in order to design audit procedures that are appropriate, depending on the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies applied, the reasonableness of significant estimates made by Company's management and the presentation of the consolidated financial statements as a whole.

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

Opinion

In our opinion, the consolidated financial statements referred to in the first paragraph of this report present fairly, in all material respects, the consolidated financial position of Compañía de Transporte de Energía Eléctrica en Alta Tensión Transener S.A. and its subsidiaries as of December 31, 2016, its consolidated comprehensive loss and consolidated cash flows for the year then ended, in accordance with International Financing Reporting Standards.

Autonomous City of Buenos Aires, March 7, 2017

PRICE WATERHOUSE & CO. S.R.L.

Fernando A. Rodríguez (Partner)

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Compañía de Transporte de Energía Eléctrica en Alta Tensión TransenerS.A.

Consolidated Statements of Operations
for the fiscal years ended December 31, 2016 and 2015
(In Argentine Pesos, except as otherwise indicated)

		Fiscal year ended	
Consolidated income statement	Note	**31.12.2016**	**31.12.2015**
Net Revenues	7	2.270.257.515	1.946.843.329
Operating expenses	8	(1.766.617.750)	(1.315.164.686)
Gross income		503.639.765	631.678.643
Administrative expenses	8	(361.319.637)	(258.906.949)
Other expenses net		(30.989.270)	(24.725.702)
Operating income		111.330.858	348.045.992
Finance income	9	330.941.189	387.523.443
Finance costs	9	(184.181.655)	(123.696.501)
Other financial results	9	(326.780.113)	(509.657.159)
(Loss) / income before taxes		(68.689.721)	102.215.775
Income tax	10	17.576.278	(37.686.497)
(Loss) / income for the year		(51.113.443)	64.529.278
(Loss) / income attributable to :			
Owners of the parent		(56.813.333)	52.246.177
Non-controlling interests		5.699.890	12.283.101
Total for the year		(51.113.443)	64.529.278

Other consolidated comprehensive income			
(Loss) / income for the year		(51,113,443)	64,529,278
Items that will not be reclassified to profit or loss			
Recognition of actuarial income / (loss) in retirement benefits plans		(29,750,994)	5,073,908
Tax effect on actuarial (loss) / income in retirement benefits plans		10,412,848	(1,775,868)
Total comprehensive (loss) / income for the year		(70,451,589)	67,827,318
Attributable to :			
Owners of the parent		(75,629,285)	55,435,772
Non-controlling interests		5,177,696	12,391,546
Total for the year		(70,451,589)	67,827,318
(Loss) / income per share attributable to the equity holders of the Company:			
Total for the year	22	(0.17)	0.12

The accompanying notes are an integral part of these consolidated financial statements.

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Compañía de Transporte de Energía Eléctrica en Alta Tensión Transener S.A.

Consolidated Balance Sheets as of December 31, 2016 and 2015

(In Argentine Pesos, except as otherwise indicated)

	Note	31.12.2016	31.12.2015
Assets			
Non-current assets			
Property, plant and equipment	11	1,978,669,761	1,742,868,714
Other receivables	12	17,552,954	17,552,954
Deferred tax assets	10	40,004,187	0
Total Non-current assets		2,036,226,902	1,760,421,668
Current Assets			
Trade accounts receivables	13	532,444,214	536,679,172
Other receivables	12	125,475,908	68,856,023
Investments at fair value		584,951,522	541,161,029
Cash and cash equivalents	14	66,522,894	50,673,505
Total Current assets		1,309,394,538	1,197,369,729
Total Assets		3,345,621,440	2,957,791,397
Equity and liabilities			
Capital stock		444,673,795	444,673,795
Inflation adjustment on common stock		352,996,229	352,996,229
Share premium		31,978,847	31,978,847
Legal reserve		42,628,456	42,628,456
Other comprehensive income		(41,385,579)	(22,569,627)
Retained earnings		(232,190,321)	(175,376,988)
Equity attributable to owners of the parent		598,701,427	674,330,712
Non-controlling interests		53,387,890	48,210,194
Total equity		652,089,317	722,540,906
Liabilities			
Non-current liabilities			
Debt and other indebtedness	15	1,513,041,249	1,234,822,563
Taxes payable	26	35,209,629	0
Deferred tax payable	10	0	34,553,325
Employee benefits payable	16	278,420,061	193,527,886
Trade accounts payable	17	3,023,615	3,312,643
Total Non-current liabilities		1,829,694,554	1,466,216,417
Current liabilities			
Previsions	25	70,015,237	64,288,605
Other liabilities	2	778,781	778,781
Debt and other indebtedness	15	58,518,829	278,946,317
Taxes payable		237,198,286	49,398,067
Payroll and social securities taxes payable		300,606,347	207,849,503
Trade accounts payable	17	196,720,089	167,772,801
Total Current liabilities		863,837,569	769,034,074
Total Liabilities		2,693,532,123	2,235,250,491
Total Equity and liabilities		3,345,621,440	2,957,791,397

The accompanying notes are an integral part of these consolidated financial statements.

Transener

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Compañía de Transporte de Energía Eléctrica en Alta Tensión Transener S.A.

Consolidated Statements of Changes in Equity for the fiscal years ended December 31, 2016 and 2015

(In Argentine Pesos, except as otherwise indicated)

	Attributable to owners of the parent								
	Common Stock	**Inflation adjustment on common stock**	**Share premium**	**Legal reserve**	**Other comprehensive income**	**Retained earnings**	**Subtotal**	**Non-controlling interests**	**Total equity**
Balance as of December 31, 2014	**444,673,795**	**352,996,229**	**31,978,847**	**42,628,456**	**(25,759,222)**	**(227,623,165)**	**618,894,940**	**35,818,648**	**654,713,588**
Income for the year	0	0	0	0	0	52,246,177	52,246,177	12,283,101	64,529,278
Other comprehensive income for the year	0	0	0	0	3,189,595	0	3,189,595	108,445	3,298,040
Balance as of December 31, 2015	**444,673,795**	**352,996,229**	**31,978,847**	**42,628,456**	**(22,569,627)**	**(175,376,988)**	**674,330,712**	**48,210,194**	**722,540,906**
Loss for the year	0	0	0	0	0	(56,813,333)	(56,813,333)	5,699,890	(51,113,443)
Other comprehensive loss for the year	0	0	0	0	(18,815,952)	0	(18,815,952)	(522,194)	(19,338,146)
Balance as of December 31, 2016	**444,673,795**	**352,996,229**	**31,978,847**	**42,628,456**	**(41,385,579)**	**(232,190,321)**	**598,701,427**	**53,387,890**	**652,089,317**

The accompanying notes are an integral part of these consolidated financial statements.

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Compañía de Transporte de Energía Eléctrica en Alta Tensión Transener S.A.

Consolidated Statements of Cash Flows for the fiscal years ended December 31, 2016 and 2015

(In Argentine Pesos, except as otherwise indicated)

	Note	Fiscal year ended 31.12.2016	31.12.2015
Cash flows from operating activities:			
(Loss) / Income for the year		(70,451,589)	67,827,318
Adjustments:			
Depreciation of property, plant and equipment	11	98,136,637	90,857,640
Instrumental Agreement	2	(1,642,049,927)	(1,502,609,448)
Previsions	25	14,273,158	38,198,129
Other comprehensive results	16	19,338,146	(3,298,040)
Employee benefits plan	16	86,561,613	77,149,945
Income tax expense accrued during the year	10	(17,576,278)	37,686,497
Foreign exchange and other financial results	15	498,275,716	653,169,889
Mutual funds results	9	(170,259,567)	(150,427,704)
Retirements of property, plant and equipment	11	10,985,862	12,489,229
Changes in certain assets and liabilities, net of non-cash:			
(Increase) Decrease in trade receivables		(331,615,115)	(210,380,124)
(Increase) Decrease in other receivables		(56,619,885)	(19,400,985)
Increase (Decrease) in trade accounts payable		28,658,260	(33,398,458)
Increase (Decrease) in previsiones	25	(8,546,526)	0
Increase (Decrease) in payroll and social securities taxes payable		92,756,844	46,173,542
Increase (Decrease) in taxes payable		176,441,462	(73,024,625)
Increase (Decrease) of employee benefits payable	16	(31,420,432)	(25,901,546)
Income tax payment		0	(41,484,910)
Net cash used in operating activities		(1,303,111,621)	(1,036,373,651)

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Compañía de Transporte de Energía Eléctrica en Alta Tensión Transener S.A.

Consolidated Statements of Cash Flows for the fiscal years ended December 31, 2016 and 2015 (continued)

(In Argentine Pesos, except as otherwise indicated)

	Note	Fiscal year ended 31.12.2016	31.12.2015
Cash flows from investing activities:			
Purchases of the acquisition of property, plant and equipment	11	(344,923,546)	(257,215,242)
Decrease in investments at fair value		126,469,074	(104,130,352)
Cash used in investing activities		(218,454,472)	(361,345,594)
Cash flows from financing activities:			
Funds from CAMMESA Financing	2	1,977,900,000	1,647,600,006
Payments and repurchase of bonds and other indebtedness - Principal	15	(278,765,280)	(130,871,634)
Payments and repurchase of bonds and other indebtedness - Interests	15	(161,719,238)	(111,409,042)
Net cash generated by financing activities		1,537,415,482	1,405,319,330
Increase / (Decrease) in cash and cash equivalents		15,849,389	7,600,085
Cash and cash equivalents at the beginning of the year		50,673,505	43,073,420
Cash and cash equivalents at year end	14	66,522,894	50,673,505
Significant non-cash transactions			
Decrease in accounts receivable	2	1,977,900,000	1,647,600,006
Decrease in other liabilities - CAMMESA Financing	2	(1,977,900,000)	(1,647,600,006)
		0	0

The accompanying notes are an integral part of these consolidated financial statements.

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Compañía de Transporte de Energía Eléctrica en Alta Tensión Transener S.A.

Notes to the Consolidated Financial Statements

(In Argentine Pesos, except as otherwise indicated)

1. Organization and description of business

The concessionaire company Compañía de Transporte de Energía Eléctrica en Alta Tensión Transener S.A. was constituted on May 31, 1993, as a result of the laws No. 23,696 and 24,065 and the Decree No. 2,743/92 which stated the privatization of the high-voltage electricity transmission system in Argentina, which up to that date were provided by Agua y Energía Eléctrica Sociedad del Estado (AyEE), Hidroeléctrica Norpatagónica S.A. (Hidronor) and Servicios Eléctricos del Gran Buenos Aires S.A. (SEGBA) and resolved the creation of a company that would receive the concession to operate the service. The Ministry of Economy and Public Works and Services called for international bidding for the sale of the majority shares of the aforementioned company.

The privatization was finalized through the subscribed contract of transfer by the National Government, acting on behalf of the mentioned companies in the preceding paragraph, and Compañía Inversora en Transmisión Eléctrica Citelec S.A. (in later "Citelec S.A."), which has control on Transener S.A. The assets affected to the privatized service were received simultaneously.

Finally, on July 17, 1993 the takeover of Transener by the Consortium took place, starting on the mentioned date its operations.

On July 30, 1997, the province of Buenos Aires privatized Empresa de Transporte de Energía Eléctrica por Distribución Troncal de la Provincia de Buenos Aires Sociedad AnónimaTransba S.A. (in later "Transba S.A."), which was created by the province of Buenos Aires, in March 1996, and subsequently acquired by Transener S.A., in order to own and operate the network of Transba S.A. As of the date of these financial statements Transener S.A. holds 90% of the shares of capital of Transba S.A., because the remaining 10% was transferred to a program of property owned for the personal benefit of Transba S.A. employees in exchange for a right to future dividends of Transba S.A. on such shares.

On August 16, 2002, Transener S.A. created Transener International Ltda., located in the city of Brasilia, Brazil Republic. As of the date of the issuance of these Consolidated Statements, Transener holds 99.93% of Transener International Ltda’s shares. On March 25, 2012, the Board of Directors approved to discontinue the Transener International Ltda’s operation and maintenance contracts.

These consolidated financial statements (in hereinafter referred to as "financial statements), have been approved for issuance by the Board of Directors on March 7, 2017.

2. Tariff Review

The Emergency Law No. 25561, which fixed the prices and tariffs of the public services companies’ contracts in Pesos at the exchange rate of Peso 1 for each US$1, has imposed the obligation to renegotiate the concession agreements with the National Government to those companies that provide public services, such as Transener and Transba, while continuing to render the service. This situation has significantly affected the economic and financial situation of the Company and its subsidiary Transba.

In May 2005, Transener and Transba entered into the Definitive Agreements with the representatives of the Unit for the Renegotiation and Analysis of Public Utility Contracts (“UNIREN”), which contain the terms and conditions for the renegotiation of the Concession Contracts.

According to the guidelines stated in the mentioned Definitive Agreements, the following was foreseen: i) to carry out a Full Tariff Review (“FTR”) before the ENRE and to determine a new tariff regime for Transener and Transba, which should have come into force during the months of February 2006 and May 2006, respectively; and ii) the recognition of the major operating costs incurred in the interim period up to the moment in which the tariff regime comes into force as a consequence of the above-mentioned FTR.

Since 2006 Transener and Transba have communicated to the ENRE the need to regularize the fulfillment of the commitments settled in the Definitive Agreement, describing the breaches of commitments established in that Agreement on behalf of said regulatory authority, the serious situation arising from such breaches, and its availability to continue with the FTR process, as long as the remaining commitments assumed by the parties continue in force, and the new tariff regime arising from the FTR process is resolved.

Opportunely, Transener and Transba submitted their respective tariff proposals, based on the term stated in the Definitive Agreements, and also in accordance with Article 45 and others of the Law No. 24,065, for the purpose of dealing with the matter, calling for a Public Hearing and defining a new tariff regime, under the expectation of the FTR celebration.

In order to regularize the tariff situation, in December 2010, Transener and Transba entered into the Instrumental Agreements (the “Instrumental Agreements”) related to the Definitive Agreements with the SE and the ENRE.

According to what was stated in the Instrumental Agreements, on May 2, 2011 new extensions of the Financing Agreements (Addendas II) were entered into with CAMMESA. The funds which conforms the Addendas II would be destined to the operation and maintenance, and to the investments plan corresponding to year 2011 and would be disbursed through partial payments in advance according to CAMMESA’S availability of funds, according to the instructions of the SE.

Due to the fact that the mentioned commitments were delayed, and in order to regularize the adjustment of the remuneration as from December 1, 2010, on May 13, 2013 and on May 20, 2013, Transener and Transba, respectively, entered into a Renewal Agreement of the Instrumental Agreement (Renewal Agreement), with the Secretariat of Energy (SE) and the ENRE (National Electricity Regulatory Commission) effective until December 31, 2015, in which the following was stated:

i) the recognition of a credit for Transener and Transba due to cost variations for the period December 2010-December 2012, which has been calculated according to the cost variation index (CVI) established in the Definitive Agreement,
ii) a mechanism for the payment of credit balances pending under Addenda II, together with the amounts mentioned in i) above, during 2013,
iii) a procedure for the automatic adjustment and payment of the cost variations arising during the six-month periods starting as from January 1, 2013, and ending December 31, 2015,
iv) the celebration of a new Addenda with CAMMESA in order to include the amount of credits to be generated and the corresponding interest up to the effective cancellation.

A Cash Flow and an Investment Plan were established under the Renewal Agreement, to be executed by the Companies in 2013 and 2014, taking into account the disbursements received under the Addendas to be entered into. The Cash Flow and Investment Plan in all cases will be adjusted in accordance with the income received by the Companies in each period.

The Investment Plan laid down under the Renewal Agreement establishes investments of approximately $ 286 million and $ 207 million for Transener, and of $ 113 million and $ 100 million for Transba, for the years 2013 and 2014 respectively.

The Renewal Agreements state that in case they are not renewed at expiration, as from January 1, 2016, CAMMESA should consider as remuneration for the services rendered by the Companies, the values established by ENRE Resolutions 327/08 and 328/08 by application of section 4.2 of the clause Four of the Definitive Agreements, which have been determined by the ENRE in the Instrumental Agreements and in the Renewal Agreements.

In order to execute the Third Extension of the CAMMESA Financing, the Companies abandoned the legal actions seeking the enforcement of the commitments under the Definitive Agreements and the Instrumental Agreements. In case of breach of the commitments under the Definitive Agreements, the Instrumental Agreements and the Renewal Agreements, the Companies may resume and/or bring in again legal actions seeking the enforcement of the Definitive Agreements, the Instrumental Agreements and the Renewal Agreements.

On October 25, 2013, Transba signed with CAMMESA an extension of the Financing Agreement (Addenda III) which provides as follows: i) grant a new loan to Transba for the amount of $ 324.8 million, for credits recognized by the SE and ENRE, resulting from cost variations occurred during the period December 2010 to December 2012 and ii) the collateral assignment of the credits recognized as higher costs as of December 31, 2012, in accordance with the Renewal Agreement under the Instrumental Agreement, so as to settle the amounts to be received by application of the new signed extensions.

On February 14, 2014, Transener signed with CAMMESA an extension of the Financing Agreement (Addenda III) which provides as follows: i) grant a new loan to Transener for the amount of $ 785.8 million, for credits recognized by the SE and ENRE, resulting from cost variations occurred during the period December 2010 to December 2012 and ii) the collateral assignment of the credits recognized as higher costs as of December 31, 2012, in accordance with the Renewal Agreement under the Instrumental Agreement, so as to settle the amounts to be received by application of the new signed extensions.

Also, on September 2, 2014, Transener and Transba entered into with CAMMESA their Financing Agreements to implement the Renewal Agreements during 2013 and 2014 (New Financing Agreements), by which it was agreed: i) to consider fulfilled the Financing Agreements and their Addenda I, II and III entered into with CAMMESA; ii) to grant a new loan amounting to $ 622.2 million and $ 240.7 million for Transener S.A. and Transba S.A., respectively, related to the credits recognized by SE and ENRE corresponding to cost variations from January 2013 to May 2014; and iii) the collateral assignment of the credits recognized for higher costs at May 31, 2014 under the Renewal Agreement of the Instrumental Agreement to pay off the amounts receivable for the implementation of the New Financing Agreements.

On March 17, 2015, Transener and Transba entered into with CAMMESA the Addendas to the Financing Agreements (New Addendas), by which it was agreed to grant a new loan amounting to $563.6 million and $178.3 million for Transener and Transba, respectively, related to: (i) the outstanding balance from the Financing Agreements as of January 30, 2015, and (ii) the credits recognized by the SE and ENRE corresponding to variations of costs from June 2014 to November 2014. Additionally, it was agreed the cession of credits resulting from the recognition of the variations of costs as of November 30,2014 according to the Instrumental Agreements in order to cancel the amounts to be received through the application of the New Addendas.

On September 17, 2015 Transener and Transba entered into with the Secretariat of Energy and the ENRE the Addendas to the Renewal Agreement, approving the 2015 Financial and Economic Projection and establishing an investment plan of $ 431.9 and $ 186.6 million for Transener and Transba, respectively, for 2015. Moreover, additional non-refundable amounts were granted for the implementation of said investment plan.

On November 25, 2015 Transener and Transba entered into with CAMMESA the new Financing Agreements (the New Agreements), by which it was agreed to provide funding in the amount of $ 508.9 and $ 317.6 million for Transener and Transba, respectively, corresponding to: i) credits recognized by the SE and the ENRE for cost variations from December 2014 to May 2015 and ii) the amounts for additional investments under the Addenda to the Renewal Agreements.

In addition, it was agreed to transfer the credits recognized for higher costs to May 31, 2015 under the Renewal Agreements of Instrumental Agreements in order to cancel the amounts to be received pursuant to the new contracts signed.

On September 28, 2016, under the instruction given by the National Ministry of Energy and Mining by Res. MEyM No. 196/16, the ENRE through Resolution No. 524/16 approved the program to apply for FTR of Electricity Transmission in 2016, which foresees for the entry into force of the resulting rate schedule as from February 2017.

On December 26, 2016, Transener entered into a new agreement with the SE and ENRE, within the framework of the commitments set forth in the fourth and eleventh clauses of the Definitive Agreement for the Adaptation of the Concession Contract of the Public High Voltage Electric Power Transmission Service

("Definitive Agreement") ratified by the National Executive Power through Decree PEN No. 1462/2005, celebrated on May 17, 2005 with UNIREN.

Under the Agreement, and in order that the Company may have the necessary and sufficient resources to sustain its normal operation and to perform other tasks that are necessary to properly maintain the operation of the electric transmission system under the Concession, the SE (i) recognized in favor of Transener credits for cost variation in the amount of $ 602,9 million, from the period from December 1, 2015 to July 31, 2016, and (ii) determined in favor of Transener credits for higher costs in the amount of $ 899,9 million, respectively, from the period from August 1, 2016 to January 31, 2017. For these purposes, the SE will instruct CAMMESA to enter into a Financing Agreement and Cession of Credits in Warranty, which will be canceled through the cession of the recognized and established credits above mentioned. In addition, the Agreements provide for an "Investment Plan", for the period October 2016 to March 2017, for an amount of approximately $ 299,1 million.

Likewise, on December 26, 2016, Transba entered into a new agreement with the SE and ENRE, within the framework of the commitments set forth in the fourth and eleventh clauses of the Definitive Agreement for the Adaptation of the Definitive Agreement for the Adaption of the Contract of the Concession of the Public Service of Transmission of Electric Power by Trunk Distribution of the Province of Buenos Aires ("Definitive Agreement Transba"), ratified by the National Executive Power through Decree PEN No. 1460/2005, celebrated on May 17, 2005 with UNIREN.

Both agreements will remain in effect until January 31st, 2017 or until the entry into force of the tariff system that must result from the FTR, whichever comes first.

Under the Agreement Transba, and in order this company may have the necessary and sufficient resources to sustain its normal operation and to perform other tasks that are necessary to properly maintain the operation of the electric transmission system under the Concession, the SE (i) recognized in favor of Transba credits for cost variation in the amount of $ 151,9 million, respectively, from the period from December 1, 2015 to July 31, 2016, and (ii) determined in favor of Transba credits for higher costs in the amount of $ 362,8 million, respectively, from the period from August 1, 2016 to January 31, 2017. For these purposes, the SE will instruct CAMMESA to enter into a Financing Agreement and Cession of Credits in Warranty, which will be canceled through the cession of the recognized and established credits above mentioned. In addition, the Agreement provide for an "Investment Plan", for the period October 2016 to March 2017, for an amount of approximately $ 121,4 million for Transba.

At year end, the results of the recognition of the cost variations by SE and ENRE have been recorded in these consolidated financial statements up to the amounts received under Addenda II and III and / or under signing process as indicated in the following. Consequently, Transener has recognized revenues for $1,062.5 million and $908.1 million plus interest for $105.1 million and $139.5 million, for the fiscal year ended December 31, 2016 and 2015, respectively. Accordingly, Transba has recognized revenues for $452.1 million and $418.1 million plus interest for $22.4 million and $36.9 million, for the same years, respectively. The liability for the whole disbursements received up to the amount of the credits recognized as higher costs, according to the Instrumental Agreement and the Renewal Agreement, has been cancelled through the cession of the mentioned credits.

Within the framework of Resolution No. 524/16 referred to above, which includes the program to be applied for the FTR in 2016, on January 31, 2017 the ENRE issued Resolutions Nº 66/17 and Nº 73/17, by which the new tariff system in force for the five-year period 2017/2021 was established for Transener and Transba, respectively.

The ENRE also established the tariff adjustment mechanism, the quality of service and penalties regime, the system of awards and the investment plan to be carried out by both companies during that period.

3. Purpose of financial statements

The accompanying consolidated financial statements have been prepared solely to comply with Luxembourg's Listing requirements and with the provisions set forth in section 22.2 of the Second Supplemental Indenture dated August 2, 2011, entered into by and among Transener, Deutsche Bank Trust Company Americas, among others.

4. Significant accounting policies

The main accounting policies used in the preparation of these consolidated financial statements are explained below. These accounting policies have been applied consistently in all the years presented, except when otherwise indicated.

4.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Standards Committee (IFRIC).

These financial statements are stated in pesos. They have been prepared under the historical cost convention, modified by the measurement of certain financial assets at fair value through profit or loss.

4.2 Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary Transba S.A.. Subsidiaries are all entities in relation to which the economic group is exposed or entitled to, variable benefits from its activities and has the ability to influence that return through its power over them. Subsidiaries are fully consolidated from the date on which control is transferred to the group and deconsolidated from the date that control ceases.

Significant consolidation adjustments are as follows:

1. Elimination of balances of accounts of assets and liabilities between the Company owns and the controlled, so that the financial statements present balances maintained with third parties.
2. Elimination of transactions/operations between the society owns and the controlled, so that the financial statements present results with third parties.
3. Elimination of the participations in the equity and the income / (loss) for each period corresponding to controlled companies as a whole.
4. Recognition of assets and liabilities identified in the processes of business combinations.

The accounting policies of subsidiaries have been modified, if appropriate, to ensure consistency with the policies adopted by the group.

Transba S.A. significant information corresponding to assets, liabilities and results of operations as of December 31, 2016 and 2015 is as follows:

	31.12.2016	31.12.2015
Total assets	902,685,509	705,742,749
Total liabilities	368,806,630	223,640,823
Total equity	533,878,879	482,101,926
Total comprehensive for the year	51,776,953	123,915,468

4.3 Segment reporting

The operating segments are consistent with the internal reporting provided to the highest authority in the Group in relation with operating decisions. The highest authority in relation with operating decisions, which is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer, who takes the strategic decisions.

4.4 Foreign currency transaction

(a) Functional and presentation currency

The items of each of the companies that make up the present consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Argentine pesos, which is group functional and presentation currency.

The Company has assessed and concluded that as of the date of these consolidated financial statements the conditions set out in IAS 29 *Financial Reporting in Hyperinflationary Economies* are not met and, as a result, Argentina is not considered a hyperinflationary economy. These conditions include that the accumulated inflation over the last three years amounts to or exceeds 100%. As of the date of issuance of these consolidated financial statements, this standard, measured as the variance in the Wholesale Price Index published by the National Institute of Statistics and Census ("INDEC"), is not met. As a result, these consolidated financial statements have not been restated.

IAS 29 establishes that if this standard is reached, the financial statements should be restated from the date of the last restatement (March 1, 2003) or the last revaluation of assets that had been revalued on transition to IFRS.

However, in recent years certain macroeconomic variables affecting the Company's business, such as wage costs and input prices, have undergone annual variations of some importance. This circumstance should be considered in the evaluation and interpretation of the financial position and results presented by the Company in these financial statements.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions or valuation where items are re-measured. Assets and liabilities in foreign currency are converted to the functional currency at the exchange rate prevailing at the end of the fiscal year. Gains and losses on exchange differences resulting from the cancellation of such asset/liability or its conversion using other exchange rates than those used at the time of its incorporation (or at the end of the previous fiscal year), are recognized in the statement of operations in the line "Other financial results".

4.5 Property, plant and equipment

(a) Cost

Property, plant and equipment is stated at historical cost less depreciation and impairment losses, if appropriate. Historical cost includes expenditure that is directly attributable to the acquisition of the item. Costs incurred after are included in the values of the asset only to the extent that it is probable that they generate future economic benefits and its cost can be measured reliably. The value of the replaced parts is deducted.

When an item includes several significant components with different useful lives, each one of these components is accounted as a separate item.

Higher maintenance costs are recognized as part of the value of cost of the asset to the extent that meet the general criteria for the recognition of assets and depreciated within estimated up to the next higher maintenance. Any resulting residual value of the previous maintenance is charged to results.

Spare parts have been valued at the cost of acquisition and the works in progress include the costs of design, materials, direct labor and indirect costs of construction. The costs of financing, if appropriate, are activated within the cost of the works in progress in the measure that met the conditions laid down in IAS 23 "Borrowing costs".

(b) Depreciation

Land is not depreciated. Depreciation on other assets is using the straight-line method, taking into consideration annual rates enough to extinguish the net carrying values at the end of useful lives, as follow:

- Buildings and civil works 50 years
- Transmission lines 30-50 years
- Vehicles 5 years
- Furniture and fixtures 10 years

The asset´s residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. From the review performed, no adjustments were made to their value.

4.6 Impairment of non-financial long-term assets

Companies analyze the recoverability of its long-term assets periodically or whenever events or changes occur in circumstances involving a potential indication of impairment of the value of goods in respect of their recoverable value, measured as the use value to year end. The use value is determined on the basis of cash flows projected and discounted using discount rates that reflect the time value of money and the risks specific to the assets concerned. The cash flow is made based on estimates regarding the future behavior of certain variables that are sensitive in determining the recoverable value, among which are: i) the nature, timing and form of tariff increases and recognition of cost adjustments, in accordance with the agreements described in Note 2, ii) projections of demand, iii) changes in costs to be incurred, and iv) macroeconomic variables such as growth rates, inflation rates, exchange change, among others.

When it is not possible to estimate the recoverable value of an asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The Company believes that impairment exists when the carrying amount of an asset exceeds its recoverable amount. In that case, the Company recognizes a loss for the excess. When the conditions that gave rise to the recognition of an impairment loss disappear, the carrying amount of the asset (or cash-generating unit) is increased to bring it to its new estimated recoverable value, without exceeding the carrying amount that would have resulted if the impairment loss mentioned above would have not been registered. The reversal of an impairment loss is recognized in the income statement.

As of December 31, 2016, no evidence of impairment of the value of the assets has been identified with respect to its fair value.

4.7 Financial assets

According to the IFRS 9 the Company classifies its financial assets at initial recognition in the following categories: (i) in financial assets to fair value, and (ii) financial assets at amortized cost. The classification depends on the Company’s business model to manage financial assets and the contractual cash flows of the financial asset characteristics.

(a) Financial assets at amortized cost

Financial assets must be classified in this category if (i) they are financial assets that are framed within a business model that aims to keep the assets to obtain contractual cash flows, and (ii) the financial asset contractual terms give rise, on specified dates, to cash flows that are solely payments of capital and interest on the amount of capital outstanding.

(b) Financial assets to fair value

Recognition and measurement

Financial assets at fair value are those that are not measured at amortized cost.

Purchases and regular sales of financial assets are recognized at the date of negotiation, date in which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus the transaction costs for all financial assets that are not registered at fair value with changes in results. Financial assets recognized at fair value with changes in results are initially recognized at fair value and transaction costs are recognized as an expense in the statement of operations.

Investments se are not recognized any more when the rights to receive cash flows from investments expire or are transferred and the Company has transferred substantially all the risks and benefits of their property. Financial assets at fair value with changes in results are subsequently recorded at their fair value.

Gains and losses arising from changes in the fair value of financial assets at fair value through profit and loss are exposed in the statement of operations under "financial result", in the fiscal year in which the referred changes in the fair value occurs.

The Company’s financial assets include the following:

- Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held at call with banks.

Bank overdrafts are recorded under current bonds and other indebtedness of the balance sheet.

Cash and deposits held at call with bank are valued at their nominal value.

- Investments at fair value

Investments at fair value include mutual funds not considered cash equivalents.

Investments in mutual funds are valued at fair value, with recognition in results.

- Trade accounts receivables and other receivables

Trade accounts receivables and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, net of the allowance for irrecoverable receivables. The allowance for irrecoverable receivables is established when there is objective evidence that the Company may not collect all amounts due according to the original terms.

If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

The fair value of financial assets is similar to the amortized cost included in these financial statements.

4.8 Impairment of financial assets at amortized cost

The Company assesses each closing date whether there is objective evidence of impairment or deterioration in the value of a financial asset or group of financial assets measured at amortized cost.

A financial asset or group of financial assets is impaired and the loss for impairment recognized directly in the statement of operations if there is objective evidence of devaluation as result of one or more events that occurred after the initial of the asset recognition and said event (or events) have an impact on the estimated future of the cash flows of the financial asset or group of financial assets.

Some of the indicators of impairment or devaluation which the Company assesses to determine whether there is objective evidence of loss of value include the following: delays in payments received from customers, the disappearance of an active market for a financial instrument due to the existence of difficulties, declaration of bankruptcy of customers, observable information that indicates a measurable decrease in the future cash flows of a portfolio of financial assets, etc.

4.9 Financial liabilities

Financial liabilities include trade accounts payable, payroll and social securities taxes payable, taxes payable, bonds and other indebtedness and CAMMESA financing and other various debts.

Financial liabilities are recognized initially at fair value and subsequently at cost using the effective interest method. Bonds and other indebtedness are recognized initially at fair value, net of costs incurred on the transaction. The costs incurred in obtaining loans are capitalized and depreciated over the life of the contract which originates them, using the method of the effective interest.

The amounts arising from the CAMMESA financing are registered as "other liabilities" in the balance sheet. The amounts resulting from the recognition of the variation in costs of the Secretariat of Energy and the ENRE through the Instrumental Agreement, up to the amounts received under the CAMMESA financing, are recognized as receivables and are compensated with the amounts recorded in "other liabilities" in the balance sheet pending formalization of the assignment of the receivables. The recognized gain is recorded as "Electric power transmission service, net income" and is exposed within the line of "net revenues" and "interest income generated by assets" of the statement of operations, according to their respective proportions.

Under the CAMMESA financing outstanding balances are cancelled through the mechanism established by the Instrumental Agreement.

Financial liabilities are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

As of the date of these financial statements, the fair value of financial liabilities does not significantly differ from amortized cost.

4.10 Derivative financial instruments

The hedge instruments (futures in foreign currency) held by the Company fell due on January 30, 2015, generating a net loss of $ 494,563, which has been recognized as a net loss for the period and shown under Other financial results in the Condensed Interim Consolidated Comprehensive Income Statement.

As of December 31, 2016, the Company did not hold derivative financial instruments.

4.11 Employee benefits

The Company operates several defined benefit plans. The defined benefit plans establish the amount of benefit that an employee will receive at the time of retirement, depending on one or more factors such as age, years of service and remuneration. In accordance with the conditions established in each plan, the benefit may involve payment of a single sum, or the making of payments complementary to those of the pension system.

The benefits considered are as follows: a) a bonus for years of seniority to be paid, which consists of paying one salary after 20 years of continued employment and for every 5 years up to 40 years; and b) a bonus for those workers who have credited years of service in order to obtain the Ordinary Pension. The amounts and conditions may vary according to each collective bargaining agreement and for those workers, who are not included in them.

Liabilities related to accumulated seniority plans and to benefits given to employees before mentioned have been determined contemplating all rights accrued by the beneficiaries of the plans until the end of the year ended December 31, 2016 and 2015 respectively, based on an actuarial study conducted by an independent professional as of December 31, 2016. The carried out actuarial method used by the Company is the projected unit credit method.

The present value of the defined benefits obligation is determined by discounting the estimate future cash flow using the interest rate that Company consider appropriate for this kind of obligations. The before mentioned concepts are exposed under non-current “Payroll and social securities taxes payable”.

Actuarial gains and losses arising from experience and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past service expenses are recognized immediately in income/loss.

4.12 Income tax and Minimum Notional Income tax

(a) Income tax

Income tax charge for the year comprises current and deferred tax. Tax is recognized in the statement of operations, except when it is items that are recognized directly in the statement of other comprehensive income. In this case, the related income tax of such items is also recognized in that statement.

The current income tax charge is calculated on the basis of tax laws enacted or substantially enacted at the time of the balance sheet. Management assesses periodically the position taken in the tax declaration with respect to situations in which the tax laws are subject to interpretation. The Company, where appropriate, makes allowance on the amounts expected to be paid to the tax authorities.

The deferred tax is determined in its entirety, by the liability method, on temporary differences arising between the tax bases of assets and liabilities and their respective accounting values. The deferred tax is determined using tax rates (and legislation) that have been enacted at the balance sheet date and is expected to be applicable when the active deferred tax is carried out or passive deferred taxes be paid.

Deferred assets are only recognized to the extent that future tax benefits against which the temporary differences can be used occur.

Balances of deferred tax income assets and liabilities are compensated when there is enforceable legal right to compensate current tax assets with current tax liabilities and when deferred income tax assets and liabilities relate to the same tax authority already is the entity or different taxable entities in where there is intention to liquidate a net basis balances.

(b) Minimum Notional Income tax

The Company determines the minimum notional income tax by applying the existing rate of 1% on computable assets at each closing date. This tax is complementary to the income tax. The tax obligation of the Company coincides with the greatest of both taxes. However, if the minimum notional income tax exceeds a fiscal year income tax, the excess can be computed as payment on account of the income tax that might occur in any of the ten following fiscal years.

The minimum notional income tax credit exposed under other non-current receivables, is the portion that the Company considers may be compensated for by the income tax in excess of the tax to the minimum notional income tax to be generated within the next ten fiscal years.

4.13 Previsions

The Company is a party to various claims, lawsuits and other legal proceedings, including customer's claims, where third parties seek compensation, payment for damages or reimbursement for losses. The potential responsibility of the Company with respect to such claims, lawsuits and other legal proceedings cannot be estimated with certainty. The Management, with the aid of the legal counsel (lawyers) periodically reviews the status of each significant matter and assesses the potential financial exposure. If the loss arising from a lawsuit or claim is considered probable and the amount can be reasonably estimated, a provision is set up.

The allowance for contingent losses show a reasonable estimate of the losses that will be incurred, based on information available to the Management at the date of preparation of the financial statements and considering the litigation and settlement strategies. Estimates are mainly made with the assistance of legal counsel. However, if the estimates of Management are incorrect, current provisions may be inadequate and a charge to earnings may be incurred that could have a material impact on the consolidated statements of financial position, comprehensive income, changes in equity and cash flows.

4.14 Assets and liabilities balances with related parties

Assets and liabilities with the owner of the parent and other related parties generated by several transactions have been valued in accordance with the conditions agreed as if they were made between unrelated parties.

Persons and companies covered by the Law N° 26.831 (Capital Market) and regulations of the National Securities Commission have been included as related parties.

4.15 Revenue recognition

Revenues include the consideration received or to receive services in the normal course of business and sets out net of penalties and rewards.

The Company recognizes revenues from sales when the related amounts can be estimated reliably, when it is probable that future economic benefits will flow to the entity and the specific criteria for each of the activities described below have been met. The Management based their estimates on historical experience, taking into consideration the type of customer, the type of transaction and the specific characteristics of each agreement.

The operating revenue is derived principally from two sources: (i) regulated revenues, net of penalties and awards and (ii) net non-regulated revenues.

(i) Regulated revenues, net of penalties and awards

Electric power transmission service, net consists of tariffs paid to the Company by CAMMESA on a monthly basis for putting its transmission assets at the SADI's disposal. Net revenues by service of electric power transmission include (a) income for electricity transmission (by transmit electricity through high-voltage networks (in hereinafter referred to as "Networks"), (b) income by transmission capacity (to operate and maintain the transmission equipment comprising networks), (c) income per connection (for operating and maintaining the connection and transformation equipment, which allows the transfer of electricity from, to and from networks through), (d) reactive equipment revenues (consisting in a payment by reactive equipment made with synchronous compensators), (e) the supervision of the expansion of the SADI, (f) the supervision of operations and maintenance of the independent transmitters, (g) any adjustment by IVC (according to the Definitive Agreement, the Instrumental Agreement and the Renewal Agreement), (h) other regulated revenues and (i) awards, net of penalties.

Electricity transmission revenues, transmission capacity revenues, connection revenues and reactive equipment revenues are recognized as the services are provided.

On the other hand and due to the uncertainty in the collection, IVC adjustment is recognized as income when the Company has certainty about its collection.

(ii) Net non-regulated revenues

The Company receives net other revenues from services provided to third-party with assets not included in networks. These net other revenues derive from (a) the construction and installation of structures and electrical equipment, (b) operation and maintenance of the lines outside of the network, (c) operation and maintenance of the Fourth Line, (d) any adjustment by IVC (according to Definitive Agreement, the Instrumental Agreement and the Renewal Agreement) and (e) other services. Net other revenues and costs related to them, except the service referred to in (a) are recognized as a result to these services are provided. The revenues generated by the construction and installation of electrical equipment and assets are recognized accounted for according to the degree of progress of work.

Significant implicit financial components contained in the statements of operations have been properly segregated.

On the other hand and due to the uncertainty in the collection, IVC adjustment is recognized as income when the Company has certainty about its collection.

(iii) Penalties and rewards

The Concession Agreements establish a system of penalties that Transener and Transba may incur if defined parts of the Networks are not available to transmit electricity. Non-availability is divided into two types: scheduled and forced. Scheduled outages, which typically result from planned maintenance, incur a reduced penalty of 10% of the rate for forced outages described below.

Penalties for forced outages are proportional to the connection and capacity revenues for the equipment involved, taking into account the following considerations: (i) duration of the outage in hours, (ii) number of previous forced outages during such year and (iii) increase in electricity costs caused by restrictions in the transmission system.

The penalties which Transener and Transba may be required to pay in respect of any calendar month cannot exceed 50% of Transener’s non-consolidated monthly regulated revenue (as determined by dividing annual regulated revenue by twelve), and, in respect of any twelve-month period, 10% of such annual regulated revenue. It is the Company policy to establish a reasonable provision for penalties based on information regarding the duration of an outage and the Company best estimate of the penalty that will be imposed.

Transener and Transba penalties accrue interest commencing on the 39th day after the last day of the month in which the event that resulted in the assessment of penalties occurred, until the date the penalty amount is withheld by CAMMESA from its payments of regulated revenue to us. This interest is calculated at a fluctuating daily rate published by Banco de la Nación Argentina and set in accordance with regulations issued by the Secretariat of Energy, and is the same rate applicable to all debts owed by WEM agents. Interest that accrues on penalties is accounted for by us as penalties (not as an interest expense) and such interest is included in the amount of the provision which the Company makes for any given penalty.

As set forth in the Instrumental Agreements, penalties related to service quality under the Transener and Transba Concession Agreement may be applied by UNIREN as of June 2005 to additional investments, provided that the Company has met its service quality goals every six months as established by the Transener Definitive Agreement.

CAMMESA is responsible for monitoring the availability of the Networks, recording all incidents of non-availability and deducting penalties from Transener revenues.

In accordance with the penalty system, as of the second tariff review in July 1998, the ENRE established, through resolution No. 1,319/98, a monthly rewards system as an incentive to improve the quality of service Transener provides. Rewards are determined after applying any monthly sanctions under the penalty system, and taking into account the level of service quality in the first Transener Tariff Period.

If Transener reaches the level of service quality established in the Transener Definitive Agreement for any given six-month period, Transener will receive an increase of approximately 50% over the current amount of rewards to be received for such period. The Transener Definitive Agreement provides that if service rates are above the average applicable rate of service quality during the period from 2000 to 2004, Transener is entitled to such increase.

It is the Company policy to establish a reasonable provision for rewards based on the information regarding the level of service quality during the fiscal year.

(iv) Interests

Interest income is recognized on the basis of the proportion of elapsed time, using the effective rate method. When the value of an account receivable is impaired, the Company reduces its book value to its recoverable amount, which is the cash flow future estimated discounted at the effective interest rate original of the instrument and continues by reversing the discount as income interest. The interests of loans or provisioned placements are recognized using the original effective rate of the instrument.

4.16 Changes related to the accounting policies under IFRS

4.16.1 New accounting standards, modifications and interpretations issued by the IASB effective at December 31, 2016 and adopted by the Company

- IAS 1 “Presentation of Financial Statements”: the application by the Company of the issued modifications did not have impact on the Company’s results of the operations and financial situation.

- Annual improvements to IFRS - Cycle 2012-2014: the application by the Company of the improvements issued did not have an impact on the results of operations or the financial position of the Company.

4.16.2 New standards, modifications and interpretations not yet effective and not early adopted by the Company

- IFRS 15 “Revenue from Contracts with Customers”: it was issued in May 2014 and in September 2015, its effective date was modified so that it is applied for annual periods beginning on or after January 1, 2018. This standard is about the principles for revenue recognition and it addresses the information requirements on the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. The underlying principle implies the recognition of revenues representing the transfer of goods or services promised to customers in exchange for an amount reflecting the consideration to which the entity expects to be entitled. The Company is analyzing the impact of its application; however, it estimates that it will not have a significant impact on the results of operations or the financial position of the Company.

- IFRS 9 “Financial instruments”: it was amended in July 2014. This version includes in a single document all phases of the IASB project to replace IAS 39 “Financial Instruments: Recognition and Measurement”. These phases comprise classification and measurement, impairment and hedge accounting. This version adds a new impairment model based on expected losses and introduces some minor changes to the classification and measurement of financial assets. The new version replaces all earlier versions of IFRS 9 and is effective for annual periods beginning on or after January 1, 2018. The Company adopted the first phase of IFRS 9 at the date of transition to IFRS and is now analyzing the impact of the second and third phases; however, it estimates that the application of these phases will not have a significant impact on the results of operations or the financial position of the Company.

- IFRS 16 "Leases": it was issued in January 2016 and supersedes the current guidelines of the IAS 17. It defines a lease as a contract, or part of a contract, that conveys the right to control the use of an asset (underlying assets) for a period of time in exchange for consideration. Under this standard, the lessee must recognize a liability for lease arrangements to show the present value of future lease payments and a right-of-use asset. This is a significant change compared with IAS 17, which required that lessee make a distinction between a financial lease (disclosed in the statement of financial position) and an operating lease (without impact on the statement of financial position). IFRS 16 contains an optional exception for lessees, in the case of short-term leases and leases of low-value underlying assets. IFRS 16 is effective for the annual periods starting as from January 1, 2019. The Company is analyzing the impact of its application on the results of operations and the financial position of the Company.

- IAS 7 “Statement of cash flows”: it was amended in January 2016. An entity is required to disclose information to enable users to understand the changes in liabilities incurred in financing activities. This includes the changes arising from cash flows, such as use of funds and amortization of loans, and the changes not involving cash flows, such as acquisitions, sales and unrealized exchange differences. It is applicable for all annual periods commencing on or after January 1, 2017. The application of these amendments will not have an impact on the Company's financial position or the results of its operations, but will only imply new disclosures.

- IAS 12 “Income tax”: it was amended in January 2016, to clarify the requirements relating to the recognition of deferred tax assets for unrealized losses. The amendments clarify how deferred tax will be recognized when assets are measured at fair value and fair value is lower than the tax base of the asset. Furthermore, other aspects relating to the recognition of deferred tax assets are addressed. These amendments become effective on January 1, 2017. The Company estimates that their application will not have an impact on the results of operations or the financial position of the Company.

- IFRS 2 “Share-based payments”: it was amended in June 2016, to clarify the measurement basis for cash-settled share-based payments and the accounting for amendments that change a compensation from cash-settled to equity-settled. It sets forth an exception for IFRS 2 as to requiring that the compensation be treated as fully settled with equity instruments when the employer is compelled to withhold an amount for the employee’s tax obligation associated with a share-based payment and pay that amount to the tax authorities. It is applicable for the annual periods commencing on or after January 1, 2018. The Company is analyzing the impact of its application on the results of operations and the financial position of the Company.

- IFRIC 22 “Foreign currency transactions and Advance consideration”: issued in December 2016. The interpretation addresses the determination of the “date of the transaction” for establishing the exchange rate to be used when recognizing an asset, expense or income related to an entity that has received or paid advance consideration in a foreign currency. The date of the transaction is the date of recognition of the non-monetary asset or liability arising from the receipt or payment of the advance. It is applicable for the annual periods commencing on or after January 1, 2018. The Company is analyzing the impact of its application on the results of operations and the financial position of the Company.

- Annual improvements to IFRS - Cycle 2014-2016: the modifications were issued in December 2016 and they are applicable for the annual periods commencing on or after January 1, 2018. The Company estimates that their application will not have an impact on the results of operations or the financial position of the Company.

4.17 Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of estimates. It also requires management to exercise its judgment of value in the process of applying the Company's accounting policies. Areas that require a greater degree of judgment and complexity, or areas where assumptions and estimates are significant to the financial statements are described in Notes 4.6, 4.8 and 4.11.

5. Financial risk and capital risk management

5.1 Financial risk factors

Financial risk management is part of the policies of the Company which focuses on the uncertainty of global financial markets and tries to minimize the potential adverse effects on its financial profitability.

Financial risk management is controlled by the Administration and Finance Office which identifies, evaluates, and covers financial risks through risk management policies.

(a) Markets risks

(i) Exchange rate risk

The exchange rate risk is the risk that the fair value or future cash flows of a financial instrument vary as a result of variations in the exchange rate of the peso in respect with a foreign currency. The Company receives most of their income in pesos in accordance with rates that are not indexed in relation to the US dollar, while a significant portion of its existing financial debt is denominated in US dollars, which exposes it to the risk of a loss arising from a devaluation of the peso. In addition, a significant portion of operating expenses is nominated in, or calculated by reference to, US dollars or other foreign currencies.

For these reasons the risk of change derives basically from financial debts held in US dollars partially covered by funds invested in foreign currency.

If at December 31, 2016, the peso had revalued / devalued 10% relative to the US dollar; with all other variables held constant, the loss after tax for the year ended on that date would have been $ 99,3 million lower / higher, mainly as a result of gains / losses exchange of cash and cash equivalents and financial debts denominated in US dollars.

If at December 31, 2015, the peso had revalued / devalued 10% relative to the US dollar; with all other variables held constant, the loss after tax for the year ended on that date would have been $ 96,2 million lower / higher, mainly as a result of gains / losses exchange of cash and cash equivalents and financial debts denominated in US dollars.

As of December 31, 2016, the Company valued its financial debt in US dollars at the exchange rate prevailing at that date (See Note 24).

(ii) Price risk

The Company is exposed to the risk of fluctuations in the prices of their investments maintained and classified in the balance sheet at fair value through profit and loss. The Company is not exposed in their income to the risk of the commodity prices. To manage their exposure to price risk arising from their investments, the

Company diversifies its portfolio. Diversification of the portfolio is made according to limits and parameters pre-established by the Administration and Finance Department.

In addition, the Company is exposed to the risk of rising prices of inputs used in the ordinary course of its business. In particular, since the tariffs collected by the Company from its customers are regulated, is exposed to the risk of not being able translate to tariffs increases in its operating costs. To manage their exposure to this risk, the management has business practices targeted to the selection of most suitable providers to ensure that minimize the costs of purchase of inputs without resign the quality of them.

(iii) Interest rate risks

The Company is not exposed to the risk of interest rate given that as of December 31, 2016 approximately 100% of the financial and banking debt was agreed at a fixed interest rate.

(b) Credit risk

Credit risk arises from cash and cash equivalents, deposits in banks and financial institutions, as well as exposure to the credit of customers, which includes the outstanding accounts receivable balances and committed transactions. With regard to banks and financial institutions, it is accepted only to institutions whose independent risk ratings are "Investment grade". In the case of the non-regulated business customers, if there are no independent risks ratings the Company evaluates the credit quality of the customer, taking into account its financial position, past experience and other factors. As of December 31, 2016, the accounts receivable debts amounted to approximately $ 68 million (2015: $ 133 million). As of December 31, 2016, the financial statements included an estimate of $ 8,3 million (2015: $ 1,7 million).

In the case of the regulated business, credit concentration focuses mainly on the balances held with CAMMESA, and accordingly the answer to the credit risk in this business is not subject to decisions or internal credit assessments of the Company, but currently matured balances by revenue invoiced in this business are not registered.

In relation to the accounts receivable, the Company’s credit portfolio is distributed mainly between the balances held with CAMMESA and other clients. The concentration of appropriations focuses mainly on the balances held with CAMMESA, representing 71% of the total portfolio of accounts receivable of the Company to December 31, 2016 (2015: 87%).

(c) Liquidity risk

The Administration and Finance Department oversees the cash flow projections updated with the object of ensuring the cash needed to meet operational needs while maintaining credit lines with sufficient margin to cover any financial shortfall. These projections, as well as habitual operating income and expenses, take into consideration plans for financing of capital investments of the Company, fulfillment of the obligations of trust contracts that govern the long term debts (covenants), regulatory and legal requirements, for example, rules issued by Central Bank of the Republic Argentina.

The Company’s Finance Department invests surplus cash in fixed-term deposits, deposits in foreign currency funds, mutual funds and corporate and sovereign bonds, choosing instruments with maturities suitable or sufficient liquidity to give sufficient margin as determined in the above projections. As of December 31, 2016 the Company remained cash and cash equivalents by $ 651 million that is expected to generate immediate cash inflows for the liquidity risk management (2015: $ 592 million).

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The table below analyses the financial liabilities on a net basis grouped on the basis of the period remaining to the date of the balance sheet until the date of its expiry, on nominal without discounted basis.

As of December 31, 2016	Matured	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Over 2 years
Debt and other indebtedness	0	58,518,829	0	0	1,565,721,150
Accounts payable	0	194,578,089	0	0	0
Other liabilities	0	778,781	0	0	0

As of December 31, 2014	Matured	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Over 2 years
Debt and other indebtedness	0	48,705,347	231,851,200	0	1,284,896,400
Accounts payable	0	152,774,753	0	0	0
Other liabilities	0	778,781	0	0	0

5.2 The risk of capital management

The objectives of the Company to manage capital are to safeguard the ability of the Company to continue as a going concern for the purpose of generating returns to its shareholders and to maintain an optimal capital structure to reduce the cost of capital.

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

Consistent with the industry, the Company monitors its capital on the basis of the ratio of leverage. This ratio is calculated by dividing net debt between the total capital. Net debt corresponds to the total of the debt (including current and non-current indebtedness) less cash and cash equivalents. The total capital corresponds to the equity as it is in the Balance Sheets more net debt.

The leverage ratio on December 31, 2016 and 2015 and the date of transition to IFRS are as follows:

	31.12.2016	31.12.2015
Total Debt and other indebtedness	1,571,560,078	1,513,768,880
Less: Cash and cash equivalents and investments at fair value	(651,474,416)	(591,834,534)
Net debt	920,085,662	921,934,346
Total Equity	652,089,317	722,540,906
Total capital	1,572,174,979	1,644,475,252
Leverage ratio	59%	56%

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5.3 Financial instruments by category and level fair value hierarchy

For financial instruments accounting policies have been applied to the items as follows:

	31.12.2016	31.12.2015
Financial assets		
Cash and cash equivalents - Mutual funds at fair value	584,951,522	541,161,029
Trade accounts receivables at amortized cost	532,444,214	536,679,172
Other receivables at amortized cost	15,192,453	10,631,109
Cash and cash equivalents at fair value	66,522,894	50,673,505
Total	1,199,111,083	1,139,144,815
Financial Liabilities		
Debt and other indebtedness	1,571,560,078	1,513,768,880
Trade accounts payable	194,578,089	152,774,753
Other liabilities	778,781	778,781
Total	1,766,916,948	1,667,322,414

The Company categorizes each of the classes of financial instruments valued at fair value in the Balance Sheet using a hierarchy of fair value which has three levels, depending on the relevance of the variables used to carry out the measurements.

Level 1 includes financial assets and liabilities whose fair values are determined with reference to quote prices (unadjusted) in active markets for identical liabilities and assets. Level 2 includes financial assets and liabilities whose fair value is estimated using variables other than quote prices included in level 1 that are observable for assets and liabilities, either directly (for example, prices) or indirectly (for example, derivatives prices). Level 3 includes financial instruments for which the variables used in the estimation of the fair value are not based on observable market data.

Description	**Measurement at fair value as of December 31, 2016**			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss				
Investments at fair value	584,951,522	0	0	584,951,522
Total Assets	584,951,522	0	0	584,951,522

Description	**Measurement at fair value as of December 31, 2015**			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss				
Investments at fair value	541,161,029	0	0	541,161,029
Total Assets	541,161,029	0	0	541,161,029

There were no relevant transfers between levels 1, 2 and 3 of the fair value hierarchy.

The estimated fair value of a financial instrument is the value to which this instrument can be exchanged in the market among interested parties, different from the value that can arise in a sale or forced liquidation. For the purpose of estimating the fair value of financial assets and liabilities, the Company uses quote prices in the market.

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6. Segment reporting

The Company concentrates its businesses mainly on its primary and secondary activity. As the activity is basically carried out in Argentina, therefore, no segments by geographic area have been identified.

As of December 31, 2016 and 2015, the operating segments have been adapted to the guidelines of ENRE Resolution 176/2013, which establishes that a regulatory accounting system will enter into force since January 1, 2014, differentiating regulated from non-regulated activity pursuant to the resolution.

The segment information submitted to the General Director, who takes the business strategic decisions, for the reportable segments for the fiscal years ended December 31, 2016 and 2015 is as follows:

	Regulated activity $	Non-regulated activity $	Total $
Fiscal year ended December 31, 2016			
Net revenues	1,943,275,364	326,982,151	2,270,257,515
Operating results	(22,113,275)	133,444,133	111,330,858
Total assets	3,283,953,853	61,667,587	3,345,621,440
Total liabilities	2,347,788,906	345,743,217	2,693,532,123
Acquisition of property, plant and equipment	344,923,546	0	344,923,546
Property, plant and equipment depreciation	98,136,637	0	98,136,637
Fiscal year ended December 31, 2015			
Net revenues	1,759,105,103	187,738,226	1,946,843,329
Operating results	262,984,356	85,061,636	348,045,992
Total assets	2,891,823,657	65,967,740	2,957,791,397
Total liabilities	1,902,221,337	333,029,154	2,235,250,491
Acquisition of property, plant and equipment	257,215,242	0	257,215,242
Property, plant and equipment depreciation	90,857,640	0	90,857,640

No sales between operating segments identified by the Company are perfected. Sales revenues reported to the Direction of the Company are measured in the same way as for the preparation of the statement of operations. Assets and liabilities are allocated based on the segment.

7. Net Revenues

	Fiscal year ended 31.12.2016	Fiscal year ended 31.12.2015
Net Regulated Revenue	1,943,275,364	1,759,105,103
Net Non-Regulated Revenue	326,982,151	187,738,226
Net Revenues	2,270,257,515	1,946,843,329

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8. Expenses by Nature

Items	Fiscal year ended December 31, 2016			Fiscal year ended December 31, 2015		
	Total	Operating Expenses	Administrative Expenses	Total	Operating Expenses	Administrative Expenses
Salaries and social security charges	1,337,381,776	1,087,842,378	249,539,398	1,013,969,691	823,322,298	190,647,393
Other personnel costs	18,368,664	12,178,097	6,190,567	14,695,631	10,219,126	4,476,505
Fees for operating services	31,217,402	31,217,402	0	30,310,539	30,310,539	0
Professional fees	32,228,235	9,445,743	22,782,492	20,181,398	6,569,805	13,611,593
Equipment maintenance	31,519,693	31,519,693	0	13,452,196	13,452,196	0
Work for third-party materials	85,161,162	85,161,162	0	24,919,220	24,919,220	0
Fuel and lubricants	26,787,785	25,582,812	1,204,973	21,326,897	20,357,507	969,390
General Maintenance	68,112,471	66,264,358	1,848,113	49,246,461	47,412,794	1,833,667
Electricity	4,859,937	4,452,660	407,277	2,326,139	2,224,190	101,949
Depreciation of property, plant and equipment	98,136,637	88,316,092	9,820,545	90,857,640	81,763,733	9,093,907
Administration expenses related to WEM	833,299	833,299	0	820,784	820,784	0
Regulatory fees	1,898,335	1,898,335	0	2,417,003	2,417,003	0
ATEERA membership fees	1,616,250	0	1,616,250	872,474	0	872,474
Communications	10,538,909	8,617,560	1,921,349	6,958,545	5,978,986	979,559
Transportation	13,140,536	13,040,002	100,534	9,765,072	9,698,554	66,518
Insurance	56,900,225	52,926,404	3,973,821	46,795,215	44,252,458	2,542,757
Rents	18,988,725	7,036,804	11,951,921	18,362,037	10,574,141	7,787,896
Travel and lodging expenses	74,735,021	70,904,031	3,830,990	53,927,109	51,811,244	2,115,865
Licences, stationary and printing	24,221,632	2,769,280	21,452,352	10,065,184	1,710,944	8,354,240
Taxes and government contributions	12,466,010	11,612,420	853,590	8,740,151	8,031,971	708,180
Directors and syndics	5,884,941	0	5,884,941	4,375,861	0	4,375,861
Security	46,263,119	46,167,676	95,443	31,488,060	31,405,399	82,661
Office and substation cleaning	29,044,587	27,067,406	1,977,181	22,458,436	21,010,948	1,447,488
Electroduct maintenance	19,206,888	19,206,888	0	13,752,658	13,752,658	0
Provisions	37,897,084	37,897,084	0	37,143,318	37,143,318	0
Irrecoverable receivables prevision	6,620,407	6,620,407	0	1,208,578	1,208,578	0
Others	33,907,657	18,039,757	15,867,900	23,635,338	14,796,292	8,839,046
TOTAL	2,127,937,387	1,766,617,750	361,319,637	1,574,071,635	1,315,164,686	258,906,949

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9. Financial Results Net

	Fiscal year ended	
	31.12.2016	**31.12.2015**
Finance Income		
Renewal Agreement interest (Note 2)	127,434,652	176,478,007
Mutual funds	170,259,567	150,427,704
Fourth Line interest	0	47,787,784
Other finance income	33,246,970	12,829,948
Total finance income	330,941,189	387,523,443
Finance Costs		
Interests generated by loans	(175,266,677)	(123,448,104)
Other finance costs	(8,914,978)	(248,397)
Total finance costs	(184,181,655)	(123,696,501)
Other financial results		
Foreign exchange	(323,009,039)	(529,721,785)
Other foreign exchenge net	(3,771,074)	21,564,111
Result from derivative financial instruments	0	(494,563)
Result from liabilities measured at fair value	0	(1,004,922)
Total Other financial results	(326,780,113)	(509,657,159)
Total Other financial results, net	(180,020,579)	(245,830,217)

10. Income tax and deferred income tax

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

Deferred Tax Assets

	Tax loss carryforward (1)	Trade accounts receivable	Other receivables	Emloyee benefits payable	Other liabilities	Total
As of January 1, 2016	19,364,369	565,198	714,407	67,734,760	37,141,161	125,519,895
Charged to the income statement	17,651,110	906,463	0	19,299,413	11,996,329	49,853,315
Charged to other comprehensive income	0	0	0	10,412,848	0	10,412,848
As of September 30, 2016	37,015,479	1,471,661	714,407	97,447,021	49,137,490	185,786,058
As of January 1, 2015	0	142,195	937,060	51,573,689	16,699,640	69,352,584
Charged to the income statement	19,364,369	423,003	(222,653)	17,936,939	20,441,521	57,943,179
Charged to other comprehensive income	0	0	0	(1,775,868)	0	(1,775,868)
As of September 30, 2015	19,364,369	565,198	714,407	67,734,760	37,141,161	125,519,895

(1) Includes tax losses amounting to $ 10.9 million and $ 12,3 million as of December 31, 2016 and 2015, which have been fully provided for.

Prevision for tax losses

	31.12.2016	**31.12.2015**
Total at the beginning of the year	12,300,000	12,300,000
Increases	0	0
Decreases	(1,400,000)	0
Total at the beginning of the year	10,900,000	12,300,000

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Deferred Tax Liabilities

	Property, plant and equipment	Investments at fair value	Debt and other indebtedness	Total
As of January 1, 2015	111,215,928	30,767,868	18,089,424	160,073,220
Charged to the income statement	(9,966,567)	(4,673,323)	348,541	(14,291,349)
Charged to other comprehensive income	0	0	0	0
As of September 30, 2016	101,249,361	26,094,545	18,437,965	145,781,871
As of January 1, 2015	121,595,685	2,519,889	13,587,871	137,703,445
Charged to the income statement	(10,379,757)	28,247,979	4,501,553	22,369,775
Charged to other comprehensive income	0	0	0	0
As of September 30, 2015	111,215,928	30,767,868	18,089,424	160,073,220

Deferred Tax Assets as of December 31, 2016 amounts to $40,004,187.

Deferred Tax Liabilities as of December 31, 2015 amounts to $34,553,325.

Deferred assets and liabilities to be recovered in more than 12 months and within 12 months are as follows

	31.12.2016
Deferred Tax Assets	
Deferred Tax Assets to be recovered in more than 12 months	185,786,058
Deferred Tax Assets to be recovered within 12 months	0
	185,786,058
Deferred Tax Liabilities	
Deferred Tax Liabilities to be recovered in more than 12 months	105,999,736
Deferred Tax Liabilities to be recovered within 12 months	39,782,135
	145,781,871

The income tax charge for the period is as follows:

	Fiscal year ended	
	31.12.2016	**31.12.2015**
Current tax	46,568,386	73,259,901
Deferred tax	(64,144,664)	(35,573,404)
Income tax	(17,576,278)	37,686,497

Below is the reconciliation between the income tax charged to results and that one that would result from the application of the tax rate in force on the accounting profit / (loss).

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	Fiscal year ended	
	31.12.2016	**31.12.2015**
Net income before income taxes	(68,689,721)	102,215,775
Tax rate in force	35%	35%
Net income at the tax rate	(24,041,402)	35,775,521
Taxable effects by:		
- Other non taxable and/or non deductible items	6,465,124	1,910,976
Income tax	(17,576,278)	37,686,497

The tax charge related to other components of other comprehensive income is as follows:

Fiscal year ended December 31, 2016	Before taxes	Tax charge	After taxes
Actuarial losses in retirement benefits obligations	(29,750,994)	10,412,848	(19,338,146)
Other comprehensive results	(29,750,994)	10,412,848	(19,338,146)

Fiscal year ended December 31, 2015	Before taxes	Tax charge	After taxes
Actuarial losses in retirement benefits obligations	5,073,908	(1,775,868)	3,298,040
Other comprehensive results	5,073,908	(1,775,868)	3,298,040

11. Property, plant and equipment

Principal account	Original Value				
	At the beginning of the year	Additions	Deductions	Reclasifications	At the end of the year
Land	3,909,999	1,147,576	0	0	5,057,575
Vehicles	105,486,329	9,997,312	(1,671,987)	0	113,811,654
Air and heavy equipment	51,258,687	544,248	0	0	51,802,935
Furniture and fixtures	7,073,905	480,352	0	2,403,063	9,957,320
Information systems	22,987,866	7,103,387	0	0	30,091,253
Transmission lines	918,562,427	0	0	28,124,425	946,686,852
Substations, related works and building on third-party land	1,046,420,530	6,510,201	(832,358)	27,184,039	1,079,282,412
Building and civil works	87,669,624	133,850	0	4,542,784	92,346,258
Labs and maintenance	16,931,918	14,227,403	0	944,213	32,103,534
Communication equipment	110,099,158	2,216,586	0	2,958,630	115,274,374
Miscellaneous	30,061,378	8,984,897	(8,864)	1,285,583	40,322,994
Work in progress	628,980,494	168,510,569	0	12,197,075	809,688,138
Spare parts	79,213,858	47,999,235	(10,652,739)	2,173,875	118,734,229
Advances to suppliers	98,774,499	77,067,930	0	(81,813,687)	94,028,742
Total 31.12.2016	3,207,430,672	344,923,546	(13,165,948)	0	3,539,188,270
Total 31.12.2015	2,964,118,924	257,215,242	(13,903,494)	0	3,207,430,672

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Principal account	Depreciation				Net carrying value
	At the beginning of the year	Deductions	Reclasifications	At the end of the year	
Land	0	0	0	0	5,057,575
Vehicles	(51,870,554)	1,552,547	(13,327,069)	(63,645,076)	50,166,578
Air and heavy equipment	(12,387,765)	0	(2,100,680)	(14,488,445)	37,314,490
Furniture and fixtures	(5,776,356)	0	(423,940)	(6,200,296)	3,757,024
Information systems	(19,746,479)	0	(2,595,978)	(22,342,457)	7,748,796
Transmission lines	(668,826,826)	3,218	(33,505,434)	(702,329,042)	244,357,810
Substations, related works and building on third-party land	(563,290,253)	615,457	(31,222,802)	(593,897,598)	485,384,814
Building and civil works	(39,793,779)	0	(2,503,843)	(42,297,622)	50,048,636
Labs and maintenance	(7,248,324)	0	(1,585,352)	(8,833,676)	23,269,858
Communication equipment	(74,199,598)	0	(5,796,390)	(79,995,988)	35,278,386
Miscellaneous	(21,422,024)	8,864	(5,075,149)	(26,488,309)	13,834,685
Work in progress	0	0	0	0	809,688,138
Spare parts	0	0	0	0	118,734,229
Advances to suppliers	0	0	0	0	94,028,742
Total 31.12.2016	(1,464,561,958)	2,180,086	(98,136,637)	(1,560,518,509)	1,978,669,761
Total 31.12.2015	(1,375,118,583)	1,414,265	(90,857,640)	(1,464,561,958)	1,742,868,714

The depreciation charge has been included in operating and administrative expenses as detailed in Note 8.

During the years ended December 31, 2016 and 2015, the Company has not capitalized interest costs.

12. Other receivables

	31.12.2016	31.12.2015
Non-Current		
Minimum Notional Income Tax Credit	12,223,524	12,223,524
Stock Ownership Pogram	5,329,430	5,329,430
Total	17,552,954	17,552,954
Current		
Prepaid expenses	67,723,341	29,545,804
Advances to suppliers	25,452,029	31,409,786
Tax credits	22,437,515	2,598,754
Loans to employees	4,614,974	3,263,550
Judicial seizure	4,382,695	1,147,254
Stock Ownership Pogram - Dividends receivable	778,780	778,780
Others	86,574	112,095
Total	125,475,908	68,856,023

The fair values of other receivables do not differ significantly from their respective book values.

As of December 31, 2016, the current other credits unexpired amounted to $ 125,475,908 (2015: $68,856,023).

As of December 31, 2016 and 2015, there are no other credits expired.

The book value of other credits is denominated in Pesos.

	31.12.2016	31.12.2015
Pesos	143,028,862	86,408,977
	143,028,862	86,408,977

13. Trade account receivables

	31.12.2016	31.12.2015
CAMMESA	376,463,332	465,866,942
Other services	154,792,317	43,419,666
Prevision for irrecoverable receivables	(8,295,482)	(1,675,075)
Other related parties (Note 18)	9,484,047	29,067,639
Total	532,444,214	536,679,172

The fair values of trade account receivables do not differ significantly from their respective book values.

Irrecoverable receivables prevision

	31.12.2016	31.12.2015
Total at the beginning of the year	1,675,075	466,497
Increases	6,620,407	1,208,578
Decreases	0	0
Total at the end of the year	8,295,482	1,675,075

As of December 31, 2016, accounts receivables unexpired amount to $ 464,850,178 (2015: $ 403,426,975).

As of December 31, 2016, trade accounts receivables amounts to $ 67,594,036 (2015: $ 133.252.197) were due, but not undervalued. The aging analysis of these accounts is as follows:

	31.12.2016	31.12.2015
Less than 3 months	67,594,036	133,252,197
	67,594,036	133,252,197

The book value of accounts receivables is denominated in Pesos.

	31.12.2016	31.12.2015
Pesos	532,444,214	536,679,172
	532,444,214	536,679,172

14. Cash and cash equivalents

	31.12.2016	31.12.2015
Cash in local currency	1,367,991	1,184,991
Cash in foreign currency	222,017	181,809
Banks in local currency	16,578,141	6,859,780
Banks in foreign currency	48,354,745	42,446,925
Cash and cash equivalents, net	66,522,894	50,673,505

The book value amount of cash and cash equivalents are known in the following currencies:

	31.12.2016	31.12.2015
Pesos	17,946,132	8,044,771
US Dolar	48,575,805	42,628,085
Reales	957	649
Total	66,522,894	50,673,505

15. Debt and other indebtedness

	31.12.2016	31.12.2015
Non-current bonds and other indebtedness		
Corporate Bonds 2021	1,513,041,249	1,234,822,563
Total Non-current	1,513,041,249	1,234,822,563
Current bonds and other indebtedness		
Corporate Bonds 2021	58,518,829	48,023,003
Corporate Bonds 2016	0	173,670,984
Nordic Investment Bank (NIB)	0	57,252,330
Total Current	58,518,829	278,946,317

The fair value of current bonds and other indebtedness equals their book value, as the impact of applying the discounting is not significant.

The structure of indebtedness of the Company is described in Note 21.

The maturities of the debt and other indebtedness under contractual dates are as follows:

	31.12.2016	31.12.2015
To be matured in 3 months or less	58,518,829	48,705,347
To be matured from 3 to 12 months	0	230,240,970
To be matured from 1 to 2 years	0	0
More tan 2 years	1,513,041,249	1,234,822,563
Total	1,571,560,078	1,513,768,880

(In Argentine Pesos, except as otherwise indicated)

	31.12.2016	31.12.2015
Total at the beginning of the year	1,513,768,880	1,102,879,667
Accrued interests	175,266,677	123,448,104
Foreign exchange	323,009,039	529,721,785
Principal paymnets	(278,765,280)	(130,871,634)
Interest payments	(161,719,238)	(111,409,042)
Total at the end of the year	1,571,560,078	1,513,768,880

The book value amount of debt and other indebtedness is denominated in the following currencies:

	31.12.2016	31.12.2015
US Dolar	1,571,560,078	1,513,768,880
Total	1,571,560,078	1,513,768,880

In relation to financial debt, since most are taken at fixed rates approaching market rates, the fair value of financial debt is close to its book value and is not exposed separately.

16. Employee benefit expense

The amounts recognized in the Comprehensive Statements of operations are as follows:

	Fiscal year ended	
	31.12.2016	**31.12.2015**
Charges to Results		
Services Cost	13,641,923	10,299,716
Interest Cost	68,601,262	58,985,663
Amortization of (Profits) and Losses	4,318,428	7,864,566
Total	86,561,613	77,149,945

The breakdown of the amounts exposed in the Consolidated Balance Sheets are as follows:

	31.12.2016	31.12.2015
Benefits Obligations at the beginning of the year	193,527,886	147,353,395
Services Cost	13,641,923	10,299,716
Interest Cost	68,601,262	58,985,663
Amortization of (profits) and losses	4,318,428	7,864,566
Actuarial (profits) and losses	29,750,994	(5,073,908)
Beneficios pagados a los participantes	(31,420,432)	(25,901,546)
Benefits Obligations at the end of the year	278,420,061	193,527,886

The most important actuarial assumptions used for the calculation are as follows**:**

Discount rate	26.00%	37.80%
Current interest rate	5.00%	6.00%
Salary growth rate	2%	2%

Free translation from the original prepared in Spanish for publication in Argentina

Compañía de Transporte de Energía Eléctrica en Alta Tensión Transener S.A.
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
(In Argentine Pesos, except as otherwise indicated)

17. Trade accounts payable

	31.12.2016	31.12.2015
Non-Current		
Billings in advance	3,023,615	3,312,643
Total	3,023,615	3,312,643

	31.12.2016	31.12.2015
Current		
Suppliers	79,097,851	77,034,667
Provisions	32,077,490	36,207,607
Other related parties (Note 18)	21,175,208	8,406,916
Billings in advance	2,142,000	14,998,048
Other liabilites	62,227,540	31,125,563
Total	196,720,089	167,772,801

The maturities of the debt and other indebtedness under contractual dates are as follows:

	31.12.2016	31.12.2015
To be matured in 6 months or less	196,720,089	167,772,801
To be matured from 6 to 12 months	0	0
To be matured from 1 to 5 years	3,023,615	3,312,643
Total	199,743,704	171,085,444

The fair value of trade accounts payables equals their carrying amount, as the impact of applying the discounting is not significant.

The book value amount of debt and other indebtedness is denominated in the following currencies:

	31.12.2016	31.12.2015
Pesos	194,524,714	162,519,565
Euros	3,660,447	679,757
Swiss franc	966,429	0
US Dolar	592,114	7,886,122
Total	199,743,704	171,085,444

18. Balances and transactions with related parties

As a part of a program instituted by the Argentine Government consisting in privatizing State-run companies, it created Transener on May 31, 1993 in order to hold and operate the transmission assets that make up Transener's network. Transener's privatization entailed the sale of Transener's majority shareholding through a public call for tenders as required by the Electricity Law. On July 16, 1993 Transener's majority shareholding was awarded to Citelec.

Citelec is the controlling shareholder, and owns 52.652% of Transener's outstanding share capital, 51% corresponds to Class A shares and the remaining participation corresponds to Class B shares (the latter are traded on the BCBA). The remaining 47.348% of the share capital is publicly held and is listed and traded on the BCBA.

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On September 30, 2016 Grupo Eling S.A. transferred all of its shareholding in Citelec S.A. to Energía Argentina S.A. Consequently, Citelec's capital stock is comprised as follows: (i) 50% owned by Transelec Argentina SA, and (ii) 50% owned by Energía Argentina SA (Enarsa).

The following is a brief description of Citelec's current shareholders and their respective shareholdings in Citelec:

- Transelec Argentina S.A., which own 50% of the share capital of Citelec, is a corporation (*sociedad anónima*) organized under the laws of Argentina, whose main business consists of investment and investment management activities. Transelec Argentina S.A. is controlled by Pampa Energia S.A., an Argentine corporation, that is controlled directly and indirectly by legal entities under common control with Grupo Emes S.A.
- Energía Argentina S.A., which owns 50% of the share capital of Citelec, is an Argentine corporation (*sociedad anónima*) controlled by the Government through the Ministry of Federal Planning, Public Investment and Services under Law No. 25,943.

Transener has entered into an operating agreement under which Pampa Energía S.A., ENARSA S.A. and Electroingeniería S.A. provide services, expertise and know-how in connection with certain Company activities. Electroingeniería S.A. gave noticed in the month of November of 2010 of the transfer of its contract to Grupo Eling S.A.

On September, 30, 2016 Grupo Eling S.A. has ceded in favor of Energía Argentina S.A. all their rights and obligations under the Technical Assistance contract for the Operation, Maintenance and Administration of the High Voltage Electric Power Transportation System dated November 9, 1994, with the exception of the amounts accrued by Grupo Eling S.A. until that date.

The responsibility of the Operators includes advisory and coordination services in the areas of human resources, general administration, information systems, quality control and consulting.

The operating fees are 2.75% of certain regulated revenues.

The transactions with related parties are as follows:

Companies Law No. 19,550 – Sect. 33

	Fiscal year ended	
	31.12.2016	**31.12.2015**
Sales of assets and services rendered to Electroingeniería S.A. (1)	0	913,714
Fees for operating services		
*Pampa Energía S.A.	14,790,520	15,155,269
*Energía Argentina S.A.	12,288,261	7,577,635
*Grupo Eling S.A. (1)	0	7,577,635

Other related parties

	Fiscal year ended	
	31.12.2016	**31.12.2015**
Sales of assets and services rendered to C.T.Loma de la Lata S.A.	7,655,450	4,598,400
Sales of assets and services rendered to Central Piedra Buena S.A.	2,349,539	226,000
Sales of assets and services rendered to Integración Eléctrica Sur Argentina S.A. (1)	0	33,577,114
Sales of assets and services rendered to Yacylec S.A. (1)	0	9,819,305
Sales of assets and services rendered to Litsa S.A. (1)	0	1,668,945
Sales of assets and services rendered to Transportadora de Gas del Sur S.A.	0	264,000

(In Argentine Pesos, except as otherwise indicated)

The balances with Companies Law No.19,550 – Sect. 33 and other related parties are as follows:

Companies Law No.19,550 – Sect. 33

Liabilities		
Trade accounts payable	**31.12.2016**	**31.12.2015**
Pampa Energía S.A.	10,587,604	4,203,458
Energía Argentina S.A.	10,587,604	2,101,729
Grupo Eling S.A. (1)	0	2,101,729
Total	21,175,208	8,406,916

Other related parties

Assets	**31.12.2016**	**31.12.2015**
Trade account receivables		
CT. Loma de la Lata S.A.	6,737,298	1,513,486
C.T. Piedra Buena S.A.	2,746,749	
Integración Eléctrica Sur Argentina S.A. (1)	0	21,903,408
Yacylec S.A. (1)	0	5,387,338
Litsa S.A. (1)	0	235,401
Transportadora de Gas del Sur S.A.	0	28,006
Total	9,484,047	29,067,639

(1) On September 30, 2016, Grupo Eling SA sold its interest in Citelec S.A., for that reason the companies of that Group, as well as the group as such, are no longer related companies.

19. Investment in Transener Internacional Ltda.

As of December 31, 2016, both value of the equity interest of Transener S.A. in Transener Internacional Ltda. and receivables amounting to $1,510,177, have been fully provided for due to the uncertainty as to their recovery.

20. Fourth Line of the Comahue-Buenos Aires electricity transmission system

On December 20, 2014 the fifteen-year Fee Period was fulfilled, initiating the exploitation period.

On August 5, 2015, through Resolution 272/2015, the ENRE determined: (i) the remuneration for the operation and maintenance of the Fourth Line from December 21, 2014, according to the transmission capacity values established by Resolution ENRE 328/2008, (ii) to instruct CAMMESA to take into consideration the facilities of the Fourth Line in determining credits for variations of costs, using tariff charges to be determined for Transener, in accordance with the Definitive Agreement, the Instrumental Agreement and the Renewal Agreement and (iii) the annual remuneration for electricity transmission in $ 19.3 million.

It is worth mentioning that the Addenda to the Renewal Agreement entered into on September 17, 2015 confirms that the operation and maintenance remuneration of the Fourth Line is adjusted by CVI as well as the rest of Transener's lines, in accordance with the Definitive Agreement and since the beginning of the of exploitation period.

21. Financing structure

21.1 Global program for the issuance of simple notes, non-convertible into shares, of medium term for US$ 300 million (or its equivalent in any other currency)

Transener has issued Series 1 and Series 2 Notes under de global program for the issuance of simple notes, non-convertible into shares, of medium term for US$ 300 million, authorized by the CNV Resolutions Nº 15,523 and 16,944 of November 30, 2006 and October 17, 2012.

Likewise, those notes have been authorized for listing in the BASE and in the Luxemburg Stock Exchange, in accordance with the authorizations opportunely issued by said entities, and for trading in the Mercado Abierto Electrónico S.A.

21.1.1 O.N. 2016 Clase 1

During 2006, Transener issued Series 1 Notes under the mentioned program. Series 1 Notes accrue an interest rate of 8.875% and are amortized in four equal payments on December 15, 2013, 2014, 2015 and 2016.

On December 15, 2016, Transener paid the last amortization services, with no remaining outstanding debt.

21.1.2 Refinancing of Series 1 Notes – 2021 Series 2 Notes ("Refinancing 2011")

Due to the appropriate conditions in the international capital markets at the beginning of 2011 and that the partial amortization of the Series 1 Notes began in 2013, Transener decided to proceed to the refinancing of the mentioned notes with the main purpose of extending the debt maturity.

This process, which was initiated in April 2011, comprised a tender offer and an exchange offer of the Series 1 Notes. Up to the closing of said offers, approximately 65% had been validly tendered. This amount includes US$ 29,076,000 notes held by Transener and Transba.

Additionally and as part of the refinancing process, Transener called a Series 1 Noteholders' Meeting, in order to propose amendments to the Series 1 Notes and certain provisions of the First Supplemental Indenture to remove substantially all restrictive commitments and default events contained in such Notes terms and conditions. The Noteholders' Meetings were held on July 29 and on August 10, 2011, in which the Series 1 Notes holders approved the amendment proposed by Transener.

In order to finance the tender offer and the exchange offer, Series 2 Notes for the amount of US$ 53,100,000 were issued on August 2, 2011 and Series 2 Notes for the amount of US$ 47,435,000 were issued on August 11, 2011. Consequently, the principal amount of Series 2 Notes was US$ 100,535,000. These new notes due August 15, 2021, accrue interest at an annual interest rate of 9.75% and will be fully amortized at the maturity date.

As of December 31, 2016, the remaining balance of the Series 2 Notes, net of those hold by the Company amounted to US$ 98,535,000.

21.2 Global program for the issuance of simple notes, non-convertible into shares, for up to US$ 200 million (or its equivalent in any other currency)

On November 5, 2009, an Ordinary General Shareholders’ Meeting decided the creation of a global program for the issuance of simple notes, non-convertible into shares, denominated in pesos or in any other currency, with ordinary, special, floating and/or any other guarantee, subordinated or not, for a maximum amount, which in any moment, can´t exceed $ 200 million (Pesos two hundred million) or its equivalent in other currencies. The Program has been authorized for public offering in accordance with Resolution No. 16,244 of December 17, 2009 issued by the CNV.

21.3 Restrictions in relation to the Refinancing 2011

The Company and its Restricted Subsidiaries have to comply with the following restrictions, according to the refinancing terms, including among others:

- i) Incurring or ensuring additional indebtedness;
- ii) Paying dividends or making other distributions as regards either the redemption or repurchase of the Company’s capital stock or indebtedness;
- iii) Making other restricted payments, including investments;
- iv) Placing liens or making sale & leaseback transactions;
- v) Selling or otherwise disposing of assets, including the subsidiaries’ capital stock;
- vi) Entering into agreements that restrict the dividends of the subsidiaries;
- vii) Carrying out transactions with affiliates; and
- viii) Performing mergers or consolidation transactions.

As of December 31, 2016 there is not any default related to those restrictions.

22. Income per share

The result per share is calculated dividing the loss attributable to the equity holders of the Company by the weighted average number of ordinary shares outstanding during the period, excluding those own shares acquired by the Company.

	Fiscal year ended	
	31.12.2016	**31.12.2015**
Results from operations attributable to the equity holders of the Company	(75,629,285)	55,435,772
Ordinary shares average	444,673,795	444,673,795
(Loss)/income per share attributable to the equity holders of the Company ($/Share)	(0.17)	0.12

(In Argentine Pesos, except as otherwise indicated)

23. Stored documentation

For the purposes of complying with CNV Resolution 629/14, the Company informs that the accounting and management documentation and information related to economic-financial operations is partially stored in the facilities of Iron Mountain SA, located at (i) Av. Amancio Alcorta 2482, City of Buenos Aires, (ii) San Miguel de Tucumán 605, Spegazzini and (iii) Cañada de Gómez 3825, Lugano (temporarily suspended plant), and Custodia de Archivos SRL located at Gorriti 375, Rosario, Province of Santa Fe.

The detail of the documentation stored with third parties is available at Company Headquarters.

24. Foreign currency assets and liabilities

As of December 31, 2016 and 2015 the balances of foreign currency assets and liabilities are as follows:

Captions	December 31, 2016			December 31, 2015	
	Amount and class of foreign currency	Current exchange rate	Amount in local currency	Amount and class of foreign currency	Amount in local currency
			$		$
Assets					
Current assests					
Cash and banks	US$ 3,076,365	15.790	48,575,805	US$ 3,294,288	42,628,085
Cash and banks	R$ 197	4.860	957	R$ 197	649
Total current assets			48,576,762		42,628,734
Total assets			48,576,762		42,628,734
Liabilities					
Non current liabilities					
Debt and other indebtedness	US$ 95,219,714	15.890	1,513,041,249	US$ 94,694,982	1,234,822,563
Total non current liabilities			1,513,041,249		1,234,822,563
Current liabilities					
Account payable	€ 218,269	16.770	3,660,447	€ 47,838	679,757
Account payable	CHF 61.810	15.636	966,429		0
Account payable	US$ 37.263	15,890	592,114	US$ 604.764	7,886,122
Debt and other indebtedness	US$ 3.682.746	15.890	58,518,829	US$ 21.391.589	278,946,317
Total current liabilities			63,737,819		287,512,196
Total liabilities			1,576,779,068		1,522,334,759

US$: United States Dollars
R$: Reales
€: Euros
CHF: Swiss francs

(In Argentine Pesos, except as otherwise indicated)

25. Previsions

As of December 31, 2016 and 2015 the balances of foreign currency assets and liabilities are as follows:

	31.12.2016	31.12.2015
Labor lawsuits		
Total at the beginning of the year	20,073,040	6,761,848
Increases	5,961,572	13,311,192
Decreases	(1,377,740)	0
Total at the end of the year	24,656,872	20,073,040
Regulatory judgments		
Total at the beginning of the year	9,528,604	0
Increases	0	9,528,604
Decreases	(6,519,904)	0
Total at the end of the year	3,008,700	9,528,604
Commercial judgments		
Total at the beginning of the year	34,686,961	19,328,628
Increases	8,311,586	15,358,333
Decreases	(648,882)	0
Total at the end of the year	42,349,665	34,686,961
Total at the end of the year	70,015,237	64,288,605

26. Contingencies

Income tax

Transba S.A. has determined the income tax corresponding to fiscal period 2015, which resulted in a computed tax of $ 47,068,202, applying the inflation adjustment mechanisms comprised in Title VI of the Income Tax Law and the adjustment of fixed assets depreciation (Sections 83, 84 and 89); the index used for this purpose was the Domestic Wholesale Price Index (IPIM) published by the National Institute of Statistics and Census, because the Company resorted to the similarity with the criteria argued for in the case “Candy S.A.” with a decision of the Argentine Supreme Court of Justice dated July 3, 2009, in which the highest Court ordered the application of the inflation adjustment mechanism.

Should the inflation adjustment mechanisms not been applied, the tax computed for fiscal year 2015 would have amounted to $ 75,693,915. At December 31, 2016 and until the matter has a final resolution, the Company will continue providing for the liability for the additional income tax that would have been determined for fiscal period 2015-within the caption non-current taxes, for if the inflation adjustment had not been subtracted. The provision amounts to $ 35,209,629, including compensatory interest.

(In Argentine Pesos, except as otherwise indicated)

27. Tax payable

As of December 31, 2016 and 2015 the breakdown of the tax payable are as follows:

	31.12.2016	31.12.2015
V.A.T. payable	181,079,825	13,666,953
Income tax provision	33,054,894	18,930,473
Withholding tax to be deposited – Income tax	17,682,551	14,141,574
Others	5,381,016	2,659,067
Totales	237,198,286	49,398,067