

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

**Unaudited Condensed Interim Consolidated Financial Statements as of June 30, 2014
and for the three-month and six-month periods ended June 30, 2014 and 2013**



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

Index to Unaudited Condensed Interim Consolidated Financial Statements

	<u>Page</u>
Report of Independent Accountants	2
Unaudited Condensed Interim Consolidated Statements of Operations for the three-month and six-month periods ended June 30, 2014 and 2013	4
Unaudited Condensed Interim Consolidated Balance Sheets as of June 30, 2014 and December 31, 2013	5
Unaudited Condensed Interim Consolidated Statements of Changes in Equity for the six-month periods ended June 30, 2014 and 2013	6
Unaudited Condensed Interim Consolidated Statements of Cash Flows for the six-month periods ended June 30, 2014 and 2013	7
Notes to the Unaudited Condensed Interim Consolidated Financial Statements	9



Report of Independent Auditors

To the shareholders, President and Directors of
Compañía de Transporte de Energía Eléctrica en
Alta Tensión Transener S.A.
City of Buenos Aires

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of Compañía de Transporte de Energía Eléctrica en Alta Tensión Transener S.A. and its subsidiaries ("Transener S.A.") including the condensed consolidated statement of financial position at June 30, 2014, the condensed consolidated statements of comprehensive income for the six and three month periods ended June 30, 2014, and the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, as well as the selected explanatory notes.

The balances and other information corresponding to the fiscal year 2013 and to its interim periods are an integral part of the financial statements mentioned above; therefore, they must be considered in connection with those financial statements.

Management's responsibilities

The Board of Directors of the Company is responsible for the preparation and presentation of the financial statements in accordance with International Financial Reporting Standards, adopted by the Argentine Federation of Professional Councils in Economic Sciences (FACPCE) as professional accounting standards and included by the National Securities Commission (CNV) in its regulations, as approved by the International Accounting Standards Board (IASB), and is therefore responsible for the preparation and presentation of the condensed interim financial statements mentioned in the first paragraph, in accordance with International Accounting Standard 34 "Interim Financial Information" (IAS 34). Our responsibility is to express a conclusion based on the review that we have performed with the scope detailed in the paragraph "Scope of our review".

Scope of our review

Our review was limited to applying the procedures laid down by the International Standards on Review Engagements (ISRE 2410) "Review of Interim Financial Information developed by the Independent Auditor of the Company", adopted as a review standard in Argentina by Technical Pronouncement No. 33 of the FACPCE and approved by the International Auditing and Assurance Standards Board (IAASB). A review of interim financial information consists of making inquiries of the Company's personnel responsible for preparing the information included in the condensed interim consolidated financial statements and performing analytical and other review procedures. This review is substantially less in scope than an audit conducted in accordance with international standards on auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Therefore, we do not express an audit opinion on the consolidated financial position, the consolidated comprehensive income, or the consolidated cash flows of the Company.



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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial statements mentioned in paragraph 1 of this report have not been prepared, in all material respects, in accordance with International Accounting Standard 34.

Emphasis paragraph

We would like to emphasize the information included in Note 2, which caused that the Company recorded a net loss of 4,013 (in thousands of pesos) and accumulated losses for 394,507 (in thousands of pesos), in the six-month period ended June 30, 2014. The Company has prepared these condensed interim consolidated financial statements using accounting principles that are applicable to a going concern. Therefore, the condensed interim consolidated financial statements do not include the effects of potential adjustments or reclassifications, if any, that might be required if the situations described in the above-mentioned note are not solved in favor of continuing the operations of the Company and its subsidiary, and the Company were obliged to sell its assets and settle its liabilities, including contingent liabilities, in conditions other than the normal course of business. Our conclusion does not include any qualifications in relation to the above.

PRICE WATERHOUSE & CO. S.R.L.

by  (Partner)
Norberto Montero

City of Buenos Aires, Argentina
August 6, 2014

Compañía de Transporte de Energía Eléctrica en Alta Tensión Transener S.A.
Unaudited Condensed Interim Consolidated Statements of Operations
for the three-month and six-month periods ended June 30, 2014 and 2013
(In Argentine Pesos, except as otherwise indicated)

Consolidated income / (loss) statement	Note	Three-month period ended		Six-month period ended	
		30.06.2014	30.06.2013	30.06.2014	30.06.2013
Net Revenues	7	339,755,824	191,718,954	623,719,305	323,322,264
Operating expenses	8	<u>(224,933,080)</u>	<u>(182,149,255)</u>	<u>(452,125,530)</u>	<u>(338,713,607)</u>
Gross income / (loss)		114,822,744	9,569,699	171,593,775	(15,391,343)
Administrative expenses	8	(40,461,270)	(33,256,381)	(78,556,969)	(62,927,820)
Other gains net		<u>(4,214,329)</u>	<u>(7,212,923)</u>	<u>(21,128,696)</u>	<u>(4,633,220)</u>
Operating results		70,147,145	(30,899,605)	71,908,110	(82,952,383)
Finance income	9	115,811,580	70,146,846	224,096,617	112,467,952
Finance costs	9	(28,341,230)	(16,796,527)	(55,311,907)	(38,661,570)
Other financial results	9	<u>(17,696,538)</u>	<u>(32,610,184)</u>	<u>(218,701,739)</u>	<u>(56,836,361)</u>
Income / (loss) before taxes		139,920,957	(10,159,470)	21,991,081	(65,982,362)
Income tax expense	10	<u>(48,965,209)</u>	<u>3,844,449</u>	<u>(23,772,051)</u>	<u>23,108,078</u>
Income / (loss) for the period		<u>90,955,748</u>	<u>(6,315,021)</u>	<u>(1,780,970)</u>	<u>(42,874,284)</u>
Other consolidated comprehensive income / (loss)					
Income / (loss) for the period		90,955,748	(6,315,021)	(1,780,970)	(42,874,284)
Other comprehensive income		<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total comprehensive income / (loss) for the period		<u>90,955,748</u>	<u>(6,315,021)</u>	<u>(1,780,970)</u>	<u>(42,874,284)</u>
Attributable to :					
Owners of the parent		88,835,224	(8,804,835)	(4,012,769)	(44,484,400)
Non-controlling interests		<u>2,120,524</u>	<u>2,489,814</u>	<u>2,231,799</u>	<u>1,610,116</u>
Total for the period		<u>90,955,748</u>	<u>(6,315,021)</u>	<u>(1,780,970)</u>	<u>(42,874,284)</u>
Income / (loss) per share attributable to the equity holders of the Company:					
Total for the period	19	0.20	(0.02)	(0.01)	(0.10)

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

Compañía de Transporte de Energía Eléctrica en Alta Tensión Transener S.A.
Unaudited Condensed Interim Consolidated Balance Sheets as of June 30, 2014 and December 31, 2013
(In Argentine Pesos, except as otherwise indicated)

	Note	<u>30.06.2014</u>	<u>31.12.2013</u>
Assets			
Non-current assets			
Property, plant and equipment	11	1,387,184,893	1,301,689,415
Other receivables	12	34,097,104	50,070,705
Total Non-current assets		<u>1,421,281,997</u>	<u>1,351,760,120</u>
Current Assets			
Trade accounts receivables	13	355,031,711	386,446,312
Other receivables	12	36,611,406	73,429,131
Cash and cash equivalents	14	279,890,374	73,624,888
Total Current assets		<u>671,533,491</u>	<u>533,500,331</u>
Total Assets		<u>2,092,815,488</u>	<u>1,885,260,451</u>
Equity and liabilities			
Capital and reserves attributable to owners of the parent			
		477,770,679	481,783,448
Equity attributable to owners of the parent		<u>477,770,679</u>	<u>481,783,448</u>
Non-controlling interests		30,126,788	27,894,989
Total equity		<u>507,897,467</u>	<u>509,678,437</u>
Liabilities			
Non-current liabilities			
Debt and other indebtedness	15	1,015,031,211	812,471,249
Deferred tax payable	10	69,672,158	61,920,147
Employee benefits payable	16	120,400,338	107,552,722
Trade accounts payable	17	4,085,116	4,333,734
Total Non-current liabilities		<u>1,209,188,823</u>	<u>986,277,852</u>
Current liabilities			
Provisions		58,395,060	50,072,545
Other liabilities		2,517,053	2,425,099
Debt and other indebtedness	15	139,705,976	112,608,063
Taxes payable		37,623,155	46,920,222
Payroll and social securities taxes payable		70,870,265	99,892,802
Trade accounts payable	17	66,617,689	77,385,431
Total Current liabilities		<u>375,729,198</u>	<u>389,304,162</u>
Total Liabilities		<u>1,584,918,021</u>	<u>1,375,582,014</u>
Total Equity and liabilities		<u>2,092,815,488</u>	<u>1,885,260,451</u>

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

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

Unaudited Condensed Interim Consolidated Statements of Changes in Equity for the six-month periods ended June 30, 2014 and 2013
(In Argentine Pesos, except as otherwise indicated)

	Attributable to owners of the parent							Total equity	
	Common Stock	Inflation adjustment on common stock	Share premium	Legal reserve	Voluntary reserve	Retained earnings	Subtotal		Non-controlling interests
Balance as of January 31, 2013	444,673,795	352,996,229	31,978,847	42,628,456	210,206,496	(594,818,988)	487,664,835	25,291,799	512,956,634
Reversal of Voluntary Reserve	0	0	0	0	(210,206,496)	210,206,496	0	0	0
Comprehensive loss for the six-month period	0	0	0	0	0	(44,484,400)	(44,484,400)	1,610,116	(42,874,284)
Balance as of June 30, 2013	444,673,795	352,996,229	31,978,847	42,628,456	0	(429,096,892)	443,180,435	26,901,915	470,082,350
Loss for the six-month complementary period	0	0	0	0	0	38,871,052	38,871,052	992,075	39,863,127
Other comprehensive loss for the six-month complementary period	0	0	0	0	0	(268,039)	(268,039)	999	(267,040)
Balance as of December 31, 2013	444,673,795	352,996,229	31,978,847	42,628,456	0	(390,493,879)	481,783,448	27,894,989	509,678,437
Comprehensive loss for the six-month period	0	0	0	0	0	(4,012,769)	(4,012,769)	2,231,799	(1,780,970)
Balance as of June 30, 2014	444,673,795	352,996,229	31,978,847	42,628,456	0	(394,506,648)	477,770,679	30,126,788	507,897,467

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



Compañía de Transporte de Energía Eléctrica en Alta Tensión Transener S.A.
Unaudited Condensed Interim Consolidated Statements of Cash Flows for the six-month periods ended
June 30, 2014 and 2013
(In Argentine Pesos, except as otherwise indicated)

	Note	Six-month period ended	
		<u>30.06.2014</u>	<u>30.06.2013</u>
Cash flows from operating activities:			
Loss for the period		(1,780,970)	(42,874,284)
Adjustments:			
Depreciation of property, plant and equipment	11	42,982,069	41,953,393
Instrumental Agreement	2	(489,272,400)	(147,107,452)
Provisions	8	6,520,995	8,763,639
Employee benefits plan	16	20,349,786	16,072,425
Income tax expense accrued during the period	10	23,772,051	(23,108,078)
Foreign exchange and other financial results		283,563,818	111,153,059
Other results generated by assets		0	(25,879)
Retirements of property, plant and equipment	11	6,412,837	5,435,454
Changes in certain assets and liabilities, net of non-cash:			
(Increase) Decrease in trade receivables		(135,313,001)	(47,637,279)
(Increase) Decrease in other receivables		52,791,326	26,625,093
Increase (Decrease) in trade accounts payable		(11,016,360)	(29,594,579)
Increase (Decrease) in payroll and social securities taxes payable		(29,022,537)	(31,669,086)
Increase (Decrease) in taxes payable		(25,317,107)	2,652,815
Increase (Decrease) in provisions		1,801,520	(395,938)
Increase (Decrease) of employee benefits payable	16	(7,502,170)	(4,653,808)
Net cash used in operating activities		<u>(261,030,143)</u>	<u>(114,410,505)</u>

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

Compañía de Transporte de Energía Eléctrica en Alta Tensión Transener S.A.
Unaudited Condensed Interim Consolidated Statements of Cash Flows for the six-month periods ended
June 30, 2014 and 2013 (continued)
(In Argentine Pesos, except as otherwise indicated)

		Six-month period ended	
	Note	<u>30.06.2014</u>	<u>30.06.2013</u>
Cash flows from investing activities:			
Purchases of the acquisition of property, plant and equipment	11	(134,890,384)	(35,830,198)
Decrease in financial assets at amortized cost		0	1,986,223
Cash used in investing activities		<u>(134,890,384)</u>	<u>(33,843,975)</u>
Cash flows from financing activities:			
Funds from CAMMESA Financing	2	656,000,002	150,000,017
Payments and repurchase of bonds and other indebtedness - Principal		(611,625)	0
Payments and repurchase of bonds and other indebtedness - Interests		(53,202,364)	(37,458,472)
Net cash generated by financing activities		<u>602,186,013</u>	<u>112,541,545</u>
Increase / (Decrease) in cash and cash equivalents		206,265,486	(35,712,935)
Cash and cash equivalents at the beginning of the period	14	<u>73,624,888</u>	<u>130,130,229</u>
Cash and cash equivalents at period end	14	<u><u>279,890,374</u></u>	<u><u>94,417,294</u></u>
Significant non-cash transactions			
Decrease in accounts receivable	2	656,000,002	150,000,017
Decrease in other liabilities	2	(656,000,002)	(150,000,017)
		<u>0</u>	<u>0</u>

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

Index

1. Organization and description of business
2. Tariff Review and economic and financial situation
3. Basis of preparation
4. Purpose of financial statements
5. Accounting policies
6. Segment reporting
7. Net revenues
8. Expenses by nature
9. Financial results net
10. Income tax and deferred income tax
11. Property, plant and equipment
12. Other receivables
13. Trade accounts receivables
14. Cash and cash equivalents
15. Debt and other indebtedness
16. Employee benefit expense
17. Trade accounts payable
18. Balances and transactions with related parties
19. Investment in Transener Internacional Ltda.
20. Loss per share
21. Foreign currency assets and liabilities
22. Allowance

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

On 30 July 1997, the province of Buenos Aires privatized Empresa de Transporte de Energía Eléctrica por Distribución Troncal de la Provincia de Buenos Aires Sociedad Anónima Transba 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. 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 16 August 2002, Transener S.A. created Transener international Ltda. Located in the city of Brasilia, Brazil Republic, subscribing 99% of its shares. On March 25, 2012, the Board of Directors approved to discontinue the Transener international Ltda's operation and maintenance contracts.

These unaudited condensed interim consolidated financial statements (in hereinafter referred to interchangeably as "financial statements" or "Unaudited Condensed Interim Consolidated financial statements"), have been approved for issuance by the Board of Directors on August 6, 2014.

2. Tariff Review and economic and financial situation

a) Tariff Review

The Emergency Law No. 25,561, 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.

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)

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 variations of costs 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 variations of costs 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 variations of costs 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.

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)

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 variations of costs 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 June 30, 2014, the results arising from the recognition of the variation of costs by the SE and the ENRE have been recorded in these unaudited condensed interim consolidated financial statements up to the amounts received under Addenda II and III. Consequently, Transener has recognized revenues for \$ 267.6 million and \$ 34.3 million plus interest for \$ 112.6 million and \$ 30.2 million, for the six-month period ended June 30, 2014 and 2013, respectively. Accordingly, Transba has recognized revenues for \$ 80.5 million and \$ 48.3 million plus interest for \$ 28.6 million and \$ 34.4 million, for the same periods, respectively. The liability for the whole disbursements has been settled through the assignment of credits recognized as higher costs, according to the Instrumental Agreement and the Renewal Agreement.

b) **Economic and financial situation**

The execution of the Renewal Agreement is presented as a significant milestone that will consolidate the economic-financial equation of the Company in the future.

However, the delay in obtaining a tariff regime resulting from a FTR generates uncertainty about the capability of the Company to generate the necessary revenues in order to face its liabilities in the short term.

Besides, CAMMESA continues to be in arrears in the payment of the monthly remuneration for the electric power transportation service and the Fourth Line fee.

In relation to the above mentioned, it is still complex to foresee the evolution of the issues mentioned in section a) and b) , as well as its possible impact on the Company's businesses and cash flows. Transener has prepared these unaudited condensed interim consolidated financial statements using accounting principles applicable to a going concern. Therefore, these unaudited condensed interim consolidated financial statements do not include the effects of potential adjustments and reclassifications, if any, that could be required if the above situations were not resolved in favor of the continuity of the Company's operations and it would be obliged to realize its assets and settle its liabilities, including contingent ones, under conditions other than the ordinary course of its business. Thus, these unaudited condensed interim consolidated financial statements should be read under these circumstances.

3. Basis of preparation

These unaudited condensed interim consolidated financial statements are presented in accordance with IAS 34 "Interim Financial Reporting" issued by the IASB adopted by the CNV through Resolution No. 562/09 and its extensions.

These financial statements should be read in conjunction with the financial statements of the Company as of December 31, 2013, prepared on the basis of IFRS and issued on February 28, 2014.

4. 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.

5. Accounting policies

Except as disclosed in Note 5.1, the accounting policies applied by the Company are consistent with those applied in the previous year.

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)

5.1. IAS 32

Effective for periods beginning on or after January 1, 2014, the IASB issued the standard IAS 32 that alters the application guidance in matters relating to the compensation of financial assets and liabilities.

In the current period, the application of this standards had no material impact on results of operations or financial position of the Company, but only brings new revelations.

5.2. Risk policy and accounting estimates

In preparing these financial statements the Company has applied consistently with the previous year risk policies and accounting estimates. In relation to the risk analysis, to June 30, 2014 there are no significant changes from the previous year.

5.3. Impairment of non-financial assets

For the purposes of preparation of these financial statements the Company has applied consistently with previous year the policy for impairment of non-financial assets over time.

Regarding this, the direction has defined certain assumptions for estimating the future cash flows used to assess the recoverability of their assets. These premises include various scenarios involving projections about expected future tariff increases, inflation, exchange rate, operation and maintenance expenses, investments and discount rate.

The cash flows are generally projected for a period covering the useful life remaining long term assets or the term of the concession, the minor.

The flow of funds were estimated taking into consideration the patterns of tariff update which have been filed with the ENRE and according to the parameters established by law N° 24,065 which regulates pricing renegotiation which is in process. As a result, the flow of funds and the future actual results may differ from estimates and evaluations carried out at the time of preparation of the present financial statements.

The Company has not recognized losses by devaluation for none of the presented closures.

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.

The business segments have been organized according to the following guidelines:

a) Main activity includes operations of high voltage electricity transportation and trunk distribution transmission, subject to regulation issued by the ENRE, and the construction, operation and maintenance of the Fourth Line.

b) Other includes participation in operations whose rate has not been determined by the ENRE, including the activities undertaken abroad.

Assets, liabilities, income and expenses not directly attributable to a specific segment have been allocated to the more significant segment, as they are reported within the main activity.

The segment information submitted to the General Director, who takes the business strategic decisions, for the reportable segments for the fiscal six-month periods ended June 30, 2014 and 2013 is as follows:

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)

	Main activity \$	Other segments \$	Total \$
Six-month period ended June 30, 2014			
Net revenues	504,136,743	119,582,562	623,719,305
Operating results	45,096,346	26,811,764	71,908,110
Total assets	2,037,531,214	55,284,274	2,092,815,488
Total liabilities	1,575,092,975	9,825,046	1,584,918,021
Acquisition of property, plant and equipment	134,890,384	0	134,890,384
Property, plant and equipment depreciation	42,982,069	0	42,982,069
Six-month period ended June 30, 2013			
Net revenues	241,683,607	81,638,657	323,322,264
Operating results	(107,710,101)	24,757,718	(82,952,383)
Total assets	1,565,513,154	56,432,250	1,621,945,404
Total liabilities	1,126,023,291	25,839,763	1,151,863,054
Acquisition of property, plant and equipment	35,830,198	0	35,830,198
Property, plant and equipment depreciation	41,953,393	0	41,953,393

Sales between operating segments identified by society is not finalized. Sales revenues reported to the General Director are measured in the same way as for the preparation of Statements of Operations.

7. Net Revenues

	Three-month period ended		Six-month period ended	
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
Net Regulated Revenue	282,567,366	141,831,387	496,692,431	235,666,460
Net Fourth Line Revenue	3,742,715	2,819,056	7,444,312	6,017,147
Net Other Revenue	53,445,743	47,068,511	119,582,562	81,638,657
Net Revenues	<u>339,755,824</u>	<u>191,718,954</u>	<u>623,719,305</u>	<u>323,322,264</u>



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

8. Expenses by Nature

Items	Three-month period ended June 30, 2014			Three-month period ended June 30, 2013		
	Total	Operating Expenses	Administrative Expenses	Total	Operating Expenses	Administrative Expenses
Salaries and social security charges	157,953,205	131,784,520	26,168,685	128,951,613	106,603,097	22,348,516
Other personnel costs	2,015,765	1,042,505	973,260	925,535	586,177	339,358
Fees for operating services	7,554,582	7,554,582	0	2,517,104	2,517,104	0
Professional fees	4,127,923	1,249,916	2,878,007	3,114,813	1,157,482	1,957,331
Equipment maintenance	1,478,538	1,478,538	0	1,553,599	1,553,599	0
Work for third-party materials	5,966,255	5,966,255	0	6,213,865	6,213,865	0
Fuel and lubricants	4,411,580	4,185,903	225,677	2,698,107	2,558,886	139,221
General Maintenance	8,498,084	8,169,973	328,111	6,514,337	6,198,621	315,716
Electricity	589,673	575,104	14,569	685,862	425,094	260,768
Depreciation of property, plant and equipment	21,682,106	19,512,570	2,169,536	21,464,082	19,315,637	2,148,445
Administration expenses related to WEM	290,666	290,666	0	284,154	284,154	0
Regulatory fees	537,369	537,369	0	405,637	405,637	0
ATEERA membership fees	154,246	0	154,246	114,996	0	114,996
Communications	1,180,866	870,039	310,827	694,144	559,684	134,460
Transportation	1,872,280	1,866,325	5,955	1,454,382	1,439,073	15,309
Insurance	9,326,853	8,629,554	697,299	6,792,997	6,273,662	519,335
Rents	2,245,993	1,309,903	936,090	2,253,092	1,293,193	959,899
Travel and lodging expenses	9,348,536	9,055,730	292,806	7,508,452	7,313,839	194,613
Stationary and printing	2,845,676	361,210	2,484,466	1,515,852	309,457	1,206,395
Taxes and government contributions	2,042,801	1,907,382	135,419	1,206,600	1,055,936	150,664
Directors and syndics	978,355	0	978,355	1,033,570	0	1,033,570
Security	5,029,345	5,029,345	0	3,776,020	3,776,020	0
Office and substation cleaning	3,612,252	3,259,361	352,891	2,750,869	2,539,072	211,797
Electroduct maintenance	2,886,452	2,886,452	0	1,217,612	1,217,612	0
Provisions	4,354,090	4,354,090	0	5,979,965	5,979,965	0
Others	4,410,859	3,055,788	1,355,071	3,778,377	2,572,389	1,205,988
TOTAL	265,394,350	224,933,080	40,461,270	215,405,636	182,149,255	33,256,381



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

Items	Six-month period ended June 30, 2014			Six-month period ended June 30, 2013		
	Total	Operating Expenses	Administrative Expenses	Total	Operating Expenses	Administrative Expenses
Salaries and social security charges	308,264,843	255,715,062	52,549,781	251,914,985	207,938,014	43,976,971
Other personnel costs	4,104,782	1,953,132	2,151,650	1,768,011	1,011,188	756,823
Fees for operating services	13,093,525	13,093,525	0	4,736,813	4,736,813	0
Professional fees	6,986,676	1,956,503	5,030,173	5,052,451	1,892,839	3,159,612
Equipment maintenance	3,572,237	3,572,237	0	2,191,113	2,191,113	0
Work for third-party materials	35,398,018	35,398,018	0	8,989,319	8,989,319	0
Fuel and lubricants	7,610,956	7,069,725	541,231	4,359,002	4,140,890	218,112
General Maintenance	15,854,166	15,365,492	488,674	10,254,517	9,672,205	582,312
Electricity	1,177,083	1,134,349	42,734	1,231,752	949,422	282,330
Depreciation of property, plant and equipment	42,982,069	38,680,501	4,301,568	41,953,393	37,754,727	4,198,666
Administration expenses related to WEM	515,845	515,845	0	493,852	493,852	0
Regulatory fees	1,031,405	1,031,405	0	942,802	942,802	0
ATEERA membership fees	255,766	0	255,766	229,991	0	229,991
Communications	2,733,835	2,043,329	690,506	1,695,152	1,418,548	276,604
Transportation	3,275,415	3,258,028	17,387	2,505,700	2,480,299	25,401
Insurance	18,243,654	17,138,833	1,104,821	13,454,290	12,639,509	814,781
Rents	4,586,928	2,606,363	1,980,565	4,121,498	2,313,604	1,807,894
Travel and lodging expenses	15,796,299	15,352,133	444,166	11,587,553	11,267,963	319,590
Stationary and printing	4,465,859	641,170	3,824,689	2,146,889	397,847	1,749,042
Taxes and government contributions	3,895,854	3,687,606	208,248	2,119,235	1,930,552	188,683
Directors and syndics	1,840,845	0	1,840,845	1,835,143	0	1,835,143
Security	10,301,850	10,301,850	0	6,790,741	6,790,741	0
Office and substation cleaning	6,728,534	6,155,068	573,466	4,622,863	4,252,360	370,503
Electroduct maintenance	3,612,575	3,612,575	0	1,521,390	1,521,390	0
Provisions	6,520,995	6,520,995	0	8,763,639	8,763,639	0
Others	7,832,485	5,321,786	2,510,699	6,359,333	4,223,971	2,135,362
TOTAL	530,682,499	452,125,530	78,556,969	401,641,427	338,713,607	62,927,820



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)

9. Financial Results Net

	Three-month period ended		Six-month period ended	
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
Financial Income				
Interests	115,811,580	70,146,846	224,096,617	112,467,952
Total financial income	115,811,580	70,146,846	224,096,617	112,467,952
Financial Costs				
Interests generated by loans	(28,341,230)	(16,796,527)	(55,311,907)	(38,661,570)
Total financial costs	(28,341,230)	(16,796,527)	(55,311,907)	(38,661,570)
Other financial results				
Foreign exchange	(17,365,142)	(40,574,542)	(218,073,160)	(71,479,886)
Result from receivables measured at fair value	0	8,086,472	0	15,000,577
Result from liabilities measured at fair value	(331,396)	(122,114)	(628,579)	(357,052)
Total Other financial results	(17,696,538)	(32,610,184)	(218,701,739)	(56,836,361)
Total Other financial results, net	69,773,812	20,740,135	(49,917,029)	16,970,021

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	Allowance for investments	Accounts receivable	Employee benefits payable	Provisions	Fourth Line	Total
As of January 1, 2014	38,949,711	0	142,195	37,643,453	11,796,788	4,689,932	93,222,079
Charged to the income statement	(21,445,190)	0	0	4,496,666	1,840,418	(2,417,066)	(17,525,172)
Charged to other comprehensive income	0	0	0	0	0	0	0
As of June 30, 2014	17,504,521	0	142,195	42,140,119	13,637,206	2,272,866	75,696,907
As of January 1, 2013	37,280,067	12,169,118	142,195	30,443,922	8,157,578	9,524,062	97,716,942
Charged to the income statement	9,619,033	2,509,189	0	3,996,515	2,905,032	(2,417,065)	16,612,704
Charged to other comprehensive income	0	0	0	0	0	0	0
As of June 30, 2013	46,899,100	14,678,307	142,195	34,440,437	11,062,610	7,106,997	114,329,646

Deferred Tax Liabilities

	Property, plant and equipment	Other receivables	Debt and other indebtedness	Total
As of January 1, 2014	132,961,077	10,486,491	11,694,658	155,142,226
Charged to the income statement	(6,138,239)	(5,711,774)	2,076,852	(9,773,161)
Charged to other comprehensive income	0	0	0	0
As of June 30, 2014	126,822,838	4,774,717	13,771,510	145,369,065
As of January 1, 2013	145,064,287	19,854,108	9,730,335	174,648,730
Charged to the income statement	(6,947,396)	(4,293,822)	444,644	(10,796,574)
Charged to other comprehensive income	0	0	0	0
As of June 30, 2013	138,116,891	15,560,286	10,174,979	163,852,156

Deferred Tax Liabilities as of June 30, 2014 and December 31, 2013 amounts to \$69,672,158 and \$61,920,147, respectively.



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)

The income tax charge for the period is as follows:

	Six-month period ended	
	30.06.2014	30.06.2013
Current tax	16,020,040	4,301,200
Deferred tax	7,752,011	(27,409,278)
Income tax	<u>23,772,051</u>	<u>(23,108,078)</u>

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 (loss) / profit.

	Six-month period ended	
	30.06.2014	30.06.2013
Net loss before income taxes	21,991,081	(65,982,362)
Tax rate in force	35%	35%
Loss at the tax rate	7,696,878	(23,093,827)
Taxable effects by:		
- Non-current investments	12,300,000	0
- Other non taxable and/or non deductible items	3,775,173	(14,251)
Income tax	<u>23,772,051</u>	<u>(23,108,078)</u>

11. Property, plant and equipment

	Six-month period ended	
	30.06.2014	30.06.2013
Net value as of the beginning of the period	1,301,689,415	1,178,664,221
Additions	134,890,384	35,830,198
Decreases	(6,412,837)	(5,435,454)
Depreciations	(42,982,069)	(41,953,393)
Net value as of the end of the period	<u>1,387,184,893</u>	<u>1,167,105,572</u>

12. Other receivables

	30.06.2014	31.12.2013
Non-Current		
Minimum Notional Income Tax Credit	28,767,674	39,594,600
Stock Ownership Program	5,329,430	5,329,430
Financial Credit - Fourth Line	0	5,146,675
Total	<u>34,097,104</u>	<u>50,070,705</u>



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)

	<u>30.06.2014</u>	<u>31.12.2013</u>
Current		
Financial Credit - Fourth Line	16,319,366	27,492,043
Advances to suppliers	11,383,340	7,259,854
Prepaid expenses	5,847,350	23,423,996
Loans to employees	1,661,649	1,534,497
Stock Ownership Program - Dividends receivable	778,780	778,780
Judicial seizure	611,135	611,135
Insurance recoveries	0	9,142,315
Guarantees received	0	3,161,503
Others	9,786	25,008
Total	<u>36,611,406</u>	<u>73,429,131</u>

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

13. Trade account receivables

	<u>30.06.2014</u>	<u>31.12.2013</u>
CAMMESA	308,832,117	341,118,479
Other services	35,482,007	33,957,717
Other related parties (Note 18)	10,717,587	11,370,116
Total	<u>355,031,711</u>	<u>386,446,312</u>

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

14. Cash and cash equivalents

	<u>30.06.2014</u>	<u>31.12.2013</u>
Cash in local currency	946,991	921,991
Cash in foreign currency	113,157	91,278
Banks in local currency	7,406,791	1,727,442
Banks in foreign currency	24,949,651	19,433,442
Mutual funds	246,473,784	51,450,735
Cash and cash equivalents, net	<u>279,890,374</u>	<u>73,624,888</u>



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)

15. Debt and other indebtedness

	<u>30.06.2014</u>	<u>31.12.2013</u>
Non-current bonds and other indebtedness		
Corporate Bonds 2021	801,385,155	642,546,735
Corporate Bonds 2016	215,784,755	173,015,172
Nordic Investment Bank (NIB)	37,208,475	30,322,650
Internal rate of return adjustment to Corporate Bonds 2021	(36,855,752)	(30,904,510)
Net present value adjustment to NIB and Par Notes	<u>(2,491,422)</u>	<u>(2,508,798)</u>
Total Non-current	<u><u>1,015,031,211</u></u>	<u><u>812,471,249</u></u>
Current bonds and other indebtedness		
Corporate Bonds 2016	109,089,310	87,531,259
Corporate Bonds 2021	29,300,645	24,015,184
Nordic Investment Bank (NIB)	<u>1,316,021</u>	<u>1,061,620</u>
Total Current	<u><u>139,705,976</u></u>	<u><u>112,608,063</u></u>

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

16. Employee benefit expense

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

	Six-month period ended	
	<u>30.06.2014</u>	<u>30.06.2013</u>
Charges to Results		
Services Cost	3,551,084	2,716,746
Interest Cost	<u>16,798,702</u>	<u>13,355,679</u>
Total	<u><u>20,349,786</u></u>	<u><u>16,072,425</u></u>

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

	<u>30.06.2014</u>	<u>30.06.2013</u>
Benefits Obligations at the beginning of the period	107,552,722	86,982,633
Services Cost	3,551,084	2,716,746
Interest Cost	16,798,702	13,355,679
Payments of benefits	<u>(7,502,170)</u>	<u>(4,653,808)</u>
Benefits Obligations at the end of the period	<u><u>120,400,338</u></u>	<u><u>98,401,250</u></u>

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

Discount rate	33.56%	32.50%
Current interest rate	6.00%	6.00%
Salary growth rate	2%	2%



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)

17. Trade accounts payable

	<u>30.06.2014</u>	<u>31.12.2013</u>
Non-Current		
Billings in advance	4,085,116	4,333,734
Total	<u>4,085,116</u>	<u>4,333,734</u>
Current		
Suppliers	60,877,759	68,612,588
Billings in advance	5,739,930	8,772,843
Total	<u>66,617,689</u>	<u>77,385,431</u>

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

18. Balances and transactions with related parties

Transener has entered into an operating agreement under which Pampa Energía S.A. (formerly Pampa Holding S.A.), ENARSA S.A. and Electroingeniería S.A. provide services, expertise and know-how in connection with certain Company activities. In November 2009, Pampa Energía S.A. transferred its contract to Pampa Generación S.A. In January 2012, Pampa Generación S.A. transferred its contract to Pampa Energía S.A. Electroingeniería S.A. gave notice in the month of November of 2010 of the transfer of its contract to Grupo Eling S.A.

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

	Six-month period ended	
	<u>30.06.2014</u>	<u>30.06.2013</u>
Sales of assets and services rendered to Energía Argentina S.A.	0	2,600
Fees for operating services		
*Pampa Energía S.A.	6,546,763	2,368,407
*Energía Argentina S.A.	3,273,381	1,184,203
*Grupo Eling S.A.	3,273,381	1,184,203
Interest generated by assets (Citelec S.A.)	0	25,879

Other related parties

	Six-month period ended	
	<u>30.06.2014</u>	<u>30.06.2013</u>
Sales of assets and services rendered to Yacylec S.A.	3,057,942	2,417,566
Sales of assets and services rendered to Integración Eléctrica Sur Argentina S.A.	1,255,212	9,086,940
Sales of assets and services rendered to Edenor S.A.	595,500	0
Sales of assets and services rendered to C.T.Loma de la Lata S.A.	557,743	505,008
Sales of assets and services rendered to Litsa S.A.	422,477	501,910
Sales of assets and services rendered to Transportadora de Gas del Sur S.A.	132,000	132,330
Sales of assets and services rendered to Electroingeniería S.A.	92,300	0
Sales of assets and services rendered to Central Piedra Buena S.A.	41,100	568,061



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)

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

	<u>30.06.2014</u>	<u>31.12.2013</u>
Provisions		
Pampa Energía S.A.	5,025,304	4,472,655
Grupo Eling S.A.	2,512,652	2,236,328
Energía Argentina S.A.	<u>2,512,652</u>	<u>2,236,328</u>
Total	<u>10,050,608</u>	<u>8,945,311</u>

Related parties

	<u>30.06.2014</u>	<u>31.12.2013</u>
Assets		
Trade account receivables		
Integración Eléctrica Sur Argentina S.A.	9,227,447	10,644,453
Yacylec S.A.	1,207,119	554,570
CT. Loma de la Lata S.A.	134,788	102,355
Electroingeniería S.A.	92,300	0
Litsa S.A.	55,603	68,408
Transportadora de Gas del Sur S.A.	330	330
Total	<u>10,717,587</u>	<u>11,370,116</u>

19. Investment in Transener Internacional Ltda.

Transener Internacional Ltda. is undergoing operating and financing difficulties. As a consequence of that, and in order to support its operations, as of December 31, 2011, Transener granted loans to Transener Internacional Ltda. for the amount of US\$6.6 million.

On March 25, 2012, the Board of Directors approved to discontinue Transener Internacional Ltda.'s operation and maintenance contracts.

As of June 30, 2014, due to the uncertainty as to the Company ability to fully recover the above-mentioned loans and credits granted, the book value of such investments remains fully impaired. No loan has been assigned to the mentioned subsidiary during fiscal year 2013 and the six-month period ended June 30, 2014.

20. Loss per share

The loss 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.

	Six-month periods ended	
	<u>30.06.2014</u>	<u>30.06.2013</u>
Results from operations attributable to the equity holders of the Company	<u>(4,012,769)</u>	<u>(44,484,400)</u>
Total	<u>(4,012,769)</u>	<u>(44,484,400)</u>
Ordinary shares average	444,673,795	444,673,795
Loss per share attributable to the equity holders of the Company (\$/Share)	(0.01)	(0.10)



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)

21. Foreign currency assets and liabilities

As of June 30, 2014 and December 31, 2013 the balances of foreign currency assets and liabilities are as follows:

Captions	June 30, 2014			December 31, 2013	
	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\$ 3,119,895	8.033	25,062,113	US\$ 3,012,525	19,524,176
Cash and banks	R\$ 189	3.682	695	R\$ 197	544
Total current assets			<u>25,062,808</u>		<u>19,524,720</u>
Total assets			<u>25,062,808</u>		<u>19,524,720</u>
Liabilities					
Current liabilities					
Account payable	US\$ 650,442	8.133	5,290,048	US\$ 255,034	1,663,079
Account payable	€ 55,709	11.148	621,034	€ 10,737	96,749
Debt and other indebtedness	US\$ 17,177,668	8.133	139,705,976	US\$ 17,268,527	112,608,063
Total current liabilities			<u>145,617,058</u>		<u>114,367,891</u>
Non current liabilities					
Debt and other indebtedness	US\$ 129,642,000	8.133	1,054,378,385	US\$ 129,717,000	845,884,557
Total non current liabilities			<u>1,054,378,385</u>		<u>845,884,557</u>
Total liabilities			<u>1,199,995,443</u>		<u>960,252,448</u>

US\$: United States Dollars

R\$: Reales

€: Euros



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)

22. Allowance

As of June 30, 2014 and December 31, 2013 the balances of foreign currency assets and liabilities are as follows:

Captions	At the beginning of the year	Additions	Deductions	At the end of the year
	\$			
Deducted from current assets				
Bad debtors	466,497	0	0	466,497
Other irrecoverable receivables (1)	1,510,777	0	0	1,510,777
Total at June 30, 2014	1,977,274	0	0	1,977,274
Total at December 31, 2013	38,974,679	9,710,152	(46,707,557)	1,977,274
Deducted from non-current assets				
Minimum notional income tax credit (2)	0	10,826,926	0	10,826,926
Deferred tax assets (2)	0	12,300,000	0	12,300,000
Total at June 30, 2014	0	23,126,926	0	23,126,926
Total at December 31, 2013	0	0	0	0

(1) See Note 19.

(2) See Note 10.