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

Unaudited Condensed Interim Consolidated Financial Statements as of June 30, 2016 and for the three-month and six-month periods ended June 30, 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.

Index to Unaudited Condensed Interim Consolidated Financial Statements

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REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Compañía de Transporte de Energía Eléctrica en Alta Tensión Transener S.A. and its subsidiary (hereinafter "Transener S.A.") which comprise the interim condensed consolidated statement of financial position at June 30, 2016, the interim condensed consolidated statements of comprehensive income for the six-month and three-month periods then ended, and the interim condensed consolidated statements of changes in equity and of cash flows for the six-month period then ended and the selected explanatory notes.

The balances and other information corresponding to the fiscal year 2015 and interim periods are an integral part of the financial statements mentioned above; therefore, they must be considered in connection with these financial statements.

Board responsibility

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 interim condensed consolidated financial statements mentioned in the first paragraph, in accordance with International Accounting Standard 34 "Interim Financial Information" (IAS 34).

Scope of our review

Our review was limited to the application of the procedures established under International Standards on Review Engagements ISRE 2410 "Review of interim financial information performed by the independent auditor of the entity", 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 interim condensed consolidated financial statements and performing analytical and other review procedures. This review is substantially less in scope than an audit examination conducted in accordance with international standards on auditing and consequently it does not enable us to be sure that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Company's consolidated financial position, consolidated comprehensive income and consolidated cash flows.

pwc

Conclusion

On the basis of our review, nothing has come to our attention that make us think that the interim condensed consolidated financial statements mentioned in the first paragraph of this report have not been prepared, in all material respects, in accordance with International Accounting Standard 34.

Emphasis of matter paragraph

Without modifying our opinion, we would like to emphasize the information contained in note 2 to the accompanying financial statements, which states that at June 30, 2016 the Company recorded accumulated losses for $ 469,370,246. If this situation continues at December 31, 2016, the Company would fall within the scope of section 206 of the General Companies Law. The note mentioned also details the negotiations that the Company is holding with the pertinent authorities to adjust its tariff schedules and their impact on the economic-financial situation of Transener S.A. These circumstances show the existence of significant uncertainty that raises concerns about the Company's ability to continue operating as a going concern.

Report on compliance with regulations in force

In accordance with current regulations, we report that:

a) the interim condensed consolidated financial statements of Transener S.A. are transcribed into the "Inventory and Balance Sheet" book and except for what was mentioned above, as regards those matters that are within our field of competence, they comply with the provisions of the General Companies Law and pertinent resolutions of the National Securities Commission;

b) the interim condensed separate financial statements of Transener S.A. stem from accounting records kept in all formal respects in conformity with legal regulations, except for the transcription into the Inventory and Balance Sheet book, which is pending to date;

c) we have read the summary of activity, on which we have no observation to make insofar as concerns matters within our field of competence;

d) at June 30, 2016, the debt accrued by Transener S.A. in favor of the Argentine Integrated Social Security System according to the Company's accounting records and calculations amounted to $ 20,150,873, none of which was claimable at that date.

City of Buenos Aires, August 04, 2016

PRICE WATERHOUSE & CO.S.R.L.

(Partner)

Fernando A. Rodriguez

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

Unaudited Condensed Interim Consolidated Statements of Operations
for the three-month and six-month periods ended June 30, 2016 and 2015

(In Argentine Pesos, except as otherwise indicated)

		Three-month period ended		Six-month period ended	
Consolidated income statement	Note	**30.06.2016**	**30.06.2015**	**30.06.2016**	**30.06.2015**
Net Revenues	7	323,244,222	504,071,047	698,378,215	823,937,439
Operating expenses	8	(437,201,800)	(292,959,938)	(777,206,339)	(557,388,846)
Gross income		(113,957,578)	211,111,109	(78,828,124)	266,548,593
Administrative expenses	8	(105,242,652)	(61,099,918)	(172,183,413)	(117,641,846)
Other expenses net		(8,303,632)	(6,138,447)	(15,244,527)	(12,845,416)
Operating loss		(227,503,862)	143,872,744	(266,256,064)	136,061,331
Finance income	9	54,787,632	79,207,911	149,862,320	181,096,257
Finance costs	9	(42,991,755)	(31,528,658)	(85,600,072)	(59,055,163)
Other financial results	9	(34,175,499)	(32,921,493)	(218,703,705)	(68,001,309)
(Loss) / income before taxes		(249,883,484)	158,630,504	(420,697,521)	190,101,116
Income tax	10	86,219,656	(55,664,585)	145,401,465	(67,057,053)
(Loss) / income for the period		(163,663,828)	102,965,919	(275,296,056)	123,044,063
(Loss) / income attributable to :					
Owners of the parent		(159,191,674)	99,321,277	(271,423,631)	117,528,916
Non-controlling interests		(4,472,154)	3,644,642	(3,872,425)	5,515,147
Total for de period		(163,663,828)	102,965,919	(275,296,056)	123,044,063

Other consolidated comprehensive income					
(Loss) / income for the period		(163,663,828)	102,965,919	(275,296,056)	123,044,063
Items that will not be reclassified to profit or loss					
Tax effect on actuarial income / (loss) in retirement benefits plans		0	0	0	0
Tax effect on actuarial (loss) / income in retirement benefits plans		0	0	0	0
Total comprehensive (loss) / income for the period		(163,663,828)	102,965,919	(275,296,056)	123,044,063
Attributable to :					
Owners of the parent		(159,191,674)	99,321,277	(271,423,631)	117,528,916
Non-controlling interests		(4,472,154)	3,644,642	(3,872,425)	5,515,147
Total for the period		(163,663,828)	102,965,919	(275,296,056)	123,044,063
(Loss) / income per share attributable to the equity holders of the Company:					
Total for the period	22	(0.36)	0.22	(0.61)	0.26

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

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

Unaudited Condensed Interim Consolidated Balance Sheets as of June 30, 2016 and December 31, 2015

(In Argentine Pesos, except as otherwise indicated)

	Note	30.06.2016	31.12.2015
Assets			
Non-current assets			
Property, plant and equipment	11	1,847,746,069	1,742,868,714
Other receivables	12	17,552,954	17,552,954
Deferred tas assets	10	110,848,140	0
Total Non-current assets		1,976,147,163	1,760,421,668
Current Assets			
Trade accounts receivables	13	293,605,526	536,679,172
Other receivables	12	63,469,387	66,257,269
Investments at fair value		450,032,590	541,161,029
Cash and cash equivalents	14	54,218,031	50,673,505
Total Current assets		861,325,534	1,194,770,975
Total Assets		2,837,472,697	2,955,192,643
Equity and liabilities			
Capital and reserves attributable to owners of the parent		402,907,081	674,330,712
Equity attributable to owners of the parent		402,907,081	674,330,712
Non-controlling interests		44,337,769	48,210,194
Total equity		447,244,850	722,540,906
Liabilities			
Non-current liabilities			
Debt and other indebtedness	15	1,428,056,025	1,234,822,563
Taxes payable	26	25,129,623	0
Deferred tax payable	10	0	34,553,325
Employee benefits payable	16	224,076,179	193,527,886
Trade accounts payable	17	3,219,294	3,312,643
Total Non-current liabilities		1,680,481,121	1,466,216,417
Current liabilities			
Previsions	25	65,490,545	64,288,605
Other liabilities	2	30,420,076	778,781
Debt and other indebtedness	15	288,126,087	278,946,317
Taxes payable		14,253,907	15,449,813
Income tax payable		0	31,349,500
Payroll and social securities taxes payable		170,642,845	207,849,503
Trade accounts payable	17	140,813,266	167,772,801
Total Current liabilities		709,746,726	766,435,320
Total Liabilities		2,390,227,847	2,232,651,737
Total Equity and liabilities		2,837,472,697	2,955,192,643

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

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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, 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**	**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**	**(253,382,387)**	**618,894,940**	**35,818,648**	**654,713,588**
Comprehensive income for the six-month period	0	0	0	0	117,528,916	117,528,916	5,515,147	123,044,063
Balance as of June 30, 2015	**444,673,795**	**352,996,229**	**31,978,847**	**42,628,456**	**(135,853,471)**	**736,423,856**	**41,333,795**	**777,757,651**
Comprehensive income for the six-month complementary period	0	0	0	0	(65,282,739)	(65,282,739)	6,767,954	(58,514,785)
Other comprehensive imcome for the six-month period	0	0	0	0	3,189,595	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**	**(197,946,615)**	**674,330,712**	**48,210,194**	**722,540,906**
Comprehensive loss for the six-month period	0	0	0	0	(271,423,631)	(271,423,631)	(3,872,425)	(275,296,056)
Balance as of June 30, 2016	**444,673,795**	**352,996,229**	**31,978,847**	**42,628,456**	**(469,370,246)**	**402,907,081**	**44,337,769**	**447,244,850**

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

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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, 2016 and 2015

(In Argentine Pesos, except as otherwise indicated)

	Note	Six-month period ended 30.06.2016	30.06.2015
Cash flows from operating activities:			
(Loss) / Income for the period		(275,296,056)	123,044,063
Adjustments:			
Depreciation of property, plant and equipment	11	47,984,814	44,721,999
Instrumental Agreement	2	(346,494,802)	(632,609,445)
Previsions	25	7,721,844	5,607,726
Employee benefits plan	16	41,121,585	34,642,689
Income tax expense accrued during the period	10	(145,401,465)	67,057,053
Foreign exchange and other financial results		314,270,643	124,773,431
Mutual funds results	9	(107,913,955)	(31,098,577)
Retirements of property, plant and equipment	11	8,219,993	17,554,359
Changes in certain assets and liabilities, net of non-cash:			
(Increase) Decrease in trade receivables		(192,690,257)	(104,976,935)
(Increase) Decrease in other receivables		2,787,882	17,250,853
Increase (Decrease) in trade accounts payable		(27,052,884)	(88,509,125)
Increase (Decrease) in previsiones		(6,519,904)	0
Increase (Decrease) in payroll and social securities taxes payable		(37,206,658)	(46,894,733)
Increase (Decrease) in taxes payable		(7,415,783)	(27,945,584)
Increase (Decrease) of employee benefits payable	16	(10,573,292)	(10,670,408)
Income tax payment		0	(41,484,910)
Net cash used in operating activities		(734,458,295)	(549,537,544)

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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, 2016 and 2015 (continued)

(In Argentine Pesos, except as otherwise indicated)

		Six-month period ended	
	Note	**30.06.2016**	**30.06.2015**
Cash flows from investing activities:			
Purchases of the acquisition of property, plant and equipment	11	(161,082,162)	(108,071,887)
Decrease in investments at fair value		199,042,394	(73,321,296)
Cash used in investing activities		37,960,232	(181,393,183)
Cash flows from financing activities:			
Funds from CAMMESA Financing	2	811,900,000	776,400,010
Payments and repurchase of bonds and other indebtedness - Principal		(31,207,500)	(678,975)
Payments and repurchase of bonds and other indebtedness - Interests		(80,649,911)	(53,888,973)
Net cash generated by financing activities		700,042,589	721,832,062
Increase / (Decrease) in cash and cash equivalents		3,544,526	(9,098,665)
Cash and cash equivalents at the beginning of the period		50,673,505	43,073,420
Cash and cash equivalents at period end	14	54,218,031	33,974,755
Significant non-cash transactions			
Decrease in accounts receivable	2	782,258,705	776,400,010
Decrease in other liabilities - CAMMESA Financing	2	(782,258,705)	(776,400,010)
		0	0

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

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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)

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 Unaudited Condensed Interim 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 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 4, 2016.

2. Tariff Review and economic and financial situation

a) 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 six-month periods 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 AR$ 508.9 and AR$ 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 the cession in guarantee of the recognized by higher costs as of May 31, 2015 under the Renewal Agreements to the Instrumental Agreements, in order to cancel the amounts to be received by application of the New Agreements signed.

At period 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 $242.0 million and $359.7 million plus interest for $26.5 million and $74.4 million, for the six-month periods ended June 30, 2016 and 2015, respectively. Accordingly, Transba has recognized revenues for $72.2 million and $179.3 million plus interest for $5.8 million and $19.3 million, for the same periods, 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.

As of the date of these condensed interim financial statements the Addendas to the Financing Agreements are pending of signature with CAMMESA. As of June 30th, 2016 Transener and Transba received disbursements for the amount of AR$ 542.1 and AR$ 197.1 million, respectively, on account of the mentioned Addendas, which exceed in AR$ 7.9 and AR$ 21.7 million, respectively, the credits for the variations of costs recognized as of December 31, 2015 under the Addendas to the Renewal Agreement. These surpluses are recorded as liabilities in Other current liabilities.

b) Economic and financial situation

On December 31st, 2015 the term of the Renewal Agreements to the Instrumental Agreements entered into between Transener, Transba, Secretariat of Energy and the ENRE has expired. Nevertheless, the Company continued receiving the revenues agreed in those agreements up to the total amount of the respective credits; which occurred on June 8th, 2016 and May 12th, 2016, for Transener and Transba, respectively. The lack of the adjustment in the Company's revenues occurs in a context in which operating costs and investment costs continued to rise sharply, thus affecting its economic and financial situation severely.

Besides, 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.

Furthermore, CAMMESA still delays payment of the monthly remuneration in force for electric power transportation.

It should be noted that as of June 30, 2016 the Company recognized accumulated losses in the amount of $ 469,370,246, which use up the reserves and more than 50 % of the capital. If this situation continues as of December 31, 2016, the Company would fall within the scope of section 206 of the General Companies Law, which establishes the mandatory reduction of capital and, as a result, the shareholders should take the appropriate measures to resolve this situation.

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 condensed interim consolidated financial statements using accounting principles applicable to a going concern. Therefore, these 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 condensed interim consolidated financial statements should be read under these circumstances.

3. Purpose of financial statements

The accompanying condensed interim 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. Basis of preparation

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

The National Securities Commission (CNV), through General Resolution No. 622/13 has established the application of Technical Pronouncements No. 26 and 29 of the Argentine Federation of Professional Councils in Economic Sciences which adopt IFRS issued by the IASB for entities included in the public offering system under Law No. 17811 and amendments, either for its capital or negotiable obligations, or which have requested authorization to be included in the mentioned system.

These interim condensed separate financial statements of the Company for the six-month period ended June 30, 2016 were prepared in accordance with International Accounting Standard No. 34 "Interim Financial Reporting" (IAS 34).

The presentation in the statement of financial position segregates current and non-current assets and liabilities. Current assets and liabilities are those which are expected to be recovered or settled within the twelve months after the end of the reporting period/year. In addition, the Company reports on the cash flows from operating activities using the indirect method. The fiscal year commences on January 1 and ends December 31 of each year. Economic and financial results are presented on the basis of the fiscal year.

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

IAS 29 “Financial reporting in hyperinflationary economies” requires that the financial statements of an entity whose functional currency is that of a hyperinflationary economy, regardless of whether they are based on the historical cost method or the current cost method, are restated in constant currency at the end of the reporting period. To this purpose, in general terms, for non-cash items it is necessary to compute the inflation recorded since the acquisition date or since the date of revaluation, as applicable. To conclude on the existence of a hyperinflationary economy, the standard establishes a series of factors to be considered; among them, a cumulative inflation rate over three years that is approaching, or exceeds, 100%.

At June 30, 2016, it is not possible to calculate the cumulative inflation rate for the three-year period then ended based on official data from the National Institute of Statistics and Census (INDEC), given that in October 2015 this agency discontinued the calculation of the Domestic Wholesale Price Index, only resuming its calculation from January 2016 onwards.

At the end of the reporting period, Management has evaluated and concluded that the Argentine peso does not meet the characteristics to be classified as the currency of a hyperinflationary economy, according to the guidelines of IAS 29 and Government’s expectations towards a lower inflation level; therefore, these condensed interim financial statements have not been restated in constant currency.

Nevertheless, in the last few years certain macroeconomic variables that affect the Company’s business, such as labor costs and the prices of inputs, have recorded yearly variations of some importance. This circumstance must be taken into account in the assessment and interpretation of the financial position and the results disclosed by the Company in these condensed interim financial statements.

5. 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.

5.1 Changes in the accounting policies under IFRS

a) New standards, modifications and interpretations mandatory for the years commenced on January 1, 2016 and not early adopted by the Company

As regards the application of IAS 1 "Presentation of Financial Statements" and Annual improvements to IFRS - Cycle 2012-2014, effective as from January 1, 2016, its application had neither significant impact on the presentation of financial statements nor in the results of operations or Company's financial position.

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

IFRS 16 "Leases" was issued on January 13, 2016 by the IASB and supersedes the current guidelines of the IAS 17. This standard defines a lease as a contract, or part of a contract, that conveys the right to use an asset (underlying asset) for a period of time in exchange for consideration. Under this standard, a liability must be recognized for lease arrangements to show future lease payments and a right-of-use asset in almost all cases. This is a significant change compared with IAS 17, which required that lessees 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 some short-term leases and leases of low-value assets; however, this exception may only be applied by lessees. It is effective for fiscal years beginning on or after January 1, 2019.

5.2 Risk policy and accounting estimates

In the preparation of these financial statements, the Company has applied the risk policies and accounting estimates consistently with those of the previous year. There are no significant variations at June 30, 2016 compared with the previous year as regards the risk analysis.

5.3 Impairment of non-financial long-term assets

For the purpose of preparing these financial statements, the Company has applied the policy for impairment of non-financial long-term assets consistently with that of the previous year.

Thus, Management has defined certain assumptions to estimate future cash flows applied to assess the recoverability of its assets. These assumptions consider various scenarios which include projections of expected future tariff increases, inflation, exchange rates, operating and maintenance expenses, investments and discount rates.

Cash flows are generally projected for a period which covers the remaining useful life of long-term assets or the duration of the concession, whichever is lower.

Cash flows were estimated considering the tariff adjustment guidelines submitted to the ENRE, in compliance with the parameters established by Law No. 24065, which governs the tariff renegotiation in process.

Consequently, cash flows and future actual results may differ from the estimates and evaluations made at the date of preparation of these financial statements.

The Company has not recognized impairment losses for any of the periods mentioned.

5.4 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.

(In Argentine Pesos, except as otherwise indicated)

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.

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 June 30, 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 six-month periods ended June 30, 2016 and 2015 is as follows:

	Regulated activity	Non-regulated activity	Total
	$	$	$
Six-month period ended June 30, 2016			
Net revenues	559,088,167	139,290,048	698,378,215
Operating results	(300,871,866)	34,615,802	(266,256,064)
Total assets	2,766,505,178	70,967,519	2,837,472,697
Total liabilities	2,012,667,783	377,560,064	2,390,227,847
Acquisition of property, plant and equipment	161,082,162	0	161,082,162
Property, plant and equipment depreciation	47,984,814	0	47,984,814
Six-month period ended June 30, 2015			
Net revenues	757,783,867	66,153,572	823,937,439
Operating results	115,173,572	20,887,759	136,061,331
Total assets	2,437,409,573	102,018,259	2,539,427,832
Total liabilities	1,503,591,448	258,078,733	1,761,670,181
Acquisition of property, plant and equipment	108,071,887	0	108,071,887
Property, plant and equipment depreciation	44,721,999	0	44,721,999

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

	Three-month period ended		Six-month period ended	
	30.06.2016	**30.06.2015**	**30.06.2016**	**30.06.2015**
Net Regulated Revenue	232,324,140	469,520,869	559,088,167	757,783,867
Net Non-Regulated Revenue	90,920,082	34,550,178	139,290,048	66,153,572
Net Revenues	323,244,222	504,071,047	698,378,215	823,937,439

(In Argentine Pesos, except as otherwise indicated)

8. Expenses by Nature

Items	Three-month period ended June 30, 2016			Three-month period ended June 30, 2015		
	Total	Operating Expenses	Administrative Expenses	Total	Operating Expenses	Administrative Expenses
Salaries and social security charges	327,362,321	250,435,278	76,927,043	240,079,122	194,512,985	45,566,137
Other personnel costs	3,013,613	1,744,697	1,268,916	2,121,960	1,473,918	648,042
Fees for operating services	3,535,545	3,535,545	0	8,194,031	8,194,031	0
Professional fees	7,971,657	2,197,180	5,774,477	5,043,483	1,966,563	3,076,920
Equipment maintenance	19,048,313	19,048,313	0	4,063,590	4,063,590	0
Work for third-party materials	51,251,989	51,251,989	0	2,874,714	2,874,714	0
Fuel and lubricants	7,459,704	7,158,363	301,341	5,400,910	5,171,717	229,193
General Maintenance	18,936,110	18,646,116	289,994	10,908,686	10,727,004	181,682
Electricity	1,503,774	1,393,484	110,290	593,258	564,937	28,321
Depreciation of property, plant and equipment	24,190,377	21,769,304	2,421,073	22,505,187	20,252,631	2,252,556
Administration expenses related to WEM	90,370	90,370	0	156,134	156,134	0
Regulatory fees	335,095	335,095	0	587,640	587,640	0
ATEERA membership fees	276,378	0	276,378	217,788	0	217,788
Communications	3,529,986	1,767,867	1,762,119	1,491,974	1,237,779	254,195
Transportation	3,298,862	3,288,830	10,032	2,347,657	2,342,457	5,200
Insurance	12,418,408	10,826,236	1,592,172	11,950,060	11,150,292	799,768
Rents	4,417,303	1,590,546	2,826,757	4,598,119	2,587,592	2,010,527
Travel and lodging expenses	19,228,074	18,416,847	811,227	13,696,976	13,141,357	555,619
Stationary and printing	5,722,755	428,831	5,293,924	2,258,087	297,939	1,960,148
Taxes and government contributions	4,279,222	2,755,932	1,523,290	2,290,389	2,108,586	181,803
Directors and syndics	1,200,175	0	1,200,175	1,298,284	0	1,298,284
Security	10,887,256	10,813,867	73,389	7,366,837	7,366,837	0
Office and substation cleaning	6,366,419	5,874,909	491,510	4,867,696	4,518,802	348,894
Electroduct maintenance	435,731	435,731	0	1,588,453	1,588,453	0
Provisions	(554,170)	(554,170)	0	(7,205,092)	(7,205,092)	0
Others	6,239,185	3,950,640	2,288,545	4,763,913	3,279,072	1,484,841
TOTAL	542,444,452	437,201,800	105,242,652	354,059,856	292,959,938	61,099,918

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Items	Six-month period ended June 30, 2016			Six-month period ended June 30, 2015		
	Total	Operating Expenses	Administrative Expenses	Total	Operating Expenses	Administrative Expenses
Salaries and social security charges	597,571,004	475,973,305	121,597,699	444,637,479	358,340,146	86,297,333
Other personnel costs	5,703,829	3,293,920	2,409,909	4,689,474	2,339,513	2,349,961
Fees for operating services	8,624,389	8,624,389	0	14,111,938	14,111,938	0
Professional fees	11,874,113	3,118,352	8,755,761	8,480,088	2,760,306	5,719,782
Equipment maintenance	21,751,511	21,751,511	0	5,935,356	5,935,356	0
Work for third-party materials	54,220,509	54,220,509	0	5,773,130	5,773,130	0
Fuel and lubricants	12,437,059	11,907,204	529,855	9,335,685	8,923,504	412,181
General Maintenance	30,022,499	29,473,732	548,767	18,376,297	17,772,934	603,363
Electricity	2,467,123	2,309,010	158,113	1,014,882	960,176	54,706
Depreciation of property, plant and equipment	47,984,814	43,182,261	4,802,553	44,721,999	40,245,727	4,476,272
Administration expenses related to WEM	328,218	328,218	0	429,638	429,638	0
Regulatory fees	934,128	934,128	0	1,254,268	1,254,268	0
ATEERA membership fees	529,383	0	529,383	392,885	0	392,885
Communications	5,331,249	3,076,768	2,254,481	2,459,828	1,983,716	476,112
Transportation	6,181,953	6,166,802	15,151	4,470,889	4,461,888	9,001
Insurance	23,700,218	21,701,531	1,998,687	23,850,251	22,236,292	1,613,959
Rents	8,379,433	2,831,421	5,548,012	8,604,547	4,600,065	4,004,482
Travel and lodging expenses	31,403,197	29,845,592	1,557,605	22,162,994	21,180,130	982,864
Stationary and printing	11,946,418	1,281,939	10,664,479	3,712,942	560,955	3,151,987
Taxes and government contributions	7,193,663	4,689,690	2,503,973	4,384,698	3,544,903	839,795
Directors and syndics	2,431,067	0	2,431,067	2,240,440	0	2,240,440
Security	22,175,484	21,998,026	177,458	14,083,542	14,011,431	72,111
Office and substation cleaning	12,415,599	11,500,855	914,744	9,365,909	8,705,231	660,678
Electroduct maintenance	744,367	744,367	0	1,928,083	1,928,083	0
Provisions	9,739,121	9,739,121	0	9,137,522	9,137,522	0
Others	13,299,404	8,513,688	4,785,716	9,475,928	6,191,994	3,283,934
TOTAL	949,389,752	777,206,339	172,183,413	675,030,692	557,388,846	117,641,846

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9. Financial Results Net

	Three-month period ended		Six-month period ended	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
Finance Income				
Renewal Agreement interest (Note 2)	11,016,304	54,330,326	32,254,997	93,664,440
Mutual funds	37,885,174	18,891,241	107,913,955	31,098,577
Fourth Line interest	0	0	0	47,787,784
Other finance income	5,886,154	5,986,344	9,693,368	8,545,456
Total finance income	54,787,632	79,207,911	149,862,320	181,096,257
Finance Costs				
Interests generated by loans	(42,991,755)	(31,528,658)	(85,600,072)	(59,055,163)
Total finance costs	(42,991,755)	(31,528,658)	(85,600,072)	(59,055,163)
Other financial results				
Foreign exchange	(34,175,499)	(32,921,493)	(218,703,705)	(67,506,746)
Result from derivative financial instruments	0	0	0	(494,563)
Total Other financial results	(34,175,499)	(32,921,493)	(218,703,705)	(68,001,309)
Total Other financial results, net	(22,379,622)	14,757,760	(154,441,457)	54,039,785

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	Previsions	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	129,191,828	0	0	10,691,903	2,415,754	142,299,485
Charged to other comprehensive income	0	0	0	0	0	0
As of June 30, 2016	148,556,197	565,198	714,407	78,426,663	39,556,915	267,819,380
As of January 1, 2015	0	142,195	937,060	51,573,689	16,699,640	69,352,584
Charged to the income statement	0	0	0	8,390,298	160,982	8,551,280
Charged to other comprehensive income	0	0	0	0	0	0
As of June 30, 2015	0	142,195	937,060	59,963,987	16,860,622	77,903,864

(1) Includes tax losses amounting to $ 10.9 million, which have been fully provided for (See Note 25).

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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	(5,617,967)	1,506,890	1,009,097	(3,101,980)
Charged to other comprehensive income	0	0	0	0
As of June 30, 2016	105,597,961	32,274,758	19,098,521	156,971,240
As of January 1, 2015	121,595,685	2,519,889	13,587,871	137,703,445
Charged to the income statement	(5,808,356)	3,329,339	11,546	(2,467,471)
Charged to other comprehensive income	0	0	0	0
As of June 30, 2015	115,787,329	5,849,228	13,599,417	135,235,974

Deferred Tax Assets as of June 30, 2016 amounts to $110,848,140.

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

The income tax charge for the period is as follows:

	Six-month period ended	
	30.06.2016	**30.06.2015**
Current tax	0	78,075,804
Deferred tax	(145,401,465)	(11,018,751)
Income tax	(145,401,465)	67,057,053

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).

	Six-month period ended	
	30.06.2016	**30.06.2015**
Net income before income taxes	(420,697,521)	190,101,116
Tax rate in force	35%	35%
Net income at the tax rate	(147,244,132)	66,535,391
Taxable effects by:		
- Other non taxable and/or non deductible items	1,842,667	521,663
Income tax	(145,401,465)	67,057,054

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11. Property, plant and equipment

	Six-month period ended	
	30.06.2016	**30.06.2015**
Net value as of the beggining of the period	1,742,868,714	1,589,000,341
Additions	161,082,162	108,071,887
Decreases	(8,219,993)	(17,554,359)
Depreciations	(47,984,814)	(44,721,999)
Net value as of the end of the period	1,847,746,069	1,634,795,870

12. Other receivables

	30.06.2016	**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		
Advances to suppliers	30,130,373	31,409,786
Tax credits	17,021,284	0
Prepaid expenses	11,357,213	29,545,804
Loans to employees	2,940,844	3,263,550
Judicial seizure	1,154,324	1,147,254
Stock Ownership Pogram - Dividends receivable	778,780	778,780
Others	86,569	112,095
Total	63,469,387	66,257,269

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

13. Trade account receivables

	30.06.2016	**31.12.2015**
CAMMESA	149,321,125	465,866,942
Other services	77,991,421	41,744,591
Other related parties (Note 18)	66,292,980	29,067,639
Total	293,605,526	536,679,172

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

(In Argentine Pesos, except as otherwise indicated)

14. Cash and cash equivalents

	30.06.2016	31.12.2015
Cash in local currency	1,233,991	1,184,991
Cash in foreign currency	209,987	181,809
Banks in local currency	3,933,130	6,859,780
Banks in foreign currency	48,840,923	42,446,925
Cash and cash equivalents, net	54,218,031	50,673,505

15. Debt and other indebtedness

	30.06.2016	31.12.2015
Non-current bonds and other indebtedness		
Corporate Bonds 2021	1,428,056,025	1,234,822,563
Total Non-current	1,428,056,025	1,234,822,563
Current bonds and other indebtedness		
Corporate Bonds 2016	200,258,452	173,670,984
Corporate Bonds 2021	54,585,762	48,023,003
Nordic Investment Bank (NIB)	33,281,873	57,252,330
Total Current	288,126,087	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.

16. Employee benefit expense

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

	Six-month period ended	
	30.06.2016	30.06.2015
Charges to Results		
Services Cost	6,820,953	5,149,858
Interest Cost	34,300,632	29,492,831
Total	41,121,585	34,642,689

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

	30.06.2016	30.06.2015
Benefits Obligations at the beginning of the period	193,527,886	147,353,395
Services Cost	6,820,953	5,149,858
Interest Cost	34,300,632	29,492,831
Payments of benefits	(10,573,292)	(10,670,408)
Benefits Obligations at the end of the period	224,076,179	171,325,676

(In Argentine Pesos, except as otherwise indicated)

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

Discount rate	37.80%	43.10%
Current interest rate	6.00%	6.00%
Salary growth rate	2%	2%

17. Trade accounts payable

	30.06.2016	31.12.2015
Non-Current		
Billings in advance	3,219,294	3,312,643
Total	3,219,294	3,312,643

	30.06.2016	31.12.2015
Current		
Suppliers	84,890,220	113,242,274
Other liabilites	41,999,948	31,125,563
Other related parties (Note 18)	5,972,744	8,406,916
Billings in advance	7,950,354	14,998,048
Total	140,813,266	167,772,801

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

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.

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.
- Grupo Eling S.A., which own 25% of the share capital of Citelec, is an Argentine corporation (*sociedad anónima*).

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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)

- Energía Argentina S.A., which owns 25% 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. (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 noticed 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	
	30.06.2016	**30.06.2015**
Fees for operating services		
*Pampa Energía S.A.	4,312,195	7,055,968
*Energía Argentina S.A.	2,156,097	3,527,985
*Grupo Eling S.A.	2,156,097	3,527,985

Other related parties

	Six-month period ended	
	30.06.2016	**30.06.2015**
Sales of assets and services rendered to Integración Eléctrica Sur Argentina S.A.	28,805,392	17,972,186
Sales of assets and services rendered to Electroingeniería S.A.	2,564,430	913,714
Sales of assets and services rendered to Yacylec S.A.	1,060,213	4,943,650
Sales of assets and services rendered to C.T.Loma de la Lata S.A.	1,303,900	1,195,843
Sales of assets and services rendered to Litsa S.A.	848,809	639,473
Sales of assets and services rendered to Transportadora de Gas del Sur S.A.	44,000	132,000
Sales of assets and services rendered to Central Piedra Buena S.A.	13,440	226,000

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		
Pampa Energía S.A.	2,986,372	4,203,458
Grupo Eling S.A.	1,493,186	2,101,729
Energía Argentina S.A.	1,493,186	2,101,729
Total	5,972,744	8,406,916

(In Argentine Pesos, except as otherwise indicated)

Other related parties

Assets	**30.06.2016**	**31.12.2015**
Trade account receivables		
Integración Eléctrica Sur Argentina S.A.	56,757,932	21,903,408
Yacylec S.A.	6,049,733	5,387,338
Electroingeniería S.A.	2,892,677	0
CT. Loma de la Lata S.A.	293,240	1,513,486
Litsa S.A.	243,386	235,401
Transportadora de Gas del Sur S.A.	56,012	28,006
Total	66,292,980	29,067,639

19. Investment in Transener Internacional Ltda.

As of June 30, 2016, both receivables and the value of the equity interest of Transener S.A. in Transener Internacional Ltda. 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 AR$ 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.

Moreover, through Resolution 74/2015 the ENRE determined the adequacy of the fee for the period August 2014 to December 20th, 2014, which was requested by Transener on September 12, 2014. Based on that resolution, Transener registered in the result corresponding to the six-month period ended on June 30, 2015 the amount of $ 50.0 million due to retroactive adjustment fee for the period August 2014 to December 19, 2014, which has been fully collected.

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 (or its equivalent in any other currency), 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.

The remaining outstanding amount of the nominal Series 1 Notes as of June 30, 2016 was US$ 13,266,000 (See Notes 21.1.2. Refinancing of Series 1 Notes – 2021 Series 2 Notes).

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 June 30, 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 2016 Series 1 Notes

Transener and its Restricted Subsidiaries, according to the terms and conditions of the Refinancing 2006, were subject to the compliance of a series of restrictions. Some of these restrictions have been eliminated as a consequence of the Refinancing 2011 (See 21.1.2 Refinancing of Series 1 Notes – 2021 Series 2 Notes ("Refinancing 2011").

(In Argentine Pesos, except as otherwise indicated)

21.4 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 June 30, 2016 there is not any default related to those restrictions.

22. Income 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 period ended	
	30.06.2016	**30.06.2015**
Results from operations attributable to the equity holders of the Company	(271,423,631)	117,528,916
Total	(271,423,631)	117,528,916
Ordinary shares average	444,673,795	444,673,795
Income per share attributable to the equity holders of the Company ($/Share)	(0.61)	0.26

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.

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24. Foreign currency assets and liabilities

As of June 30, 2016 and December 31, 2015 the balances of foreign currency assets and liabilities are as follows:

Captions	June 30, 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$ 3,283,138	14.940	49,050,083	US$ 3,294,288	42,628,085
Cash and banks	R$ 197	4.200	827	R$ 197	649
Total current assets			49,050,910		42,628,734
Total assets			49,050,910		42,628,734
Liabilities					
Current liabilities					
Account payable	US$ 1,016,539	15.040	15,288,748	US$ 604,764	7,886,122
Account payable	€ 43,597	16.640	725,451	€ 47,838	679,757
Debt and other indebtedness	US$ 19,157,320	15.040	288,126,087	US$ 21,391,589	278,946,317
Total current liabilities			304,140,286		287,512,196
Non current liabilities					
Debt and other indebtedness	US$ 94,950,534	15.040	1,428,056,025	US$ 94,694,982	1,234,822,563
Total non current liabilities			1,428,056,025		1,234,822,563
Total liabilities			1,732,196,311		1,522,334,759

US$: United States Dollars
R$: Reales
€: Euros

(In Argentine Pesos, except as otherwise indicated)

25. Previsions

As of June 30, 2016 and December 31, 2015 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	1,675,075	0	0	1,675,075
Other irrecoverable receivables (1)	1,510,777	0	0	1,510,777
Total at June 30, 2016	3,185,852	0	0	3,185,852
Total at December 31, 2015	1,977,274	1,208,578	0	3,185,852
Deducted from non-current assets				
Deferred tax assets	12,300,000	0	(1,400,000)	10,900,000
Total at June 30, 2016	12,300,000	0	(1,400,000)	10,900,000
Total at December 31, 2015	12,300,000	0	0	12,300,000
Included in current liabilities				
Labor lawsuits	20,073,039	0	0	20,073,040
Trade lawsuits	44,215,566	7,721,844	(6,519,904)	45,417,505
Total at June 30, 2016	64,288,605	7,721,844	(6,519,904)	65,490,545
Total at December 31, 2015	26,090,476	38,198,129	0	64,288,605

(1) See Note 19.

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 $ 70,995,545. At June 30, 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 $ 25,129,623, including compensatory interest.