

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

**Consolidated Financial Statements as of December 31, 2015 and for the fiscal years
ended December 31, 2015 and 2014**



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

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

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REPORT OF INDEPENDENT AUDITORS

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

Report on the financial statements

We have audited the accompanying consolidated financial statements of Compañía de Transporte de Energía Eléctrica en Alta Tensión Transener S.A. and its subsidiary (the Company), which comprise the consolidated statement of financial position as of December 31, 2015 and the consolidated statements of comprehensive income, of changes in equity and cash flow for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

The balances and other information corresponding to the fiscal year 2014 are an integral part of the audited consolidated financial statements mentioned above; therefore, they must be considered in connection with these financial statements.

Board of Directors' responsibility for the consolidated financial statements

The Board of Directors of the Company is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) adopted by the Argentine Federation of Professional Councils in Economic Sciences (FACPCE) as professional accounting standards and incorporated into the regulations of the National Securities Commission (CNV), as approved by the International Accounting Standards Board (IASB). The Board of Directors is responsible for the existence of adequate internal control to prepare consolidated financial statements free from material misstatements, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements, based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISAs). These standards were adopted as review standard in Argentina through Technical Pronouncement No. 32 of the FACPCE (Argentine Federation of Professional Councils in Economic Sciences), as approved by the International Auditing and Assurance Standards Board (IAASB) and they require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by the Company's management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Compañía de Transporte de Energía Eléctrica en Alta Tensión Transener S.A. and its subsidiary as of December 31, 2015, as well as the consolidated comprehensive income and consolidated cash flows for the fiscal year then ended, in accordance with International Financing Reporting Standards.

Emphasis paragraph

We draw attention to note 2 to these consolidated financial statements, which details the negotiations that the Company is carrying out with pertinent agencies for purposes of adjusting the rate schedule, and its impact on the economic and financial situation of Transener S.A. and its controlled company Transba S.A.. These circumstances indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Company to continue as a going concern. Our opinion is not qualified in respect of this matter.

Report about the compliance with current regulations

- a) the consolidated financial statements of Compañía de Transporte de Energía Eléctrica en Alta Tensión Transener S.A. are pending transcription into the "Inventory and Balance Sheet" book and, except for the matters mentioned above, comply with the provisions of the Commercial Companies Law and pertinent regulations of the National Securities Commission, as regards matters within our field of competence;
- b) the consolidated financial statements of Compañía de Transporte de Energía Eléctrica en Alta Tensión Transener S.A. arise except as mentioned in item a), from accounting records kept in all formal respects in conformity with legal regulations, which maintain the conditions of security and integrity based on which they were authorized by the National Securities Commission;
- c) we have read the summary of activity, as regards those matters that are within our competence, we have no observations to make;
- d) at December 31, 2015 the debt accrued by Compañía de Transporte de Energía Eléctrica en Alta Tensión Transener S.A. in favor of the Argentine Integrated Social Security System according to the Company's accounting records amounted to \$17.708.958, none of which was claimable at that date;
- e) As required by the National Securities Commission's Rules, we report that total audit and related services fees billed to the Company during the fiscal year ended December 31, 2015 represent:
 - e.1) 82,8% of the total fees for services billed to the Company for all items during that fiscal year;
 - e.2) 6,6% of the total audit and related services fees billed to the Company, its parent companies, subsidiaries and related companies during that year;
 - e.3) 5,8% of the total fees for services billed to the Company, its parent companies, subsidiaries and related companies for all items during that year;





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- f) We have applied money laundering abatement and anti-terrorist financing procedures foreseen in the professional standards issued by the Professional Council in Economic Sciences of the Autonomous City of Buenos Aires.

City of Buenos Aires, March 3, 2016

PRICE WATERHOUSE & CO. S.R.L.

(Partner)

C.P.C.E.C.A.B.A. V° 1 F° 17
Norberto Montero
Public Accountant (UBA)
C.P.C.E.C.A.B.A. V° 167 F° 179

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Compañía de Transporte de Energía Eléctrica en Alta Tensión TransenerS.A.
Consolidated Statements of Operations
for the fiscal years ended December 31, 2015 and 2014
(In Argentine Pesos, except as otherwise indicated)

Consolidated income statement	Note	Fiscal year ended	
		31.12.2015	31.12.2014
Net Revenues	7	1,946,843,329	1,476,888,470
Operating expenses	8	(1,323,915,003)	(1,071,602,022)
Gross income		622,928,326	405,286,448
Administrative expenses	8	(250,156,632)	(183,299,829)
Other expenses net		(24,725,702)	(15,133,584)
Operating income		348,045,992	206,853,035
Finance income	9	387,523,443	452,249,248
Finance costs	9	(123,696,501)	(118,761,350)
Other financial results	9	(509,657,159)	(284,023,304)
Income before taxes		102,215,775	256,317,629
Income tax expense	10	(37,686,497)	(102,843,457)
Income for the year		<u>64,529,278</u>	<u>153,474,172</u>
Income attributable to :			
Owners of the parent		52,246,177	145,199,339
Non-controlling interests		12,283,101	8,274,833
Total for de year		<u>64,529,278</u>	<u>153,474,172</u>
 Other consolidated comprehensive income			
Income for the year		64,529,278	153,474,172
 Items that will not be reclassified to profit or loss			
Recognition of actuarial income / (loss) in retirement benefits plans		5,073,908	(12,983,110)
Tax effect on actuarial (loss) / income in retirement benefits plans		(1,775,868)	4,544,089
Total comprehensive income for the year		<u>67,827,318</u>	<u>145,035,151</u>
 Attributable to :			
Owners of the parent		55,435,772	137,111,492
Non-controlling interests		12,391,546	7,923,659
Total for the year		<u>67,827,318</u>	<u>145,035,151</u>
 Income per share attributable to the equity holders of the Company:			
Total for the year	22	0.12	0.33

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

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Compañía de Transporte de Energía Eléctrica en Alta Tensión Transener S.A.
Consolidated Balance Sheets as of December 31, 2015 and 2014
(In Argentine Pesos, except as otherwise indicated)

	Note	<u>31.12.2015</u>	<u>31.12.2014</u>
Assets			
Non-current assets			
Property, plant and equipment	11	1,742,868,714	1,589,000,341
Other receivables	12	17,552,954	16,270,225
Total Non-current assets		<u>1,760,421,668</u>	<u>1,605,270,566</u>
Current Assets			
Trade accounts receivables	13	536,679,172	471,289,606
Other receivables	12	66,257,269	48,139,013
Cash and cash equivalents	14	591,834,534	329,676,393
Total Current assets		<u>1,194,770,975</u>	<u>849,105,012</u>
Total Assets		<u>2,955,192,643</u>	<u>2,454,375,578</u>
Equity and liabilities			
Capital and reserves attributable to owners of the parent		674,330,712	618,894,940
Equity attributable to owners of the parent		<u>674,330,712</u>	<u>618,894,940</u>
Non-controlling interests		48,210,194	35,818,648
Total equity		<u>722,540,906</u>	<u>654,713,588</u>
Liabilities			
Non-current liabilities			
Debt and other indebtedness	15	1,234,822,563	955,667,363
Deferred tax payable	10	34,553,325	68,350,861
Employee benefits payable	16	193,527,886	147,353,395
Trade accounts payable	17	3,312,643	3,732,488
Total Non-current liabilities		<u>1,466,216,417</u>	<u>1,175,104,107</u>
Current liabilities			
Provisions	25	64,288,605	26,090,476
Other liabilities		778,781	778,781
Debt and other indebtedness	15	278,946,317	147,212,304
Taxes payable		15,449,813	43,968,592
Income tax payable		31,349,500	44,080,355
Payroll and social securities taxes payable		207,849,503	161,675,961
Trade accounts payable	17	167,772,801	200,751,414
Total Current liabilities		<u>766,435,320</u>	<u>624,557,883</u>
Total Liabilities		<u>2,232,651,737</u>	<u>1,799,661,990</u>
Total Equity and liabilities		<u>2,955,192,643</u>	<u>2,454,375,578</u>

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

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Compañía de Transporte de Energía Eléctrica en Alta Tensión Transener S.A.
Consolidated Statements of Changes in Equity for the fiscal years ended December 31, 2015 and 2014
(In Argentine Pesos, except as otherwise indicated)

	Attributable to owners of the parent							Non-controlling interests	Total equity
	Common Stock	Inflation adjustment on common stock	Share premium	Legal reserve	Retained earnings	Subtotal			
Balance as of December 31, 2013	444,673,795	352,996,229	31,978,847	42,628,456	(390,493,879)	481,783,448	27,894,989	509,678,437	
Income for the year	0	0	0	0	145,199,339	145,199,339	8,274,833	153,474,172	
Other comprehensive income for the year	0	0	0	0	(8,087,847)	(8,087,847)	(351,174)	(8,439,021)	
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	
Income for the year	0	0	0	0	52,246,177	52,246,177	12,283,101	64,529,278	
Other comprehensive income for the year	0	0	0	0	3,189,595	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	

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



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Compañía de Transporte de Energía Eléctrica en Alta Tensión Transener S.A.
Consolidated Statements of Cash Flows for the fiscal years ended
December 31, 2015 and 2014
(In Argentine Pesos, except as otherwise indicated)

	Note	Fiscal year ended	
		<u>31.12.2015</u>	<u>31.12.2014</u>
Cash flows from operating activities:			
Income for the year		67,827,318	145,035,151
Adjustments:			
Depreciation of property, plant and equipment	11	90,857,640	86,374,111
Instrumental Agreement	2	(1,502,609,448)	(1,131,391,928)
Employee benefits plan	16	77,149,945	42,972,450
Income tax expense accrued during the year	10	37,686,497	102,843,457
Foreign exchange and other financial results		653,169,889	400,476,830
Retirements of property, plant and equipment	11	12,489,229	18,869,103
Changes in certain assets and liabilities, net of non-cash:			
(Increase) Decrease in trade receivables		(210,380,124)	(274,451,377)
(Increase) Decrease in other receivables		(19,400,985)	59,090,598
Increase (Decrease) in trade accounts payable		(33,398,458)	90,997,637
Increase (Decrease) in payroll and social securities taxes payable		46,173,542	61,783,159
Increase (Decrease) in taxes payable		(73,024,625)	(40,718,906)
Increase (Decrease) in provisions	25	38,198,129	7,785,031
Increase (Decrease) of employee benefits payable	16	(25,901,546)	(16,154,887)
Income tax payment		(41,484,910)	(10,021,023)
Net cash used in operating activities		<u>(885,945,947)</u>	<u>(448,071,573)</u>



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Consolidated Statements of Cash Flows for the fiscal years ended
December 31, 2015 and 2014 (continued)
(In Argentine Pesos, except as otherwise indicated)

	Note	Fiscal year ended	
		<u>31.12.2015</u>	<u>31.12.2014</u>
Cash flows from investing activities:			
Purchases of the acquisition of property, plant and equipment	11	(257,215,242)	(392,554,140)
Cash used in investing activities		<u>(257,215,242)</u>	<u>(392,554,140)</u>
Cash flows from financing activities:			
Funds from CAMMESA Financing	2	1,647,600,006	1,321,000,011
Payments and repurchase of bonds and other indebtedness - Principal		(130,871,634)	(114,923,223)
Payments and repurchase of bonds and other indebtedness - Interests		(111,409,042)	(109,399,570)
Net cash generated by financing activities		<u>1,405,319,330</u>	<u>1,096,677,218</u>
Increase in cash and cash equivalents		262,158,141	256,051,505
Cash and cash equivalents at the beginning of the year		<u>329,676,393</u>	<u>73,624,888</u>
Cash and cash equivalents at year end	14	<u><u>591,834,534</u></u>	<u><u>329,676,393</u></u>
Significant non-cash transactions			
Decrease in accounts receivable	2	1,647,600,006	1,321,000,011
Decrease in other liabilities - CAMMESA Financing	2	(1,647,600,006)	(1,321,000,011)
		<u>0</u>	<u>0</u>

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

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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 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. 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, 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 consolidated financial statements (in hereinafter referred to interchangeably as "financial statements" or "consolidated financial statements"), have been approved for issuance by the Board of Directors on November 5, 2015.

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

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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.

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On October 25, 2013, Transba signed with CMMESA 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 CMMESA 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 CMMESA 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 CMMESA; 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 CMMESA 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 CMMESA 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.

Additionally, it was agreed the cession of credits resulting from the recognition of the variations of costs as of May 31, 2015 according to the Instrumental Agreements in order to cancel the amounts to be received through the application of the New Addendas.

At fiscal year end, the results of the recognition of the cost variations by SE and ENRE have been recorded in these consolidated financial statements up to the amounts received under Addenda II and III and / or under signing process as indicated in the following. Consequently, Transener has recognized revenues for \$908.1 million and \$601.5 million plus interest for \$139.5 million and \$200.9 million, for the fiscal year ended December 31, 2015 and 2014, respectively. Accordingly, Transba has recognized revenues for \$418.1 million and \$248.5 million plus interest for \$36.9 million and \$80.5 million, for the fiscal years, 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.

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CAMMESA is calculating the credits for cost variations from June to November 2015 in order to proceed with the signing of the Addendas to the New Agreements. As of the date of these consolidated financial statements, those Addendas are pending of signing. The amounts before mentioned include \$173.0 and \$67.6 million for Transener and Transba, respectively, corresponding to the amounts received on account of the mentioned Addenda.

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.

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

3. Purpose of financial statements

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

4. Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

4.1 Basis of preparation

These financial statements have been prepared in accordance with Technical Pronouncement No. 26 of the Argentine Federation of Professional Councils in Economic Sciences ("FACPCE"), which has adopted International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB") and International Financial Reporting Standards Committee ("IFRIC").

These financial statements are stated in Argentine pesos and have been prepared under the historical cost convention, as modified by measurement of certain financial assets at fair value with changes in profits and losses.

4.2 Consolidation

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

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from the date that control ceases.

Significant consolidation adjustments are as follows:

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

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

Transba S.A. significant information corresponding to assets, liabilities and results of operations as of December 31, 2015 and 2014 is as follows:

	<u>31.12.2015</u>	<u>31.12.2014</u>
Total assets	705,742,749	547,742,716
Total liabilities	223,640,823	189,556,258
Total equity	482,101,926	358,186,458
Total comprehensive for the year	123,915,468	79,236,587

4.3 Segment reporting

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

4.4 Foreign currency transaction

(a) Functional and presentation currency

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

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

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

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(b) Transactions and balances

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

4.5 Property, plant and equipment

(a) Cost

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

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

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

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

(b) Depreciation

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

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

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

4.6 Impairment of non-financial long-term assets

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

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

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

However, the current economic and financial situation, described Note 2, the Company has prepared its projections on the understanding that it will get tariff improvements according to the circumstances.

Nevertheless, the Company is unable to ensure that the future behavior of the assumptions used to develop projections will be in line with estimates, so they may differ significantly from the estimates and assumptions made at the date of preparation of these consolidated financial statements.

The Company has considered three alternative scenarios based on weighted probabilities of occurrence to estimate risk in its projections of the variables mentioned.

Although in all of them an acceptable agreement with the Federal Government results in a gradual tariff increase, the Company has considered different times and magnitudes of a tariff increase.

The scenarios considered are:

- a) Pessimistic scenario: in this scenario the Company does not consider an increase in remuneration, in addition to that recognized under the Renewal Convention, referred to in Note 2.
Likelihood allocated 30%.
- b) Intermediate scenario: in this case, the Company considers an increase in remuneration, in addition to that recognized under the Renewal Convention, as a result of the definitive implementation of a FTR contemplating a tariff schedule under the claims of the Company.
Likelihood assigned 65%.
- c) Optimistic scenario: in this case, the Company considers an increase in remuneration, in addition to that recognized under the Renewal Convention, as a result of the definitive implementation of a FTR, contemplating a tariff schedule in accordance with the claims of the Company.
Likelihood allocated 5%.

Applied probability percentages are based mainly on the occurrence of various past events (experience) in the backlog, in the process of tariff renegotiation, the permanent Companies negotiations which are underway with the National Government and the expectation of the Company to achieve the definitive implementation of the FTR in the near future.

In all scenarios, a WACC discount rate of post- tax in pesos expressed in real terms of 13.8% was used.

Sensitivity Analysis:

The main factors that could result in impairment charges in future periods are: i) a distortion in the nature, timing and mode of tariff increases and recognition of cost adjustments and ii) changes in the costs to be incurred. These factors have been considered in the weighting of scenarios mentioned above. Given the uncertainties inherent in these assumptions, the Company believes that any sensitivity analysis that considers changes in any of them taken individually may lead to distorting conclusions.

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Based on the above mentioned, the Company determined that the valuation of property, plant and equipment, taken together, does not exceed their recoverable value at December 31, 2014.

4.7 Financial assets

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

(a) Financial assets at amortized cost

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

(b) Financial assets to fair value

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

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

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

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

The Company's financial assets include the following:

- **Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are recorded under current bonds and other indebtedness of the balance sheet.

Cash and deposits held at call with bank are valued at their nominal value, fixed-term deposits are valued at their amortized cost and investments in mutual funds are valued at their fair value with matching results.

- **Trade accounts receivables and other receivables**

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

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

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

4.8 Impairment of financial assets at amortized cost

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

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

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

4.9 Financial liabilities

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

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

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

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

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

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

4.10 Derivative financial instruments

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

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As of December 31, 2015, the Company did not hold derivative financial instruments.

4.11 Employee benefits

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

Liabilities related to accumulated seniority plans and to benefits given to employees before mentioned have been determined contemplating all rights accrued by the beneficiaries of the plans until the end of the year ended December 31, 2014 and 2013 respectively, based on an actuarial study conducted by an independent professional as of December 31, 2014 and 2013. The carried out actuarial method used by the Company is the projected unit credit method.

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

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

Past service expenses are recognized immediately in income/loss.

4.12 Income tax and Minimum Notional Income tax

(a) Income tax

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

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

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

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

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

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(b) Minimum Notional Income tax

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

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

4.13 Provisions

Based on an individual analysis on the credit and investments portfolio at year-end, an allowance for bad debts was set up.

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

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

4.14 Assets and liabilities balances with related parties

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

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

4.15 Revenue recognition

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

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

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

(i) Regulated revenues, net of penalties and awards

Electric power transmission service, net consists of tariffs paid to the Company by CAMMESA on a monthly basis for putting its transmission assets at the SADI's disposal. Net revenues by service of electric power transmission include (a) income for electricity transmission (by transmit electricity through high-voltage networks (in hereinafter referred to as "Networks"), (b) income by transmission capacity (to operate and maintain the transmission equipment comprising networks), (c) income per connection (for operating and maintaining the connection and transformation equipment, which allows the transfer of electricity from, to and from networks through), (d) reactive equipment revenues (consisting in a payment by reactive equipment made with synchronous compensators), (e) the supervision of the expansion of the SADI, (f) the supervision of operations and maintenance of the independent transmitters, (g) any adjustment by IVC (including the recognition of changes in costs incurred between June 2005 and November of 2010, according to Definitive Agreement and the Instrumental Agreement), (h) other regulated revenues and (i) awards, net of penalties.

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

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

(ii) Net non-regulated revenues

The Company receives net other revenues from services provided to third-party with assets not included in networks. These net other revenues derive from (a) the construction and installation of structures and electrical equipment, (b) operation and maintenance of the lines outside of the network, (c) operation and maintenance of the Fourth Line, (d) any adjustment by IVC (including the recognition of changes in costs incurred between June 2005 and November of 2010, according to Definitive Agreement and the Instrumental Agreement) and (e) other services. Net other revenues and costs related to them, except the service referred to in (a) are recognized as a result to these services are provided. The revenues generated by the construction and installation of electrical equipment and assets are recognized accounted for according to the degree of progress of work.

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

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

(iii) Penalties and rewards

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

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

The penalties which Transener may be required to pay in respect of any calendar month cannot exceed 50% of Transener's non-consolidated monthly regulated revenue (as determined by dividing annual regulated revenue by twelve). It is the Company policy to establish a reasonable provision for penalties based on

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information regarding the duration of an outage and the Company best estimate of the penalty that will be imposed.

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

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

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

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

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

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

(iv) Interests

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

4.16 Changes related to the accounting policies under IFRS

a) New mandatory standards, amendments and interpretations for fiscal years beginning January 1, 2015 and not early adopted by the Company

Annual Improvements to IFRSs 2010-2012 and 2011-2013 Cycles: the application of the improvement cycles by the Company did not impact in its results of operations or financial situation.

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

In December 2014, the IASB amended *IAS 1 Presentation of Financial Statements* by incorporating guidelines for the presentation of financial statements, which is effective for annual periods beginning on or after January 1, 2016; early adoption is permitted. The Company is considering the effect of this amendment on disclosures.

In September 2014, the IASB issued amendments to IFRS, which are effective for periods beginning on or after January 1, 2016; early adoption is permitted. The Company is considering the effect of this amendment on disclosures; however, it estimates that adoption will not have an impact on the Company's financial position or results of operation.

IFRS 15 Revenue from Contracts with Customers: This standard was issued in May 2014 and is effective for periods beginning on or after January 1, 2017. It specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide users of financial statements with more informative disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. The Company is considering the effect of this amendment; however, it estimates that adoption will not have a significant impact on the Company's financial position or results of operation.

IFRS 9 Financial Instruments: It was issued in July 2014 and includes all phases of the IASB project to replace *IAS 39 Financial Instruments: Recognition and Measurement*. The phases comprise classification and measurement, impairment and hedge accounting. This version adds a new expected loss impairment model and some minor changes to the classification and measurement of financial assets. The new standard supersedes all previous versions of IFRS 9 and is effective for periods beginning on or after January 1, 2018. The Company has already adopted the first phase of IFRS 9 at the date of transition to IFRS; however, it has not opted to early adopt phases 2 and 3 included in this latest version.

IFRS 27 Separate Financial Statements: in August 2014, the IASB modified *IFRS 27 "Separate Financial Statements"*, allowing entities to use the equity method to account for investments in controlled subsidiaries, joint ventures and associates and is applicable to annual periods beginning on or after January 1, 2017, with earlier adoption permitted.

The Company applied the equity method to account for investments in controlled subsidiaries, joint ventures and associates in the preparation of its individual financial statements, in accordance with Technical Pronouncement No. 26 of the Argentine Federation of Professional Councils in Economic Sciences ("FACPC"), which was adopted by the CNV. The application of the modification did not impact in its results of operations or financial situation.

4.17 Critical accounting estimates and judgements

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

5. Financial risk and capital risk management**5.1 Financial risk factors**

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

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

(a) Markets risks

(i) Exchange rate risk

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

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

If at December 31, 2015, the peso had revalued / devalued 10% relative to the US dollar; with all other variables held constant, the loss after tax for the year ended on that date would have been \$ 11.7 million lower / higher, mainly as a result of gains / losses exchange of cash and cash equivalents and financial debts denominated in US dollars.

If at December 31, 2014, the peso had revalued / devalued 10% relative to the US dollar; with all other variables held constant, the loss after tax for the year ended on that date would have been \$ 14.0 million lower / higher, mainly as a result of gains / losses exchange of cash and cash equivalents and financial debts denominated in US dollars.

As of December 31, 2015, the Company valued its financial debt in US dollars at the exchange rate prevailing at that date.

(ii) Price risk

The Company is exposed to the risk of fluctuations in the prices of their investments maintained and classified in the balance sheet at fair value through profit and loss. The Company is not exposed in their income to the risk of the commodity prices. To manage their exposure to price risk arising from their investments, the Company diversifies its portfolio. Diversification of the portfolio is made according to limits and parameters pre-established by the Administration and Finance Department.

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

(iii) Interest rate risks

The Company is not exposed to the risk of interest rate given that as of December 31, 2015 approximately 100% of the financial and banking debt was agreed at a fixed interest rate.

(b) Credit risk

Credit risk arises from cash and cash equivalents, deposits in banks and financial institutions, as well as exposure to the credit of customers, which includes the outstanding accounts receivable balances and committed transactions. With regard to banks and financial institutions, it is accepted only to institutions whose independent

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risk ratings are "Investment grade". In the case of the non-regulated business customers, if there are no independent risks ratings the Company evaluates the credit quality of the customer, taking into account its financial position, past experience and other factors. As of December 31, 2015, the accounts receivable debts amounted to approximately \$ 133 million (2014: \$ 133 million). As of December 31, 2015, the financial statements included an estimate of \$ 1.7 million (2014: \$ 0.5 million).

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

In relation to the accounts receivable, the Company's credit portfolio is distributed mainly between the balances held with CAMMESA and other clients. The concentration of appropriations focuses mainly on the balances held with CAMMESA, representing 87% of the total portfolio of accounts receivable of the Company to December 31, 2015 (2014: 82%).

(c) Liquidity risk

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

The Company's Finance Department invests surplus cash in fixed-term deposits, deposits in foreign currency funds, mutual funds and corporate and sovereign bonds, choosing instruments with maturities suitable or sufficient liquidity to give sufficient margin as determined in the above projections. As of December 31, 2015 the Company remained cash and cash equivalents by \$ 592 million that is expected to generate immediate cash inflows for the liquidity risk management (2014: \$ 330 million).

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

As of December 31, 2014	Matured	Less than 6 months	Between 6 months and 1 year	Between 1 and 2 years	Over 2 years
Debt and other indebtedness	0	48,705,347	231,851,200	0	1,284,896,400
Accounts payable	0	152,774,753	0	0	0
Other liabilities	0	778,781	0	0	0

5.2 The risk of capital management

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

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

Consistent with the industry, the Company monitors its capital on the basis of the ratio of leverage. This ratio is calculated by dividing net debt between the total capital. Net debt corresponds to the total of the debt

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(including current and non-current indebtedness) less cash and cash equivalents. The total capital corresponds to the equity as it is in the Balance Sheets more net debt.

The leverage ratio on December 31, 2015 and 2014 and the date of transition to IFRS are as follows:

	<u>31.12.2015</u>	<u>31.12.2014</u>
Total Debt and other indebtedness	1,513,768,880	1,102,879,667
Less: Cash and cash equivalents	<u>(591,834,534)</u>	<u>(329,676,393)</u>
Net debt	921,934,346	773,203,274
Total Equity	<u>722,540,906</u>	<u>654,713,588</u>
Total capital	<u>1,644,475,252</u>	<u>1,427,916,862</u>
Leverage ratio	<u>56%</u>	<u>54%</u>

5.3 Financial instruments by category and level fair value hierarchy

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

	<u>31.12.2015</u>	<u>31.12.2014</u>
Financial assets		
Cash and cash equivalents - Mutual funds at fair value	541,161,029	286,602,973
Trade accounts receivables at amortized cost	536,679,172	471,289,606
Other receivables at amortized cost	10,631,109	9,274,156
Cash and cash equivalents at fair value	<u>50,673,505</u>	<u>43,073,420</u>
Total	<u>1,139,144,815</u>	<u>810,240,155</u>
Financial Liabilities		
Debt and other indebtedness	1,513,768,880	1,102,879,667
Trade accounts payable	152,774,753	198,368,728
Other liabilities	<u>778,781</u>	<u>778,781</u>
Total	<u>1,667,322,414</u>	<u>1,302,027,176</u>

As of December 31, 2015 and 2014, a significant percentage of the accounts receivable and other credits do not have credit rating. The balances of cash and cash equivalents are held in banks and financial institutions whose independent risk ratings are "investment grade".

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

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

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

Description	Measurement at fair value as of December 31, 2014			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Cash and cash equivalents	286,602,973	0	0	286,602,973
Total Assets	286,602,973	0	0	286,602,973

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

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

In connection with financial debt, since mostly fixed rates taken are close to market rates, the fair value of the financial debt is approaching its value in books and is not exposed separately.

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 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.

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The segment information submitted to the General Director, who takes the business strategic decisions, for the reportable segments for the fiscal years ended December 31, 2015 and 2014 is as follows:

	Regulated activity	Non-regulated activity	Total
	\$	\$	\$
<u>Fiscal year ended December 31, 2015</u>			
Net revenues	1,759,105,103	187,738,226	1,946,843,329
Operating results	263,567,446	84,478,546	348,045,992
Total assets	2,889,224,903	65,967,740	2,955,192,643
Total liabilities	1,899,622,583	333,029,154	2,232,651,737
Acquisition of property, plant and equipment	285,217,291	0	285,217,291
Property, plant and equipment depreciation	90,857,640	0	90,857,640
<u>Fiscal year ended December 31, 2014</u>			
Net revenues	1,265,491,389	211,397,081	1,476,888,470
Operating results	105,214,310	101,638,725	206,853,035
Total assets	2,402,331,466	52,044,112	2,454,375,578
Total liabilities	1,557,028,463	242,633,527	1,799,661,990
Acquisition of property, plant and equipment	241,156,692	0	241,156,692
Property, plant and equipment depreciation	64,632,545	0	64,632,545

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

7. Net Revenues

	Fiscal year ended	
	<u>31.12.2015</u>	<u>31.12.2014</u>
Net Regulated Revenue	1,759,105,103	1,265,491,389
Net Non-Regulated Revenue	187,738,226	211,397,081
Net Revenues	<u>1,946,843,329</u>	<u>1,476,888,470</u>

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8. Expenses by Nature

Items	Fiscal year ended December 31, 2015			Fiscal year ended December 31, 2014		
	Total	Operating Expenses	Administrative Expenses	Total	Operating Expenses	Administrative Expenses
Salaries and social security charges	1,013,969,691	832,072,615	181,897,076	725,289,120	595,886,406	129,402,714
Other personnel costs	14,695,631	10,219,126	4,476,505	13,501,388	8,647,816	4,853,572
Fees for operating services	30,310,539	30,310,539	0	21,898,374	21,898,374	0
Professional fees	20,181,398	6,569,805	13,611,593	16,991,917	5,419,316	11,572,601
Equipment maintenance	13,452,196	13,452,196	0	8,855,319	8,855,319	0
Work for third-party materials	24,919,220	24,919,220	0	105,204,527	105,204,527	0
Fuel and lubricants	21,326,897	20,357,507	969,390	18,742,601	17,915,631	826,970
General Maintenance	49,246,461	47,412,794	1,833,667	43,722,499	42,566,930	1,155,569
Electricity	2,326,139	2,224,190	101,949	2,181,267	2,091,079	90,188
Depreciation of property, plant and equipment	90,857,640	81,763,733	9,093,907	86,374,111	77,728,557	8,645,554
Administration expenses related to WEM	820,784	820,784	0	785,014	785,014	0
Regulatory fees	2,417,003	2,417,003	0	1,634,375	1,634,375	0
ATEERA membership fees	872,474	0	872,474	555,952	0	555,952
Communications	6,958,545	5,978,986	979,559	5,966,562	5,032,098	934,464
Transportation	9,765,072	9,698,554	66,518	7,539,053	7,514,025	25,028
Insurance	46,795,215	44,252,458	2,542,757	41,384,939	39,903,083	1,481,856
Rents	18,362,037	10,574,141	7,787,896	11,499,469	6,212,016	5,287,453
Travel and lodging expenses	53,927,109	51,811,244	2,115,865	39,725,421	38,470,194	1,255,227
Stationary and printing	10,065,184	1,710,944	8,354,240	8,930,104	1,404,107	7,525,997
Taxes and government contributions	8,740,151	8,031,971	708,180	7,006,226	6,544,210	462,016
Directors and syndics	4,375,861	0	4,375,861	2,888,595	0	2,888,595
Security	31,488,060	31,405,399	82,661	23,428,950	23,415,120	13,830
Office and substation cleaning	22,458,436	21,010,948	1,447,488	16,004,488	14,929,962	1,074,526
Electroduct maintenance	13,752,658	13,752,658	0	11,717,581	11,717,581	0
Provisions	38,351,896	38,351,896	0	13,072,894	13,072,894	0
Others	23,635,338	14,796,292	8,839,046	20,001,105	14,753,388	5,247,717
TOTAL	1,574,071,635	1,323,915,003	250,156,632	1,254,901,851	1,071,602,022	183,299,829



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9. Financial Results Net

	Fiscal year ended	
	31.12.2015	31.12.2014
<u>Finance Income</u>		
Interests	387,523,443	452,249,248
Total finance income	<u>387,523,443</u>	<u>452,249,248</u>
<u>Finance Costs</u>		
Interests generated by loans	(123,696,501)	(118,761,350)
Total finance costs	<u>(123,696,501)</u>	<u>(118,761,350)</u>
<u>Other financial results</u>		
Foreign exchange	(508,157,674)	(276,766,900)
Result from receivables measured at fair value	(494,563)	(5,959,096)
Result from liabilities measured at fair value	(1,004,922)	(1,297,308)
Total Other financial results	<u>(509,657,159)</u>	<u>(284,023,304)</u>
Total Other financial results, net	<u>(245,830,217)</u>	<u>49,464,594</u>

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)	Accounts receivable	Other receivables	Employee benefits payable	Provisions	Fourth Line	Total
As of January 1, 2015	0	142,195	937,060	51,573,689	16,699,640	0	69,352,584
Charged to the income statement	19,364,369	423,003	(222,653)	17,936,939	20,441,521	0	57,943,179
Charged to other comprehensive income	0	0	0	(1,775,868)	0	0	(1,775,868)
As of December 31, 2015	<u>19,364,369</u>	<u>565,198</u>	<u>714,407</u>	<u>67,734,760</u>	<u>37,141,161</u>	<u>0</u>	<u>125,519,895</u>
As of January 1, 2014	38,949,711	142,195	0	37,643,453	11,796,788	4,689,932	93,222,079
Charged to the income statement	(38,949,711)	0	937,060	9,386,147	4,902,852	(4,689,932)	(28,413,584)
Charged to other comprehensive income	0	0	0	4,544,089	0	0	4,544,089
As of December 31, 2014	<u>0</u>	<u>142,195</u>	<u>937,060</u>	<u>51,573,689</u>	<u>16,699,640</u>	<u>0</u>	<u>69,352,584</u>

1) Includes tax losses amounting to \$ 12.3 million, which have been fully provided for (See Note 25).

Deferred Tax Liabilities

	Property, plant and equipment	Cash and cash equivalents	Other receivables	Debt and other indebtedness	Total
As of January 1, 2015	121,595,685	2,519,889	0	13,587,871	137,703,445
Charged to the income statement	(10,379,757)	28,247,979	0	4,501,553	22,369,775
Charged to other comprehensive income	0	0	0	0	0
As of December 31, 2015	<u>111,215,928</u>	<u>30,767,868</u>	<u>0</u>	<u>18,089,424</u>	<u>160,073,220</u>
As of January 1, 2014	132,961,077	0	10,486,491	11,694,658	155,142,226
Charged to the income statement	(11,365,392)	2,519,889	(10,486,491)	1,893,213	(17,438,781)
Charged to other comprehensive income	0	0	0	0	0
As of December 31, 2014	<u>121,595,685</u>	<u>2,519,889</u>	<u>0</u>	<u>13,587,871</u>	<u>137,703,445</u>



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Deferred Tax Liabilities as of December 31, 2015 and 2014 amounts to \$34,553,325 and \$68,350,861, respectively.

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

	<u>31.12.2015</u>
Deferred Tax Assets	
Deferred Tax Assets to be recovered in more than 12 months	125,519,895
Deferred Tax Assets to be recovered within 12 months	<u>0</u>
	<u>125,519,895</u>
Deferred Tax Liabilities	
Deferred Tax Liabilities to be recovered in more than 12 months	116,683,093
Deferred Tax Liabilities to be recovered within 12 months	<u>43,390,127</u>
	<u>160,073,220</u>

The income tax charge for the fiscal year is as follows:

	Fiscal year ended	
	<u>31.12.2015</u>	<u>31.12.2014</u>
Current tax	73,259,901	91,868,354
Deferred tax	<u>(35,573,404)</u>	<u>10,975,103</u>
Income tax	<u>37,686,497</u>	<u>102,843,457</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 profit / (loss).

	Fiscal year ended	
	<u>31.12.2015</u>	<u>31.12.2014</u>
Net income before income taxes	102,215,775	256,317,629
Tax rate in force	<u>35%</u>	<u>35%</u>
Net income at the tax rate	35,775,521	89,711,170
Taxable effects by:		
- Allowance for tax bankruptcy	0	12,300,000
- Other non taxable and/or non deductible items	<u>1,910,976</u>	<u>832,287</u>
Income tax	<u>37,686,497</u>	<u>102,843,457</u>



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

	Antes de impuestos	Cargo por impuestos	Después de impuestos
Fiscal year ended December 31, 2015			
Actuarial losses in retirement benefits obligations	5,073,908	(1,775,868)	3,298,040
Other comprehensive results	5,073,908	(1,775,868)	3,298,040
Current Tax			0
Deferred Tax		(1,775,868)	(1,775,868)

	Antes de impuestos	Cargo por impuestos	Después de impuestos
Fiscal year ended December 31, 2014			
Actuarial losses in retirement benefits obligations	(12.983.110)	4.544.089	(8.439.021)
Other comprehensive results	(12.983.110)	4.544.089	(8.439.021)
Current Tax			0
Deferred Tax		4.544.089	4.544.089

11. Property, plant and equipment

Principal account	Original Value				
	At the beginning of the year	Additions	Deductions	Reclasifications	At the end of the year
Land	3,864,279	0	0	0	3,864,279
Vehicles	76,353,046	29,300,893	(167,610)	0	105,486,329
Air and heavy equipment	49,191,643	2,067,044	0	0	51,258,687
Furniture and fixtures	7,278,683	395,524	(600,302)	0	7,073,905
Information systems	20,502,315	2,565,476	(79,925)	0	22,987,866
Transmission lines	916,030,655	0	0	2,531,772	918,562,427
Substations and related works	1,042,054,960	1,722,577	(1319,591)	3,962,584	1,046,420,530
Building and civil works	85,219,844	568,550	0	1,881,230	87,669,624
Labs and maintenance	14,920,530	401,882	0	1,609,506	16,931,918
Communication equipment	107,740,440	771,320	0	1,587,398	110,099,158
Miscellaneous	24,257,341	5,804,037	0	0	30,061,378
Work in progress	465,442,072	133,102,451	0	30,435,971	628,980,494
Spare parts	77,630,156	11,937,961	(11,736,066)	1,381,807	79,213,858
Advances to suppliers	73,632,960	68,531,807	0	(43,390,268)	98,774,499
Total 31.12.2015	2,964,118,924	257,169,522	(13,903,494)	0	3,207,384,952
Total 31.12.2014	2,594,449,794	392,554,140	(22,885,010)	0	2,964,118,924



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Principal account	Depreciation				Net carrying value
	At the beginning of the year	Deductions	Reclasifications	At the end of the year	
Land	0	0	0	0	3,864,279
Vehicles	(41,676,165)	167,610	(10,361,999)	(51,870,554)	53,615,775
Air and heavy equipment	(10,325,384)	0	(2,062,381)	(12,387,765)	38,870,922
Furniture and fixtures	(5,832,317)	486,944	(430,983)	(5,776,356)	1,297,549
Information systems	(18,083,103)	77,716	(1,741,092)	(19,746,479)	3,241,387
Transmission lines	(635,957,793)	0	(32,869,033)	(668,826,826)	249,735,601
Substations and related works	(533,009,205)	681,995	(30,963,043)	(563,290,253)	483,130,277
Building and civil works	(37,452,372)	0	(2,341,407)	(39,793,779)	47,875,845
Labs and maintenance	(6,299,889)	0	(948,435)	(7,248,324)	9,683,594
Communication equipment	(68,331,269)	0	(5,868,329)	(74,199,598)	35,899,560
Miscellaneous	(18,151,086)	0	(3,270,938)	(21,422,024)	8,639,354
Work in progress	0	0	0	0	628,980,494
Spare parts	0	0	0	0	79,213,858
Advances to suppliers	0	0	0	0	98,774,499
Total 31.12.2015	(1,375,118,583)	144,265	(90,857,640)	(1,464,561,958)	1,742,822,994
Total 31.12.2014	(1,292,760,379)	4,015,907	(86,374,111)	(1,375,118,583)	1,589,000,341

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

During the years ended December 31, 2015 and 2014, the Company has not capitalized interest costs.

12. Other receivables

	<u>31.12.2015</u>	<u>31.12.2014</u>
Non-Current		
Minimum Notional Income Tax Credit	12,223,524	10,940,795
Stock Ownership Program	5,329,430	5,329,430
Total	<u>17,552,954</u>	<u>16,270,225</u>
	<u>31.12.2015</u>	<u>31.12.2014</u>
Current		
Prepaid expenses	29,545,804	29,519,051
Advances to suppliers	31,409,786	11,726,066
Loans to employees	3,263,550	2,527,551
Judicial seizure	1,147,254	611,135
Stock Ownership Program - Dividends receivable	778,780	778,780
Guarantees received	0	2,949,170
Others	112,095	27,260
Total	<u>66,257,269</u>	<u>48,139,013</u>

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



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As of December 31, 2015, the current other credits unexpired amounted to \$ 66,257,269 (2014: \$ 48,139,013).

As of December 31, 2015 and 2014, there are no other credits expired.

The book value of other credits is denominated in Pesos.

	<u>31.12.2015</u>	<u>31.12.2014</u>
Pesos	83,810,223	64,409,238
	<u>83,810,223</u>	<u>64,409,238</u>

13. Trade account receivables

	<u>31.12.2015</u>	<u>31.12.2014</u>
CAMMESA	465,866,942	384,752,308
Other services	41,744,591	60,884,910
Other related parties (Note 18)	29,067,639	25,652,388
Total	<u>536,679,172</u>	<u>471,289,606</u>

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

As of December 31, 2015, accounts receivables unexpired amount to \$ 403,426,975 (2014: \$ 338,206,950).

As of December 31, 2015, trade accounts receivables amounts to \$ 133,252,197 (2014: \$ 133,082,656) were due, but not undervalued. The aging analysis of these accounts is as follows:

	<u>31.12.2015</u>	<u>31.12.2014</u>
Less than 3 months	133,252,197	133,082,656
Between 3 and 6 months	0	0
Entre 6 meses y 1 año	0	0
	<u>133,252,197</u>	<u>133,082,656</u>

The book value of accounts receivables is denominated in Pesos.

	<u>31.12.2015</u>	<u>31.12.2014</u>
Pesos	536,679,172	471,289,606
	<u>536,679,172</u>	<u>471,289,606</u>



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14. Cash and cash equivalents

	<u>31.12.2015</u>	<u>31.12.2014</u>
Cash in local currency	1,184,991	962,991
Cash in foreign currency	181,809	118,974
Banks in local currency	6,859,780	15,829,941
Banks in foreign currency	42,446,925	26,161,514
Mutual funds	<u>541,161,029</u>	<u>286,602,973</u>
Cash and cash equivalents, net	<u><u>591,834,534</u></u>	<u><u>329,676,393</u></u>

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

	<u>31.12.2015</u>	<u>31.12.2014</u>
Pesos	549,205,800	303,395,905
US Dolar	42,628,085	26,279,828
Reales	649	660
Total	<u><u>591,834,534</u></u>	<u><u>329,676,393</u></u>

15. Debt and other indebtedness

	<u>31.12.2015</u>	<u>31.12.2014</u>
Non-current bonds and other indebtedness		
Corporate Bonds 2021	1,284,896,400	842,572,785
Corporate Bonds 2016	0	113,437,566
Nordic Investment Bank (NIB)	0	38,479,500
Internal rate of return adjustment to Corporate Bonds 2021	(50,073,837)	(36,880,137)
Net present value adjustment to NIB and Par Notes	<u>0</u>	<u>(1,942,351)</u>
Total Non-current	<u><u>1,234,822,563</u></u>	<u><u>955,667,363</u></u>
Current bonds and other indebtedness		
Corporate Bonds 2016	173,670,984	114,332,464
Nordic Investment Bank (NIB)	58,862,560	1,388,682
Corporate Bonds 2021	48,023,003	31,491,158
Net present value adjustment to NIB and Par Notes	<u>(1,610,230)</u>	<u>0</u>
Total Current	<u><u>278,946,317</u></u>	<u><u>147,212,304</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.

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



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

	<u>31.12.2015</u>	<u>31.12.2014</u>
To be matured in 3 months or less	48,705,347	33,133,413
To be matured from 3 to 12 months	231,851,200	114,078,891
To be matured from 1 to 2 years	0	113,437,566
More tan 2 years	<u>1,284,896,400</u>	<u>881,052,285</u>
Total	<u>1,565,452,947</u>	<u>1,141,702,155</u>

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

	<u>31.12.2015</u>	<u>31.12.2014</u>
US Dolar	<u>1,565,452,947</u>	<u>1,141,702,155</u>
Total	<u>1,565,452,947</u>	<u>1,141,702,155</u>

16. Employee benefit expense

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

	Fiscal year ended	
	<u>31.12.2015</u>	<u>31.12.2014</u>
Charges to Results		
Services Cost	10,299,716	7,102,169
Interest Cost	58,985,663	33,597,405
Losses amortization	7,864,566	2,272,876
Total	<u>77,149,945</u>	<u>42,972,450</u>

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

	<u>31.12.2015</u>	<u>31.12.2014</u>
Benefits Obligations at the beginning of the period	147,353,395	107,552,722
Services Cost	10,299,716	7,102,169
Interest Cost	58,985,663	33,597,405
Losses amortization	7,864,566	2,272,876
Actuarial (profit) / loss	(5,073,908)	12,983,110
Payments of benefits	<u>(25,901,546)</u>	<u>(16,154,887)</u>
Benefits Obligations at the end of the period	<u>193,527,886</u>	<u>147,353,395</u>

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%



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17. Trade accounts payable

	<u>31.12.2015</u>	<u>31.12.2014</u>
Non-Current		
Billings in advance	3,312,643	3,732,488
Total	<u>3,312,643</u>	<u>3,732,488</u>
	<u>31.12.2015</u>	<u>31.12.2014</u>
Current		
Suppliers	113,242,274	155,701,937
Other liabilities	31,125,563	35,587,411
Other related parties (Note 18)	8,406,916	7,079,380
Billings in advance	14,998,048	2,382,686
Total	<u>167,772,801</u>	<u>200,751,414</u>

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

	<u>31.12.2015</u>	<u>31.12.2014</u>
To be matured in 6 months or less	167,772,801	194,285,865
To be matured from 6 to 12 months	0	6,465,549
To be matured from 1 to 5 years	<u>3,312,643</u>	<u>3,732,488</u>
Total	<u>171,085,444</u>	<u>204,483,902</u>

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

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

	<u>31.12.2015</u>	<u>31.12.2014</u>
Pesos	162,519,565	125,623,369
US Dolar	7,886,122	78,732,936
Euros	679,757	0
Swiss franc	0	127,597
Total	<u>171,085,444</u>	<u>204,483,902</u>

18. Balances and transactions with related parties

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

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



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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 Energía 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*).
- 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 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

	Fiscal year ended	
	31.12.2015	31.12.2014
Venta de bienes y servicios Electroingeniería S.A.	913,714	104,401
Fees for operating services		
*Pampa Energía S.A.	15,155,269	10,949,187
*Energía Argentina S.A.	7,577,635	5,474,594
*Grupo Eling S.A.	7,577,635	5,474,594

Other related parties

	Fiscal year ended	
	31.12.2015	31.12.2014
Sales of assets and services rendered to Integración Eléctrica Sur Argentina S.A.	33,577,114	18,534,940
Sales of assets and services rendered to Yacylec S.A.	9,819,305	5,790,270
Sales of assets and services rendered to C.T.Loma de la Lata S.A.	4,598,400	1,366,471
Sales of assets and services rendered to Litsa S.A.	1,668,945	1,133,869
Sales of assets and services rendered to Central Piedra Buena S.A.	226,000	117,600
Sales of assets and services rendered to Transportadora de Gas del Sur S.A.	264,000	264,000
Sales of assets and services rendered to Edenor S.A.	0	595,500



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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.	4,203,458	3,539,690
Grupo Eling S.A.	2,101,729	1,769,845
Energía Argentina S.A.	2,101,729	1,769,845
Total	<u>8,406,916</u>	<u>7,079,380</u>

Other related parties

Assets

Trade account receivables

	<u>31.12.2015</u>	<u>31.12.2014</u>
Integración Eléctrica Sur Argentina S.A.	21,903,408	22,847,901
Yacylec S.A.	5,387,338	2,453,640
CT. Loma de la Lata S.A.	1,513,486	163,093
Litsa S.A.	235,401	159,704
Transportadora de Gas del Sur S.A.	28,006	28,050
Total	<u>29,067,639</u>	<u>25,652,388</u>

19. Investment in Transener Internacional Ltda.

As of December 31, 2015, 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 fiscal year ended on December 31, 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.



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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 N° 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 December 31, 2015 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 December 31, 2015, the remaining balance of the Series 2 Notes, net of those hold by the Company amounted to US\$ 98,535,000.



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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”).

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 December 31, 2015 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 year, excluding those own shares acquired by the Company.

	Fiscal year ended	
	<u>31.12.2015</u>	<u>31.12.2014</u>
Results from operations attributable to the equity holders of the Company	55,435,772	137,111,492
Total	<u>55,435,772</u>	<u>137,111,492</u>
Ordinary shares average	444,673,795	444,673,795
Income per share attributable to the equity holders of the Company (\$/Share)	0.12	0.31



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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 Av. Amancio Alcorta 2482, City of Buenos Aires 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 December 31, 2015 and 2014 the balances of foreign currency assets and liabilities are as follows:

Captions	December 31, 2015			December 31, 2014	
	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 assets					
Cash and banks	US\$ 3,294,288	12.940	42,628,085	US\$ 3,109,671	26,279,828
Cash and banks	R\$ 197	3.293	649	R\$ 197	660
Total current assets			42,628,734		26,280,488
Total assets			42,628,734		26,280,488
Liabilities					
Current liabilities					
Account payable	US\$ 604,764	13.040	7,886,122	US\$ 9,207,454	78,732,936
Account payable	€ 47,838	14.210	679,757		0
Account payable			0	CHF 14,646	127,597
Debt and other indebtedness	US\$ 21,515,073	13.040	280,556,547	US\$ 17,215,800	147,212,304
Total current liabilities			289,122,426		226,072,837
Non current liabilities					
Debt and other indebtedness	US\$ 98,535,000	13.040	1,284,896,400	US\$ 116,301,000	994,489,851
Total non current liabilities			1,284,896,400		994,489,851
Total liabilities			1,574,018,826		1,220,562,688

US\$: United States Dollars

R\$: Reales

CHF: Swiss franc

€: Euros



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25. Provisions

As of December 31, 2015 and 2014 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	1,208,578	0	1,675,075
Other irrecoverable receivables (1)	1,510,777	0	0	1,510,777
Total at December 31, 2015	1,977,274	1,208,578	0	3,185,852
Total at December 31, 2014	1,977,274	0	0	1,977,274
Deducted from non-current assets				
Deferred tax assets	12,300,000	0	0	12,300,000
Total at December 31, 2015	12,300,000	0	0	12,300,000
Total at December 31, 2014	0	12,300,000	0	12,300,000
Included in current liabilities				
Labor lawsuits	6,761,847	13,311,192	0	20,073,040
Trade lawsuits	19,328,629	24,886,937	0	44,215,565
Total at December 31, 2015	26,090,476	38,198,129	0	64,288,605
Total at December 31, 2014	18,305,445	7,786,741	(1,710)	26,090,476

(1) See Note 19.