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

Consolidated Financial Statements as of December 31, 2017 and for the fiscal years ended December 31, 2017 and 2016

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

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

Index to Consolidated Statements Statements

Free translation from the original in Spanish published in Argentina.

REPORT OF INDEPENDENT AUDITORS

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

Report on the financial statements

We have audited the accompanying consolidated financial statements of Compañía de Transporte de Energía Eléctrica en Alta Tensión Transener S.A. and its subsidiaries (hereinafter, "Transener S.A."), including the consolidated balance sheets as of December 31, 2017 the related consolidated statements of operations, changes in equity and cash flows for the year then ended, and a summary of the significant accounting policies and other explanatory information.

The amounts and other information related to the fiscal year 2016 are an integral part of the audited financial statements mentioned above and therefore should be considered in relation to those financial statements.

Management's responsibilities

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

Auditors' responsibility

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

Price Waterhouse & Co. S.R.L., Bouchard 557, piso 8°, C1106ABG - Ciudad de Buenos Aires
T: +(54.11) 4850.0000, F: +(54.11) 4850.1800, www.pwc.com/ar

Free translation from the original in Spanish published in Argentina.

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

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

Opinion

In our opinion, the consolidated financial statements referred to in the first paragraph of this report present fairly, in all material respects, the consolidated financial position of Compañía de Transporte de Energía Eléctrica en Alta Tensión Transener S.A. and its subsidiaries as of December 31, 2017, its consolidated comprehensive income and consolidated cash flows for the year then ended, in accordance with International Financing Reporting Standards.

Autonomous City of Buenos Aires, March 7, 2018

PRICE WATERHOUSE & CO. S.R.L.

Fernando A. Rodriguez (Partner)

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

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

Consolidated Statements of Operations
for the fiscal years ended December 31, 2017 and 2016
(Expressed in thousands of Argentine Pesos)

		Fiscal year ended	
Consolidated income statement	Note	**31.12.2017**	**31.12.2016**
Net Revenues	7	6,024,985	2,200,789
Operating expenses	8	(2,088,915)	(1,676,160)
Gross income		3,936,070	524,629
Administrative expenses	8	(462,989)	(345,737)
Other expenses net		(107,166)	(54,305)
Operating income / (loss)		3,365,915	124,587
Finance income	9	257,068	330,941
Finance costs	9	(187,292)	(197,437)
Other financial results	9	(75,487)	(326,780)
Income / (loss) before taxes		3,360,204	(68,689)
Income tax	10	(985,158)	17,576
Income / (loss) for the year		2,375,046	(51,113)
Income / (loss) attributable to :			
Owners of the parent		2,282,093	(56,813)
Non-controlling interests		92,953	5,700
Total for the year		2,375,046	(51,113)

Other consolidated comprehensive income / (loss)			
Income / (loss) for the year		2,375,046	(51,113)
Items that will not be reclassified to profit or loss			
Recognition of actuarial income / (loss) in retirement benefits plans		(23,122)	(29,751)
Tax effect on actuarial (loss) / income in retirement benefits plans		284	10,413
Total comprehensive (loss) / income for the year		2,352,208	(70,451)
Attributable to :			
Owners of the parent		2,259,793	(75,629)
Non-controlling interests		92,415	5,178
Total for the year		2,352,208	(70,451)
Income / (loss) per share attributable to the equity holders of the Company:			
Total for the year	23	5.08	(0.17)

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

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

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

Consolidated Balance Sheets as of December 31, 2017 and 2016

(Expressed in thousands of Argentine Pesos)

	Note	31.12.2017	31.12.2016
Assets			
Non-current assets			
Property, plant and equipment	11	2,453,084	1,884,641
Other receivables	12	5,329	17,553
Deferred tax assets	10	66,993	41,436
Investments at amortized cost	5.3	20,000	0
Total Non-current assets		2,545,406	1,943,630
Current Assets			
Trade accounts receivables	13	1,361,704	532,444
Other receivables	12	391,616	219,505
Investments at amortized cost	5.3	1,532,793	0
Investments at fair value	5.3	1,477,860	584,951
Cash and cash equivalents	14	25,182	66,523
Total Current assets		4,789,155	1,403,423
Total Assets		7,334,561	3,347,053
Equity and liabilities			
Common Stock		444,674	444,674
Inflation adjustment on common stock		352,996	352,996
Share premium		31,979	31,979
Legal reserve		42,628	42,628
Accumulated other comprehensive loss		(63,686)	(41,386)
Retained earnings		2,049,903	(232,190)
Equity attributable to owners of the parent		2,858,494	598,701
Non-controlling interests		145,803	53,388
Total equity		3,004,297	652,089
Liabilities			
Non-current liabilities			
Debt and other indebtedness	15	1,786,610	1,513,041
Taxes payable	26	0	35,210
Employee benefits payable	16	294,706	230,395
Trade accounts payable	17	1,008	3,024
Total Non-current liabilities		2,082,324	1,781,670
Current liabilities			
Provisions	18	71,954	70,015
Other liabilities		779	779
Debt and other indebtedness	15	68,680	58,519
Income tax payable		1,097,134	34,487
Taxes payable	19	149,428	204,143
Payroll and social securities taxes payable	20	432,799	300,606
Employee benefits payable	16	61,323	48,025
Trade accounts payable	17	365,843	196,720
Total Current liabilities		2,247,940	913,294
Total Liabilities		4,330,264	2,694,964
Total Equity and liabilities		7,334,561	3,347,053

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

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

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, 2017 and 2016

(Expressed in thousands of Argentine Pesos)

	Attributable to owners of the parent								
	Common Stock	Inflation adjustment on common stock	Share premium	Legal reserve	Other comprehensive income	Retained earnings	Subtotal	Non-controlling interests	Total equity
Balance as of December 31, 2015	**444,674**	**352,996**	**31,979**	**42,628**	**(22,570)**	**(175,377)**	**674,330**	**48,210**	**722,540**
Loss for the year	0	0	0	0	0	(56,813)	(56,813)	5,700	(51,113)
Other comprehensive loss for the year	0	0	0	0	(18,816)	0	(18,816)	(522)	(19,338)
Balance as of December 31, 2016	**444,674**	**352,996**	**31,979**	**42,628**	**(41,386)**	**(232,190)**	**598,701**	**53,388**	**652,089**
Income for the year	0	0	0	0	0	2,282,093	2,282,093	92,953	2,375,046
Other comprehensive loss for year	0	0	0	0	(22,300)	0	(22,300)	(538)	(22,838)
Balance as of December 31, 2016	**444,674**	**352,996**	**31,979**	**42,628**	**(63,686)**	**2,049,903**	**2,858,494**	**145,803**	**3,004,297**

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

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

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

Consolidated Statements of Cash Flows for the fiscal years ended December 31, 2017 and 2016

(Expressed in thousands of Argentine Pesos)

	Note	Fiscal year ended 31.12.2017	31.12.2016
Cash flows from operating activities:			
Income / (loss) for the year		2,352,208	(70,451)
Adjustments:			
Depreciation of property, plant and equipment	11	113,091	98,136
Instrumental Agreement	2	(478,253)	(1,642,050)
Other comprehensive results		22,838	19,338
Provisions	18	2,892	14,273
Employee benefits plan	16	87,920	86,561
Income tax expense accrued during the year	10	985,158	(17,576)
Interest and foreign exchange results generated by loans	15	440,855	498,275
Investments at fair value	9	(265,015)	(170,260)
Investments at amortized cost	9	(131,453)	0
Interest on taxes payable		(6,584)	8,685
Retirements of property, plant and equipment	11	24,714	10,986
Changes in certain assets and liabilities, net of non-cash:			
(Increase) Decrease in trade receivables		(1,284,180)	(331,615)
(Increase) Decrease in other receivables		(172,111)	(51,874)
Increase (Decrease) in trade accounts payable		167,107	28,659
Increase (Decrease) in payroll and social securities taxes payable		132,193	92,757
Increase (Decrease) in taxes payable		(18,901)	167,757
Increase (Decrease) in provisions	18	(953)	(8,547)
Increase (Decrease) of employee benefits payable	16	(33,433)	(31,420)
Net cash generated by (used in) operating activities		1,938,093	(1,298,366)

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

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

Consolidated Statements of Cash Flows for the fiscal years ended
December 31, 2017 and 2016
(continued)
(Expressed in thousands of Argentine Pesos)

	Note	Fiscal year ended 31.12.2017	31.12.2016
Cash flows from investing activities:			
Acquisition of property, plant and equipment	11	(706,248)	(349,669)
(Increase) / Decrease in investments at fair value		(627,894)	126,469
(Increase) / Decrease in financial assets at amortized cost		(1,421,340)	0
Cash used in investing activities		(2,755,482)	(223,200)
Cash flows from financing activities:			
Funds from CAMMESA Financing	2	933,173	1,977,900
Payments and repurchase of bonds and other indebtedness - Principal	15	0	(278,765)
Payments and repurchase of bonds and other indebtedness - Interests	15	(157,125)	(161,719)
Net cash generated by financing activities		776,048	1,537,416
Decrease / (Increase) in cash and cash equivalents		(41,341)	15,850
Cash and cash equivalents at the beginning of the year		66,523	50,673
Cash and cash equivalents at year end	14	25,182	66,523
Significant non-cash transactions			
Decrease in accounts receivable	2	933,173	1,977,900
Decrease in other liabilities - CAMMESA Financing	2	(933,173)	(1,977,900)
		0	0

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

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

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

Notes to the Consolidated Financial Statements

(In thousands of Argentine Pesos, except as otherwise indicated)

Index

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

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

Notes to the Consolidated Financial Statements

(In Argentine Pesos, except as otherwise indicated)

1. General information

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 companies mentioned in the preceding paragraph, and Compañía Inversora en Transmisión Eléctrica Citelec S.A. (in later "Citelec"), which has control on Transener 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 its operations on the mentioned date.

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

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

These consolidated financial statements (hereinafter referred to as "financial statements"), have been approved for issuance by the Board of Directors on November 8, 2017.

2. Tariff Review

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

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

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

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

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

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

According to what was stated in the Instrumental Agreements, on May 2, 2011 new extensions of the Financing Agreements (Addendas II) were entered into with CAMMESA. The funds which comprised 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 that were 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 established with the Renewal Agreement foresees investments of approximately $ 286 million and $ 207 million for Transener, and of $ 113 million and $ 100 million for Transba, for the years 2013 and 2014 respectively.

The Renewal Agreements state that in case they are not renewed at expiration, as from January 1, 2016, CAMMESA should consider as remuneration for the services rendered by the Companies, the values established by ENRE Resolutions 327/08 and 328/08 by application of section 4.2 of the clause Four of the Definitive Agreements, which had 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 would be free to resume and/or bring in again legal actions seeking the enforcement of the Definitive Agreements, the Instrumental Agreements and the Renewal Agreements.

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

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

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

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

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

On November 25, 2015 Transener and Transba entered into with CAMMESA the new Financing Agreements (the New Agreements), by which it was agreed to provide funding in the amount of $ 508.9 and $ 317.6 million for Transener and Transba, respectively, corresponding to: i) credits recognized by the SE and the ENRE for cost variations from December 2014 to May 2015 and ii) the amounts for additional investments under the Addenda to the Renewal Agreements. In addition, it was agreed to transfer the credits recognized for higher costs to May 31, 2015 under the Renewal Agreements of Instrumental Agreements in order to cancel the amounts to be received pursuant to the new contracts signed.

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

On December 26, 2016, Transener entered into a new agreement with the SE and ENRE, within the framework of the commitments set forth in the fourth and eleventh clauses of the Definitive Agreement for the Adaptation of the Concession Contract of the Public High Voltage Electric Power Transmission Service ("Definitive Agreement”) ratified by the National Executive Power through Decree PEN No. 1462/2005, celebrated on May 17, 2005 with UNIREN, in effect until January 31, 2017 or until the entry into force of the tariff system that must result from the FTR, whichever comes first.

Under the Agreement, and in order that the Company could have the necessary and sufficient resources to sustain its normal operation and to perform other tasks that were necessary to properly maintain the operation of the electric transmission system under the Concession, the SE (i) recognized in favor of Transener credits for cost variation in the amount of $ 602.9 million, from the period from December 1, 2015 to July 31, 2016, and (ii) determined in favor of Transener credits for higher costs in the amount of $ 899.9 million, respectively, from the period from August 1, 2016 to January 31, 2017. For these purposes, the SE will instruct CAMMESA to enter into a Financing Agreement and Cession of Credits in Warranty, which was be canceled through the cession of the recognized and established credits above mentioned. In addition, the Agreements provided for an "Investment Plan", for the period October 2016 to March 2017, for an amount of approximately $ 299.1 million.

On June 19, 2017 CAMMESA made the last disbursement under the Financing Agreements entered into with Transener, thus canceling all the credits recognized therein under the Instrumental Agreement, the Renewal Agreement and its Addenda, and the Agreement signed on December 26, 2016.

Likewise, on December 26, 2016, Transba entered into a new agreement with the SE and ENRE, within the framework of the commitments set forth in the fourth and eleventh clauses of the Definitive Agreement for the Adaptation of the Definitive Agreement for the Adaption of the Contract of the Concession of the Public Service of Transmission of Electric Power by Trunk Distribution of the Province of Buenos Aires ("Definitive Agreement Transba"), ratified by the National Executive Power through Decree PEN No. 1460/2005, celebrated on May 17, 2005 with UNIREN, in effect until January 31, 2017 or until the entry into force of the tariff system that must result from the FTR, whichever comes first.

Under the Agreement, and in order that Transba could have the necessary and sufficient resources to sustain its normal operation and to perform other tasks that are necessary to properly maintain the operation of the electric transmission system under the Concession, the SE (i) recognized in favor of Transba credits for cost variation in the amount of $ 151.9 million, respectively, from the period from December 1, 2015 to July 31, 2016, and (ii) determined in favor of Transba credits for higher costs in the amount of $ 362.8 million, respectively, from the period from August 1, 2016 to January 31, 2017. For these purposes, the SE will instruct CAMMESA to enter into a Financing Agreement and Cession of Credits in Warranty, which was canceled through the cession of the recognized and established credits above mentioned. In addition, the Agreement provided for an "Investment Plan", for the period October 2016 to March 2017, for an amount of approximately $ 121.4 million for Transba.

On June 19, 2017 CAMMESA made the last disbursement under the Financing Agreements entered into with Transba, thus canceling all the credits recognized therein under the Instrumental Agreement, the Renewal Agreement and its Addenda, and the Agreement signed on December 26, 2016.

At year end, the results of the recognition of the cost variations by SE and ENRE have been recorded in these consolidated financial statements up to the amounts received under Addenda II and III and / or under the Financial Agreements. Consequently, Transener has recognized revenues for $397.7 million and $1,062.5 million plus interest for $14.2 million and $105.1 million, for the fiscal years ended December 31, 2017 and 2016, respectively. Accordingly, Transba has recognized revenues for $65.6 million and $452.1 million plus interest for $0.8 million and $22.4 million, for the same periods, respectively. The liability for the whole disbursements received up to the amount of the credits recognized as higher costs, according to the Instrumental Agreement and the Renewal Agreement, has been cancelled through the cession of the mentioned credits.

Within the framework of the above mentioned resolution, on January 31, 2017 the ENRE issued Resolutions Nº 66/17 and Nº 73/17, by which the new tariff system in force for the five-year period 2017/2021 was established for Transener and Transba, resulting in the annual amounts of AR$ 3.274 million and AR$ 1.499 million in currency of February 2017, for Transener and Transba, respectively. Those resolutions also provide for the execution of an investment plan during the five-year period 2017/2021 for the amounts of AR$ 3.336 million and AR$ 2.251 million for Transener and Transba, respectively.

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

Due to the differences between the tariff proposals formulated under the framework of the RTI process initiated by the ENRE, on April 7, 2017 and April 21, 2017, Transener and Transba filed an appeal for reconsideration with a subsidy appeal against the ENRE Resolutions Nº 66/2017, Nº 84/2017 and Nº 139/2017, and Nº 73/17, Nº 88/17 and Nº 138/17, by which the ENRE approved the applicable tariff system for the period 2017/2021 for Transener and Transba, respectively.

On October 31, 2017, Transener and Transba were notified of ENRE Resolutions Nº 516/17 and Nº 517/17, through which the ENRE partially accepted the Reconsideration Appeals filed against ENRE Resolutions Nº 66/17 and Nº 73/17 by Transener and Transba, respectively.

These resolutions establish a new tariff schedule to apply for Transener and Transba retroactively to February 2017, resulting in annual regulated revenues of AR$ 3,534 and AR$ 1,604 million, respectively.

On December 15, 2017, the ENRE issued Resolutions Nº 627/17 and Nº 628/17, through which the new tariff schedule was established, as a result of the tariff adjustment mechanism defined in the FTR, effective as from August 2017, resulting in regulated annual revenues of AR$ 3,933 and AR $1,771 million for Transener and Transba, respectively.

Additionally, during the fiscal year 2017, Transener and Transba requested the recognition of the damages for the period May 2013 - January 2017 from the breaches of the National State with respect to the adjustment of the remuneration for the provision of the public service of transmission of electrical energy in high tension and by trunk distribution of the Province of Buenos Aires, in accordance with the real cost variations according to the Transition Tariff Regime; and the lack of remuneration of the capital base and the reasonable profitability that should have resulted from the FTR.

Nevertheless, the claims made by Transener and Transba regarding the valuation of the capital base on which the profitability set by ENRE Resolution Nº 553/2016 is applied, and other aspects not favorably resolved, will continue their process before the Secretariat of Electrical Energy under the appeals filed on a subsidiary basis to the reconsideration resources.

3. Purpose of financial statements

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

4. Significant accounting policies

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

4.1 Basis of preparation

The presentation in the Balance Sheet distinguishes between current and non-current assets and liabilities. Current assets and liabilities are those that are expected to be recovered or canceled within the twelve months following the close of the fiscal year / reporting period. In addition, the Company reports cash flows from operating activities using the indirect method. The fiscal year begins on January 1 and ends on December 31 of each year. The economic and financial results are presented on the basis of the fiscal year.

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

4.2 Consolidation

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

Significant consolidation adjustments are as follows:

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

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

Transba S.A. significant information corresponding to assets, liabilities and results of operations as of December 31, 2017 and 2016 is as follows:

	31.12.2017	**31.12.2016**
Total assets	2,267,048	904,117
Total liabilities	809,015	370,238
Total equity	1,458,033	533,879
Total comprehensive result for the year	924,154	51,777

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.

IAS 29 “Financial reporting in hyperinflationary economies” requires that the financial statements of an entity whose functional currency is that of a hyperinflationary economy, regardless of whether they are based on the historical cost method or the current cost method, are restated in constant currency at the end of the reporting period. To this purpose, in general terms, for non-cash items it is necessary to compute the inflation recorded since the acquisition date or since the date of revaluation, as applicable. To conclude on the existence of a hyperinflationary economy, the standard establishes a series of factors to be considered; among them, a cumulative inflation rate over three years that is approaching, or exceeds, 100%. Considering the inconsistency of the published inflation data, the decreasing trend of inflation and that the rest of the indicators do not lead to a definitive conclusion, there is not enough evidence to conclude that Argentina is a hyperinflationary economy as of December 31, 2017. Therefore, the criteria for restating the financial information established in IAS 29 in that year have not been applied.

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

(b) Transactions and balances

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

4.5 Property, plant and equipment

(a) Cost

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

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

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

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

(b) Depreciation

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

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

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

4.6 Impairment of non-financial long-term assets

For the purposes of preparing these consolidated financial statements, the Company has applied the policy of devaluation of non-financial long term consistently with the previous fiscal year.

To this end, Management has defined certain premises for estimating the future cash flows used to evaluate the recoverability of its assets. These premises contemplate diverse scenarios that include projections regarding the expected flows, inflation, exchange rate, operation and maintenance expenses, investments and discount rate.

Cash flows are generally projected for a period that covers the remaining useful life of long-term assets or the term of the concession, the lowest.

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

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

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

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

As of December 31, 2017, no evidence of impairment of the value of the assets has been identified with respect to its fair value.

4.7 Financial assets

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

(a) Financial assets at amortized cost

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

Financial assets at amortized cost include investments in "Letras del Tesoro" (Letes) and "Letras del Banco Central" (Lebacs), not considered as cash equivalents.

(b) Financial assets to fair value

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

Recognition and measurement

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

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

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

The Company's financial assets include the following:

- Cash and cash equivalents

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

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

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

- Investments at fair value

Investments at fair value include mutual funds and "Bonos de la Nación Argentina (Bonar)", not considered cash equivalents.

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

- Trade accounts receivables and other receivables

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

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

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

4.8 Impairment of financial assets at amortized cost

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

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

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

4.9 Financial liabilities

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

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

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

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

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

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

4.10 Derivative financial instruments

As of December 31, 2017, the Company did not hold derivative financial instruments.

4.11 Employee benefits

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

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

Liabilities related to accumulated seniority plans and to benefits given to employees before mentioned have been determined contemplating all rights accrued by the beneficiaries of the plans until the end of the years ended December 31, 2017 and 2016 respectively, based on an actuarial study conducted by an independent professional as of December 31, 2017. The carried out actuarial method used by the Company is the projected unit credit method.

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

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

Past service expenses are recognized immediately in income/loss.

4.12 Income tax and Minimum Notional Income tax

(a) Income tax

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

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

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

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

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

(b) Minimum Notional Income tax

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

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

4.13 Previsions

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

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

4.14 Assets and liabilities balances with related parties

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

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

4.15 Revenue recognition

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

(i) Regulated revenues

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 by transmission capacity (to operate and maintain the transmission equipment comprising networks), (b) income per connection (for operating and maintaining the connection and transformation equipment), (c) revenue from reactive equipment (for operating and maintaining reactive power equipment, such as reactors, capacitors and synchronous compensators) and (d) revenue from automation (for operating and maintaining the control and communications equipment related to the automation intended to maintain the stability of the SADI before regional failures).

In addition, the Company generates revenues derived from (a) the supervision of the expansion of the SADI and (b) the supervision of operations and maintenance of the independent transmitters.

Regulated sales revenues are recognized as services are provided.

(ii) Net non-regulated revenues

The Company receives net other revenues from services provided to third-party. 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 and (d) 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.

(iii) Penalties and rewards

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

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

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

Transener and Transba penalties accrue interest commencing on the 39th day after the last day of the month in which the event that resulted in the assessment of penalties occurred, until the date the penalty amount is withheld by CAMMESA from its payments of regulated revenue to us. This interest is calculated at a fluctuating daily rate published by Banco de la Nación Argentina and set in accordance with regulations issued by the Secretariat of Energy, and is the same rate applicable to all debts owed by WEM agents. Interest that accrues on penalties is accounted for by us as "Financial costs".

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

The Penalty Regime also establishes a system to increase the penalties to apply to Transener and / or Transba if they do not exceed a minimum level of quality of service established on a monthly basis.

Likewise, the Company has a rewards system as an incentive to improve the quality of service Transener provides. It establishes the payment of a reward (with a maximum established) when the Company exceeds the minimum level of service quality calculated on a monthly basis

It is the Company policy to establish a reasonable provision for rewards based on the information regarding the level of service quality during the period. This provision is exposed under the item "Other expenses, net".

(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 accounting standards, modifications and interpretations effective for fiscal years beginning on January 1, 2017 and not early adopted by the Company

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

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

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

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

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

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

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

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

- IFRS 17 "Insurance contracts": in May 2017, the IASB issued IFRS 17 that replaces IFRS 4, which was brought in as an interim standard in 2004 establishing the dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. IFRS 17 establishes the principles for recognition, measurement, presentation and disclosure related to insurance contracts and shall by applied for annual reporting periods beginning on or after January1, 2021, permitting early application for entities that apply IFRS 9 and IFRS 15. The Company is analyzing the impact of the application of IFRS 17 on its results of operations or financial position.

IFRIC 23 "Uncertainty over Income Tax Treatments" : in June 2017, the IASB issued IFRIC 23 clarifying how to apply IAS 12 when there is uncertainty over income tax treatments to determine income tax. According to the interpretation, an entity shall reflect the effect of the uncertain tax treatment by using the method that better predicts the resolution of the uncertainty, either through the most likely amount method or the expected value method. Additionally, an entity shall assume that the taxation authority will examine the amounts and has full knowledge of all related information in assessing an uncertain tax treatment in the determination of income tax. The interpretation shall apply for annual reporting periods beginning on or after January 1, 2019, permitting early application. The Company is analyzing the impact of the application of IFRIC 23 on its results of operations or the financial situation of the Company.

4.17 Critical accounting estimates and judgements

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

5. Financial risk and capital risk management

5.1 Financial risk factors

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

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

(a) Markets risks

(i) Exchange rate risk

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

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

If at December 31, 2017, 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 $ 11.2 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, 2016, the peso had revalued / devalued 10% relative to the US dollar; with all other variables held constant, the loss after tax for the year ended on that date would have been $ 96.2 million lower / higher, mainly as a result of gains / losses exchange of cash and cash equivalents and financial debts denominated in US dollars.

As of December 31, 2017, the Company valued its financial debt in US dollars at the exchange rate prevailing at that date (See Note 26).

(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, 2017 approximately 100% of the financial and banking debt was agreed at a fixed interest rate.

(b) Credit risk

Credit risk arises from cash and cash equivalents, deposits in banks and financial institutions, as well as exposure to the credit of customers, which includes the outstanding accounts receivable balances and committed transactions. With regard to banks and financial institutions, it is accepted only to institutions whose independent risk ratings are "Investment grade". In the case of the non-regulated business customers, if there are no independent risks ratings the Company evaluates the credit quality of the customer, taking into account its financial position, past experience and other factors. As of December 31, 2017, the accounts receivable debts amounted to approximately $ 79 million (2016: $ 68 million). As of December 31, 2017, the financial statements included an estimate of $ 3.2 million (2016: $8.3 million).

(In Argentine Pesos, except as otherwise indicated)

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, 2017 (2016: 71%).

(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, 2017 the Company remained cash and cash equivalents by $ 3,036 million that is expected to generate immediate cash inflows for the liquidity risk management (2016: $ 651 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, 2017	Matured	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Over 2 years
Debt and other indebtedness (*)	0	89,582	89,582	179,164	2,195,907
Accounts payable	0	354,191	0	0	0

As of December 31, 2016	Matured	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Over 2 years
Debt and other indebtedness (*)	0	76,329	76,329	152,658	2,023,695
Accounts payable	0	186,752	0	0	0

(*) Contractual flow

(In Argentine Pesos, except as otherwise indicated)

5.2 The risk of capital management

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

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

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

The leverage ratio on December 31, 2017 and 2016 and the date of transition to IFRS are as follows:

	31.12.2017	31.12.2016
Total Debt and other indebtedness	1,855,290	1,571,560
Less: Cash and cash equivalents and investments at fair value	(3,035,835)	(651,474)
(Net cash) / Net debt	(1,180,545)	920,086
Total Equity	3,004,297	652,089
Total capital	1,823,752	1,572,175
Leverage ratio	-	59%

5.3 Financial instruments by category and level fair value hierarchy

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

Financial instruments by category

	31.12.2017	31.12.2016
Financial assets		
Investments at amortized cost - Letes	1,428,334	0
Investments at amortized cost - Lebacs	104,459	0
Investments at amortized cost - Sociedad de Garantía Recíproca	20,000	0
Investments at fair value - Mutual Funds	1,369,160	584,951
Investments at fair value - Bonar	108,700	0
Trade accounts receivables at amortized cost	1,361,704	532,444
Other receivables at amortized cost	21,237	15,193
Cash and cash equivalents at amortized cost	25,182	66,523
Total	4,438,776	1,199,111
Financial Liabilities		
Debt and other indebtedness	1,855,290	1,571,560
Trade accounts payable	354,191	186,752
Other liabilities	779	779
Total	2,210,260	1,759,091

(In Argentine Pesos, except as otherwise indicated)

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

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

Description	Measurement at fair value as of December 31, 2017			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Investments at fair value	1,477,860	0	0	1,477,860
Total Assets	1,477,860	0	0	1,477,860

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

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

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

6. Segment reporting

The sales and assets of the Company are 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.

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, 2017 and 2016 is as follows:

(In Argentine Pesos, except as otherwise indicated)

	Regulated activity $	Non-regulated activity $	Total $
Fiscal year ended December 31, 2017			
Net revenues	5,616,783	408,202	6,024,985
Operating results	3,151,214	214,701	3,365,915
Total assets	7,196,571	137,990	7,334,561
Total liabilities	3,922,100	408,164	4,330,264
Acquisition of property, plant and equipment	706,248	0	706,248
Property, plant and equipment depreciation	113,091	0	113,091
Fiscal year ended December 31, 2016			
Net revenues	1,941,951	258,838	2,200,789
Operating results	(10,589)	135,176	124,587
Total assets	3,285,385	61,668	3,347,053
Total liabilities	2,349,221	345,743	2,694,964
Acquisition of property, plant and equipment	349,669	0	349,669
Property, plant and equipment depreciation	98,136	0	98,136

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

7. Net Revenues

	Fiscal year ended 31.12.2017	Fiscal year ended 31.12.2016
Net Regulated Revenue	5,616,783	1,941,951
Net Non-Regulated Revenue	408,202	258,838
Net Revenues	6,024,985	2,200,789

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

8. Expenses by Nature

Items	Fiscal year ended December 31, 2017			Fiscal year ended December 31, 2016		
	Total	Operating Expenses	Administrative Expenses	Total	Operating Expenses	Administrative Expenses
Salaries and social security charges	1,646,719	1,336,941	309,778	1,337,382	1,098,304	239,078
Other personnel costs	28,573	20,934	7,639	18,369	12,219	6,150
Fees for operating services	54,407	54,407	0	31,217	31,217	0
Professional fees	55,840	13,843	41,997	32,228	9,196	23,032
Equipment maintenance	65,028	65,028	0	31,520	31,520	0
Fuel and lubricants	27,891	26,674	1,217	26,788	25,601	1,187
General Maintenance	89,965	87,309	2,656	85,131	83,303	1,828
Electricity	9,083	8,478	605	4,860	4,476	384
Depreciation of property, plant and equipment	113,091	101,774	11,317	98,136	88,316	9,820
Administration expenses related to WEM	4,506	4,506	0	833	833	0
Regulatory fees	819	819	0	1,898	1,898	0
ATEERA membership fees	1,669	0	1,669	1,616	0	1,616
Communications	12,261	10,270	1,991	10,539	8,722	1,817
Transportation	17,793	17,661	132	13,141	13,040	101
Insurance	68,943	65,494	3,449	56,901	53,548	3,353
Rents	23,646	8,741	14,905	18,989	7,198	11,791
Travel and lodging expenses	81,490	76,752	4,738	74,735	70,904	3,831
Licences, stationary and printing	27,458	2,804	24,654	24,222	2,779	21,443
Taxes and government contributions	22,099	16,691	5,408	12,465	11,626	839
Directors and syndics	9,020	0	9,020	5,885	0	5,885
Security	66,919	66,793	126	46,263	46,172	91
Office and substation cleaning	38,908	36,026	2,882	29,045	27,146	1,899
Electroduct maintenance	33,061	33,061	0	19,207	19,207	0
Prevision for bad debtors	7,824	7,824	0	6,620	6,620	0
Others	44,891	26,085	18,806	33,907	22,315	11,592
TOTAL	2,551,904	2,088,915	462,989	2,021,897	1,676,160	345,737

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

9. Net Financial Results

	Fiscal year ended 31.12.2017	31.12.2016
Finance Income		
Renewal Agreement interest (Note 2)	14,923	127,434
Results from investments at fair value	206,852	170,260
Interests from investments at amortized cost	14,981	0
Other finance income	20,312	33,247
Total finance income	257,068	330,941
Finance Costs		
Interests generated by loans	(170,745)	(175,266)
Other interests	(16,547)	(22,171)
Total finance costs	(187,292)	(197,437)
Other financial results		
Foreign exchange generated by loans	(270,110)	(323,009)
Foreign exchange generated by investments at fair value	58,163	0
Foreign exchange generated by investments at amortized cost	116,472	0
Other foreign exchenge net	19,988	(3,771)
Total Other financial results	(75,487)	(326,780)
Total Other financial results, net	(5,711)	(193,276)

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	Trade accounts receivables	Other receivables	Investments at fair value	Emloyee benefits payable	Other liabilities	Total
As of January 1, 2017	37,015	2,904	714	0	97,447	49,138	187,218
Charged to the income statement	(37,015)	(2,084)	0	3,946	(2,591)	(54)	(37,798)
Charged to other comprehensive income	0	0	0	0	284	0	284
As of December 31, 2017	0	820	714	3,946	95,140	49,084	149,704
As of January 1, 2016	19,364	565	714	0	67,735	37,142	125,520
Charged to the income statement	17,651	2,339	0	0	19,299	11,996	51,285
Charged to other comprehensive income	0	0	0	0	10,413	0	10,413
As of December 31, 2016	37,015	2,904	714	0	97,447	49,138	187,218

Deferred Tax Liabilities

	Property, plant and equipment	Investments at fair value	Debt and other indebtedness	Total
As of January 1, 2017	101,249	26,095	18,438	145,782
Charged to the income statement	(32,555)	(26,095)	(4,421)	(63,071)
Charged to other comprehensive income	0	0	0	0
As of December 31, 2017	68,694	0	14,017	82,711
As of January 1, 2016	111,216	30,768	18,089	160,073
Charged to the income statement	(9,967)	(4,673)	349	(14,291)
Charged to other comprehensive income	0	0	0	0
As of December 31, 2016	101,249	26,095	18,438	145,782

Deferred Tax Assets as of December 31, 2017 and 2016 amounts to thousands of $66,993 and $41,436, respectively.

The income tax charge for the year is as follows:

	Fiscal year ended	
	31.12.2017	**31.12.2016**
Current tax	1,156,334	48,000
Deferred tax	(25,273)	(65,576)
Refund action (1)	(145,903)	0
Income tax	985,158	(17,576)

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	
	31.12.2017	**31.12.2016**
Net income / (loss) before income taxes	3,360,204	(68,690)
Tax rate in force	35%	35%
Net income at the tax rate	1,176,071	(24,042)
Taxable effects by:		
- Refund action (1)	(145,903)	0
- Cambio alícuota de impuesto (2)	7,304	0
- Other non taxable and/or non deductible items	(52,314)	6,466
Income tax	985,158	(17,576)

(1) In September 2017, the AFIP recognized the refund of income tax in relation to tax refund action for thousands of $ 67,534 initiated by Transba with respect to the application of the tax inflation adjustment for the period 2009 to 2014. From this situation and with the closure of the inspections that the AFIP was conducting in relation to the application of the inflation adjustment in the income tax for the years 2015 and 2016, as of the closing date of this fiscal year, the Company has decided to reverse the provision it maintained for such concept in the amount of thousands of $ 78,369 (refer to Note 27).

(2) Corresponds to the effect of applying to the deferred tax assets and liabilities the changes in the income tax rates in accordance with the tax reform prior to the expected year of realization thereof. (See "Tax Reform in Argentina").

Tax reform in Argentina

On December 29, 2017, the National Executive Power promulgated Law Nº 27,430 - Income Tax. This law has introduced several changes in the treatment of income tax whose key components are the following:

Income Tax Rate: The Income Tax rates for Argentine companies would be reduced gradually from 35% to 30% for fiscal periods beginning from January 1, 2018 to December 31, 2019, and 25% for fiscal periods beginning on or after January 1, 2020, inclusive.

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

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

Tax on dividends: A tax is introduced on dividends or profits distributed, among others, by Argentine companies or permanent establishments to: human persons, undivided estates or beneficiaries abroad, with the following considerations: (i) the dividends derived from the profits generated during fiscal years that begin on January 1, 2018 and until December 31, 2019, will be subject to a 7% withholding; tax and (ii) Dividends arising from gains obtained for years beginning on or after January 1, 2020, will be subject to a 13% withholding tax.

Dividends arising from benefits obtained up to the year prior to that commenced on or after January 1, 2018 will continue to be subject, for all the beneficiaries, to the 35% withholding tax on the amount that exceeds the distributable tax-free profits (transition period of the equalization tax).

Optional tax revaluation: The regulation establishes that, at the option of the Companies, the tax revaluation of the assets located in the country and that are affected to the generation of taxable profits may be carried out. The special tax on the amount of the revaluation depends on the asset, being of 8% for the real estate property that do not meet the conditions of goods to sell, of 15% for the real estate property that meet the condition of goods to sell, and of the 10 % for personal property and the rest of the goods. Once the option for a certain asset is exercised, all other assets in the same category must be revalued. This tax is not deductible from income tax, and the tax result that originates the revaluation is not subject to it.

As of the date of these financial statements, the Company is evaluating the exercise of said option.

Updates of deductions: Acquisitions or investments made in fiscal years beginning on or after January 1, 2018, will be updated on the basis of the percentage variations of the Internal Wholesale Price Index (IPIM) provided by the National Institute of Statistics and Census, situation that will increase the deductible amortization and its computable cost in case of sale.

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	0	0	0	3,864
Vehicles	113,812	44,738	(3,093)	0	155,457
Air and heavy equipment	51,803	37,247	(1,393)	0	87,657
Furniture and fixtures	9,957	5,858	0	1,853	17,668
Information systems	30,091	16,589	(609)	151	46,222
Transmission lines	947,880	886	0	48,129	996,895
Substations and related works	1,079,283	7,859	(196)	197,172	1,284,118
Building and civil works	92,346	5,685	0	8,660	106,691
Labs and maintenance	32,104	27,862	0	135	60,101
Communication equipment	115,274	786	0	3,716	119,776
Miscellaneous	40,323	5,691	(3)	5,172	51,183
Work in progress	809,688	444,275	0	(258,280)	995,683
Spare parts	118,734	108,772	(23,415)	(6,708)	197,383
Total 31.12.2017	3,445,159	706,248	(28,709)	0	4,122,698
Total 31.12.2016	3,108,656	349,669	(13,166)	0	3,445,159

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

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

(In Argentine Pesos, except as otherwise indicated)

Principal account	Depreciation				Net carrying value	
	At the beginning of the year	Deductions	From the period	At the end of the year	At the end of the year	As of 31.12.2016
Land	0	0	0	0	3,864	3,864
Vehicles	(63,645)	3,093	(18,392)	(78,944)	76,513	50,167
Air and heavy equipment	(14,488)	218	(2,891)	(17,161)	70,496	37,314
Furniture and fixtures	(6,200)	0	(845)	(7,045)	10,623	3,757
Information systems	(22,342)	609	(6,515)	(28,248)	17,974	7,749
Transmission lines	(702,329)	0	(29,729)	(732,058)	264,837	245,551
Substations and related works	(593,898)	72	(36,591)	(630,417)	653,701	485,385
Building and civil works	(42,298)	0	(2,826)	(45,124)	61,567	50,049
Labs and maintenance	(8,834)	0	(3,025)	(11,859)	48,242	23,270
Communication equipment	(79,996)	0	(6,118)	(86,114)	33,662	35,278
Miscellaneous	(26,488)	3	(6,159)	(32,644)	18,539	13,835
Work in progress	0	0	0	0	995,683	809,688
Spare parts	0	0	0	0	197,383	118,734
Total 31.12.2017	(1,560,518)	3,995	(113,091)	(1,669,614)	2,453,084	-
Total 31.12.2016	(1,464,562)	2,180	(98,136)	(1,560,518)		1,884,641

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

During the years ended December 31, 2017 and 2016, the Company has not capitalized interest costs.

12. Other receivables

	31.12.2017	31.12.2016
Current		
Advances to suppliers	266,167	119,480
Prepaid expenses	95,825	67,723
Tax credits	13,716	22,438
Loans to employees	9,217	4,615
Judicial seizure	2,435	4,383
Stock Ownership Program - Dividends receivable	779	779
Others	3,477	87
Total	391,616	219,505

	31.12.2017	31.12.2016
Non-Current		
Minimum Notional Income Tax Credit	0	12,224
Stock Ownership Program	5,329	5,329
Total	5,329	17,553

As of December 31, 2017, the current other credits unexpired amounted to thousands of $ 5,329 (2016: $17,553).

As of December 31, 2017 and 2016, there are no other credits expired.

The book value of other credits is denominated in Pesos.

	31.12.2017	31.12.2016
Pesos	396,945	237,058
	396,945	237,058

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

13. Trade account receivables

	31.12.2017	31.12.2016
Current		
CAMMESA	1,190,936	376,463
Other services	170,931	153,177
Other related parties (Note 21)	3,007	11,099
Allowances for bad debt	(3,170)	(8,295)
Total	1,361,704	532,444

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

Allowances for bad debt

	31.12.2017	31.12.2016
Total at the beginning of the year	8,295	1,675
Increases	7,824	6,620
Decreases	(12,949)	0
Total at the end of the year	3,170	8,295

As of December 31, 2017, accounts receivables unexpired amount to thousands of $ 1,283,067 (2016: thousands of $ 464,850).

As of December 31, 2017, trade accounts receivables amounts to thousands of $ 78,637 (2016: thousands of $ 67,594) were due, but not undervalued. The aging analysis of these accounts is as follows:

	31.12.2017	31.12.2016
To be matured in 3 months or less	69,226	67,594
To be matured from 3 to 6 months	694	0
To be matured from 6 to 9 months	772	0
To be matured from 9 to 12 months	7,945	0
	78,637	67,594

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

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

The book value of accounts receivables is denominated in Pesos.

	31.12.2017	31.12.2016
Pesos	1,361,704	532,444
	1,361,704	532,444

14. Cash and cash equivalents

	31.12.2017	31.12.2016
Cash in local currency	1,414	1,368
Cash in foreign currency	288	222
Banks in local currency	3,692	16,578
Banks in foreign currency	19,788	48,355
Cash and cash equivalents, net	25,182	66,523

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

	31.12.2017	31.12.2016
Pesos	5,106	17,946
US Dolar	20,048	48,576
Reales	28	1
Total	25,182	66,523

15. Loans

	31.12.2017	31.12.2016
Non-current bonds and other indebtedness		
Corporate Bonds 2021	1,786,610	1,513,041
Total Non-current	1,786,610	1,513,041
Current bonds and other indebtedness		
Corporate Bonds 2021	68,680	58,519
Total Current	68,680	58,519

Total at the beginning of the year	1,571,560	1,513,769
Accrued interests	170,745	175,266
Foreign Exchange	270,110	323,009
Principal payments	0	(278,765)
Interest payments	(157,125)	(161,719)
Total at the end of the year	1,855,290	1,571,560

The fair value of current loans is equivalent to their book value, since it does not differ from their amortized cost.

The structure of indebtedness of the Company is described in Note 23.

The fair value of non-current loans of the Company as of December 31, 2017 amounts approximately to thousands of $ 1,910,788. This value was calculated based on the market price.

(In Argentine Pesos, except as otherwise indicated)

16. Employee benefit expense

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

	Fiscal year ended	
	31.12.2017	**31.12.2016**
Charges to Results		
Services Cost	19,199	13,642
Interest Cost	67,984	68,601
Amortization of (Profits) and Losses	737	4,318
Total	87,920	86,561

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

	31.12.2017	**31.12.2016**
Benefits Obligations at the beginning of the year	278,420	193,528
Services Cost	19,199	13,642
Interest Cost	67,984	68,601
Amortization of (profits) and losses	737	4,318
Actuarial (profits) and losses	23,122	29,751
Benefits paid to participants	(33,433)	(31,420)
Benefits Obligations at the end of the year	356,029	278,420

Non current employee benefits payable	294,706	230,395
Current employee benefits payable	61,323	48,025
Total	356,029	278,420

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

Discount rate	20.75%	26.00%
Current interest rate	5.00%	5.00%
Salary growth rate	2%	2%

17. Trade accounts payable

	31.12.2017	**31.12.2016**
Non-Current		
Advances from customers	1,008	3,024
Total	1,008	3,024

	31.12.2017	**31.12.2016**
Current		
Suppliers	98,774	69,612
Advances from customers	11,652	9,968
Provisions	148,857	32,077
Other related parties (Note 21)	10,502	21,176
Other liabilites	96,058	63,887
Total	365,843	196,720

(In Argentine Pesos, except as otherwise indicated)

The fair value of trade accounts payable is equivalent to their book value, since the impact of applying the discount is not significant.

18. Provisions

As of December 31, 2017 and 2016 the balances of foreign currency assets and liabilities are as follows:

	31.12.2017	31.12.2016
Labor trials		
Total at the beginning of the year	24,657	20,073
Increases	5,096	5,962
Decreases	(953)	(1,378)
Total at the end of the year	28,800	24,657
Regulatory trials		
Total at the beginning of the year	3,009	9,529
Increases	0	0
Decreases	0	(6,520)
Total at the end of the year	3,009	3,009
Commercial trials		
Total at the beginning of the year	42,349	34,687
Increases	0	8,311
Decreases	(2,204)	(649)
Total at the end of the year	40,145	42,349
Total at the end of the year	71,954	70,015

19. Taxes payable

	31.12.2017	31.12.2016
V.A.T. payable	125,764	181,080
Withholding tax to be deposited – Income tax	8,779	17,683
Others	14,885	5,381
Totales	149,428	204,144

20. Payroll and social securities taxes payable

	31.12.2017	31.12.2016
Provision for variable remuneration	204,054	162,334
Salaries and social security charges	177,559	107,574
Provision for holidays	51,186	30,699
Total	432,799	300,606

21. 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.

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

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

- Transelec Argentina S.A., which own 50% of the share capital of Citelec, is a corporation (*sociedad anónima*) organized under the laws of Argentina, whose main business consists of investment and investment management activities. Transelec Argentina S.A. is controlled by Pampa Energia S.A., an Argentine corporation, that is controlled directly and indirectly by legal entities under common control with Grupo Emes S.A.

- Energía Argentina S.A., which owns 50% of the share capital of Citelec, is an Argentine corporation (*sociedad anónima*) controlled by the Government through the Ministry of Federal Planning, Public Investment and Services under Law No. 25,943.

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

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

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

On December 14, 2017, the Company's Board of Directors approved the amendment of the technical assistance contract to reduce the fees payable by the Company to the operators for the 2017 and 2018 contractual periods.

Said amendment established the validity of the technical assistance agreement until July 15, 2018, unless the parties agree its continuation or amendment prior to its termination date and set the fee for the 2017 and 2018 contractual periods in the single and final sums of $ 60 million and $ 30 million, respectively.

(In Argentine Pesos, except as otherwise indicated)

The transactions with related parties are as follows:

Companies Law No. 19,550 – Sect. 33

	Fiscal year ended	
	31.12.2017	**31.12.2016**
Sales of assets and services rendered to Pampa Energía S.A.	2,757	0
Fees for operating services		
*Pampa Energía S.A.	27,204	14,791
*Energía Argentina S.A.	27,204	12,288

Other related parties

	Fiscal year ended	
	31.12.2017	**31.12.2016**
Sales of assets and services rendered to C.T.Loma de la Lata S.A.	3,431	7,655
Sales of assets and services rendered to Central Piedra Buena S.A.	695	2,350
Sales of assets and services rendered to Transportadora de Gas del Sur S.A.	600	0
Sales of assets and services rendered to Enecor S.A.	1,867	0

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

Companies Law No.19,550 – Sect. 33

Assets	**31.12.2017**	**31.12.2016**
Trade account receivables		
Pampa Energía S.A.	1,114	0
Total	1,114	0

Liabilities		
Trade accounts payable		
Pampa Energía S.A.	5,251	10,588
Energía Argentina S.A.	5,251	10,588
Total	10,502	21,176

Other related parties

Assets		
Trade account receivables		
Enecor S.A.	1,829	1,615
Transportadora de Gas del Sur S.A.	64	0
CT. Loma de la Lata S.A.	0	6,737
C.T. Piedra Buena S.A.	0	2,747
Total	1,893	11,099

22. Investment in Transener Internacional Ltda.

As of December 31, 2017, both value of the equity interest of Transener in Transener Internacional Ltda. and receivables, have been fully provided for due to the uncertainty as to their recovery.

23. Financing structure

23.1 Series 2 Notes

On August 2011, Series 2 Notes were issued for the amount of US$ 100,535,000. These Notes accrue an annual interest rate of 9,75% and will mature on August 15, 2021.

As of December 31, 2017, the remaining balance of the Series 2 Notes, net of those hold by the Company amounted to thousands of US$ 98,535.

23.2 Restrictions in relation to the Series 2 Notes

The Company and its Restricted Subsidiaries have to comply with some restrictions, according to the refinancing terms, in order to carry out, among others, the following transactions:

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, 2017 there is not any default related to those restrictions.

23.3 Global program for the issuance of simple notes or convertible into shares, for an amount up to US$ 500 million (or its equivalent in any other currency)

On April 18, 2017, an Extraordinary General Meeting of Shareholders resolved to create a global program for the issuance of simple or convertible notes, denominated in US dollars or in any other currency, for a maximum amount outstanding, in any time during its term for up to US $ 500 million or its equivalent in other currencies. The Program is pending authorization by the National Securities Commission.

24. Income per share

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

	Fiscal years ended	
	31.12.2017	**31.12.2016**
Results from operations attributable to the equity holders of the Company	2.259.793	(75.629)
Ordinary shares average	444.674	444.674
Income / (loss) per share attributable to the equity holders of the Company ($/Share)	5,08	(0,17)

(In Argentine Pesos, except as otherwise indicated)

25. Stored documentation

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

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

26. Foreign currency assets and liabilities

As of December 31, 2017 and 2016 the balances of foreign currency assets and liabilities are as follows:

Captions	December 31, 2017			December 31, 2016	
	Amount and class of foreign currency	Current exchange rate	Amount in local currency	Amount and class of foreign currency	Amount in local currency
			$		$
Assets					
Current assests					
Cash and banks	US$ 1,081	18.549	20,048	US$ 3,076	48,576
Cash and banks	R$ 5	5.630	28	US$ 0	1
Investments at fair value	US$ 15,496	18.549	287,443		0
Investments at amortized cost	US$ 74,272	18.549	1,377,679		0
Total current assets			1,685,198		48,577
Total assets			1,685,198		48,577
Liabilities					
Non current liabilities					
Debt and other indebtedness	US$ 95,802	18.649	1,786,610	US$ 95,220	1,513,041
Total non current liabilities			1,786,610		1,513,041
Current liabilities					
Account payable	US$ 141	18.649	2,630	US$ 37	592
Account payable			0	€ 218	3,661
Account payable			0	CHF 62	966
Debt and other indebtedness	US$ 3,683	18.649	68,680	US$ 3,683	58,519
Total current liabilities			71,310		63,738
Total liabilities			1,857,920		1,576,779

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

27. Contingencies

Income tax

Transba has determined the income tax corresponding to fiscal periods 2016 and 2015, which resulted in a tax loss of thousands of $6,456 and a tax payable of thousands of $ 47,068, respectively, applying the inflation adjustment mechanisms comprised in Title VI of the Income Tax Law and the adjustment of fixed assets depreciation (Sections 83, 84 and 89); the index used for this purpose was the Domestic Wholesale Price Index (IPIM) published by the National Institute of Statistics and Census, because the Company resorted to the similarity with the criteria argued for in the case "Candy S.A." with a decision of the Argentine Supreme Court of Justice dated July 3, 2009, in which the highest Court ordered the application of the inflation adjustment mechanism.

Should the inflation adjustment mechanisms not been applied, the tax computed for fiscal periods 2016 and 2015 would have amounted to thousands of $ 49,743 and $ 75,694, respectively.

In September of 2017 the AFIP made room for the claims for repetition made by Transba for thousands of $ 67,534 in relation to the application of the inflation adjustment in the income tax for the years 2009 to 2014. From this situation and with the closure of the inspections that the AFIP was conducting in relation to the application of the inflation adjustment in the income tax for the years 2015 and 2016, as of the closing date of this fiscal year, the Company has decided to reverse the provision it maintained for such concept in the amount of thousands of $ 78,369.