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

Consolidated Financial Statements as of December 31, 2018 and for the fiscal years ended December 31, 2018 and 2017

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

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

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Independent Auditor's Report on consolidated financial statements

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

Introduction

We have audited the accompanying consolidated financial statements of Compañía de Transporte de Energía Eléctrica en Alta Tensión Transener S.A. and it subsidiary (hereinafter, 'the Company'), which comprise the consolidated statement of financial position at December 31, 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

The balances and other information corresponding to the fiscal year 2017 are an integral part of the financial statements mentioned above; therefore, they must be considered in connection with these financial statements.

Responsibility of the Board of Directors

Company's Board of Directors is responsible for the preparation and 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 its professional accounting standards and added by the National Securities Commission ("CNV") to its regulations, as issued by the International Accounting Standard Board ('IASB'). Company's Board of Directors is also responsible for the existence of internal control that they may deem necessary to enable the preparation of consolidated financial statements that are free from material misstatement, either due to errors or irregularities.

Auditor's Responsibilities

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISAs) as issued by the International Auditing and Assurance Standards Board (IAASB) and adopted by the FACPCE through Technical Resolution N° 32 and its pertinent Adoption rules. Those standards require that we comply with the ethics requirements, as well as plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. An audit involves performing procedures to obtain evidence about the amounts and disclosures included in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the consolidated financial statements due to irregularities or errors.
In making those risk assessments, 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 in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by Company's management, as well as evaluating the overall presentation of the consolidated financial statements as a whole.
We believe that the evidence we have obtained provides sufficient and appropriate basis for our audit opinion.

Opinion

In our opinion, the accompanying 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 it subsidiary as at December 31, 2018, and its consolidated statement of comprehensive income and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report about the compliance with current regulations

In compliance with current regulation, we report that:

a) The consolidated financial statements of Transener S.A. are transcribed into the "Inventory and Balance Sheet" book of Compañía de Transporte de Energía Eléctrica en Alta Tensión Transener S.A. and, in our opinion, were prepared in all material respect, in accordance with the provisions of the Commercial Companies Law and pertinent resolutions of the CNV;

b) The separate financial statements of Compañía de Transporte de Energía Eléctrica en Alta Tensión Transener S.A. arise from accounting records carried in all formal aspects in conformity with legal provisions;

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

d) At December 31, 2018 the liabilities accrued in employee and employer contributions to the Argentine Integrated Social Security System according to the Company's accounting records amounted to Ps. 40,569,066, none of which was claimable at that date.

e) As required by article 21°, indent b), chapter III, section VI, Title II of the CNV rules, we report that total audit and related services fees billed to the company by Price Waterhourse & Co. during the fiscal year ended December 31, 2018 represent:

   e.1) 83% of the total fees for services billed to the Company for all items during that fiscal year;
   e.2) 55% of the total audit and related services fees billed to the Company, its parent companies, subsidiaries and related companies during that year;
   e.3) 57% of the total fees for services billed to the Company, its parent companies, subsidiaries and related companies for all items during that year;

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

Autonomous City of Buenos Aires, April 8, 2019.

PRICE WATERHOUSE & CO.S.R.L.

(Partner)

Dr. Fernando A. Rodríguez

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

Consolidated Statements of Operations

for the fiscal years ended December 31, 2018 and 2017

(Expressed in thousands of Argentine Pesos)

		Fiscal year ended	
Consolidated income statement	Note	**December 31, 2018**	**December 31, 2017**
Net Revenues	7	9,838,494	9,746,145
Operating expenses	8	(4,031,311)	(4,161,614)
Gross income		5,807,183	5,584,531
Administrative expenses	8	(504,585)	(586,120)
Other expenses net		98,470	(74,920)
Operating income		5,401,068	4,923,491
Finance income	9	921,433	409,611
Finance costs	9	(442,258)	(309,240)
Other financial results	9	(904,055)	172,290
Income before taxes		4,976,188	5,196,152
Income tax	10	(1,799,549)	(1,204,023)
Income for the year		3,176,639	3,992,129
Income attributable to :			
Owners of the parent		3,054,935	3,848,118
Non-controlling interests		121,704	144,011
Total for the year		3,176,639	3,992,129
Items that will not be reclassified to profit or loss			
Recognition of actuarial income in retirement benefits plans	17	(163,083)	(34,148)
Tax effect on actuarial income in retirement benefits plans	10	41,003	420
Other comprehensive results for the year		(122,080)	(33,728)
Comprehensive income for the year		3,054,559	3,958,401
Attributable to :			
Owners of the parent		2,936,275	3,815,185
Non-controlling interests		118,284	143,216
Total for the year		3,054,559	3,958,401
Income per share attributable to the equity holders of the Company:			
Total for the year	25	6.60	8.58

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

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

Consolidated Balance Sheets as of December 31, 2018 and 2017

(Expressed in thousands of Argentine Pesos)

	Note	December 31, 2018	December 31, 2017
Assets			
Non-current assets			
Property, plant and equipment	11	12,129,387	10,213,342
Inventories		431,993	394,777
Other receivables	12	5,329	7,871
Investments at amortized cost	15	0	29,536
Total Non-current assets		12,566,709	10,645,526
Current Assets			
Trade accounts receivable	13	1,675,512	2,010,985
Other receivables	12	902,056	577,195
Investments at fair value	15	1,678,352	2,182,526
Investments at amortized cost	15	264,572	2,263,651
Cash and cash equivalents	14	2,782,264	37,189
Total Current assets		7,302,756	7,071,546
Total Assets		19,869,465	17,717,072
Equity and liabilities			
Common Stock		444,674	444,674
Inflation adjustment on common stock		5,730,971	5,730,971
Legal reserve		151,368	0
Voluntary reserve		94,052	0
Reserve for future dividends		1,292,494	0
Other comprehensive results		(286,967)	(168,307)
Retained earnings		3,643,536	3,615,928
Equity attributable to owners of the parent		11,070,128	9,623,266
Non-controlling interests		485,972	367,688
Total equity		11,556,100	9,990,954
Liabilities			
Non-current liabilities			
Bonds and other indebtedness	16	3,636,407	2,638,492
Deferred tax payable	10	1,395,296	1,332,270
Employee benefits payable	17	444,353	438,746
Trade accounts payable	18	379	1,488
Total Non-current liabilities		5,476,435	4,410,996
Current liabilities			
Provisions	19	83,719	106,263
Bonds and other indebtedness	16	138,840	101,427
Income tax payable		571,956	1,620,264
Taxes payable	20	162,791	220,678
Payroll and social securities taxes payable	21	614,116	639,164
Employee benefits payable	17	84,149	87,043
Trade accounts payable	18	1,181,359	540,283
Total Current liabilities		2,836,930	3,315,122
Total Liabilities		8,313,365	7,726,118
Total Equity and liabilities		19,869,465	17,717,072

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

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

Consolidated Statements of Changes in Equity for the fiscal years ended December 31, 2018 and 2017

(Expressed in thousands of Argentine Pesos)

	Attributable to owners of the parent										
	Common Stock	Inflation adjustment on common stock	Share premium	Legal reserve	Voluntary reserve	Reserve for future dividends	Other comprehensive income	Retained earnings	Subtotal	Non-controlling interests	Total equity
Balance as of December 31, 2016	**444,674**	**8,494,492**	**312,008**	**78,564**	**0**	**0**	**(135,374)**	**(3,386,283)**	**5,808,081**	**224,472**	**6,032,553**
Absorption of losses ad-referendum Meeting of Shareholders	**0**	**(2,763,521)**	**(312,008)**	**(78,564)**	**0**	**0**	**0**	**3,154,093**	**0**	**0**	**0**
Modified balance	**444,674**	**5,730,971**	**0**	**0**	**0**	**0**	**(135,374)**	**(232,190)**	**5,808,081**	**224,472**	**6,032,553**
Income for the year	0	0	0	0	0	0	0	3,848,118	3,848,118	144,011	3,992,129
Other comprehensive income for the year	0	0	0	0	0	0	(32,933)	0	(32,933)	(795)	(33,728)
Balance as of December 31, 2017	**444,674**	**5,730,971**	**0**	**0**	**0**	**0**	**(168,307)**	**3,615,928**	**9,623,266**	**367,688**	**9,990,954**
Ordinary General Meeting of Shareholders held on April 12, 2018:											
- Legal reserve	0	0	0	151,368	0	0	0	(151,368)	0	0	0
- Voluntary reserve	0	0	0	0	94,052	0	0	(94,052)	0	0	0
- Reserve for future dividends	0	0	0	0	0	2,781,907	0	(2,781,907)	0	0	0
Board of Directors held on April 12, 2018:											
Distribution of dividends	0	0	0	0	0	(1,489,413)	0	0	(1,489,413)	0	(1,489,413)
Income for the year	0	0	0	0	0	0	0	3,054,935	3,054,935	121,704	3,176,639
Other comprehensive income for the year	0	0	0	0	0	0	(118,660)	0	(118,660)	(3,420)	(122,080)
Balance as of December 31, 2018	**444,674**	**5,730,971**	**0**	**151,368**	**94,052**	**1,292,494**	**(286,967)**	**3,643,536**	**11,070,128**	**485,972**	**11,556,100**

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

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

Consolidated Statements of Cash Flows for the fiscal years ended December 31, 2018 and 2017

(Expressed in thousands of Argentine Pesos)

	Note	Fiscal year ended December 31, 2018	December 31, 2017
Cash flows from operating activities:			
Income for the year		3,054,559	3,958,401
Adjustments:			
Depreciation of property, plant and equipment	11	678,141	681,726
Instrumental Agreement		0	(787,123)
Allowances for bad debt	13	119,395	13,062
Other comprehensive results		122,080	33,728
Provisions		15,493	4,337
Employee benefits plan	17	102,920	143,946
Income tax expense accrued during the year	10	1,799,549	1,204,023
Interest and foreign exchange results generated by loans	16	1,342,699	108,450
Investments at fair value	9	(961,495)	(421,335)
Investments at amortized cost	9	(1,393,855)	(198,747)
RECPPC investments		1,720,495	419,916
Financial results from cash ans cash equivalents, net		(217,993)	8,183
Interest on taxes payable		0	(6,982)
Retirements of property, plant and equipment	11	68,395	17,942
Changes in certain assets and liabilities, net of non-cash:			
(Increase) Decrease in trade receivables		216,078	(1,894,855)
(Increase) Decrease in other receivables		(322,319)	(125,997)
Increase (Decrease) in trade accounts payable		639,967	173,644
Increase (Decrease) in payroll and social securities taxes payable		(25,048)	85,146
Increase (Decrease) in taxes payable		(1,415,816)	(301,867)
Increase (Decrease) in provisions		(38,037)	(27,112)
Increase (Decrease) of employee benefits payable	17	(263,290)	(165,433)
Income tax payment		(1,385,899)	0
Net cash generated by operating activities		3,856,019	2,923,053

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

Consolidated Statements of Cash Flows for the fiscal years ended December 31, 2018 and 2017 (continued)

(Expressed in thousands of Argentine Pesos)

	Note	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2017
Cash flows from investing activities:			
Acquisition of property, plant and equipment	11	(2,662,581)	(1,036,775)
Acquisition of inventories		(37,216)	(137,145)
Decrease / (Increase) in investments at fair value		516,684	(1,036,611)
Increase in financial assets at amortized cost		2,650,960	(2,160,870)
Cash generated by (used in) investing activities		467,847	(4,371,401)
Cash flows from financing activities:			
Funds from CAMMESA Financing		0	1,636,036
Payment of dividends		(1,489,413)	0
Payments and repurchase of bonds and other indebtedness - Interest	16	(307,371)	(264,917)
Net cash (used in) generated by financing activities		(1,796,784)	1,371,119
Increase / (Decrease) in cash and cash equivalents		2,527,082	(77,229)
Financial results from cash ans cash equivalents, net		217,993	(8,183)
Cash and cash equivalents at the beginning of the year		37,189	122,601
Cash and cash equivalents at year end	14	2,782,264	37,189
Significant non-cash transactions			
Decrease in accounts receivable		0	1,636,036
Decrease in other liabilities - CAMMESA Financing		0	(1,636,036)
		0	0

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

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

Notes to the Consolidated Financial Statements

(In Argentine Pesos, except as otherwise indicated)

1. 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 Nos. 23696 and 24065 and the Decree No. 2743/92 which stated the privatization of the high-voltage electricity transmission system in Argentina, which up to that date was 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. (hereinafter "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. (hereinafter "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 share 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. 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.

2. Tariff Review

During the year 2018, as established in the FTR, the ENRE applied the tariff adjustment mechanism every six months, according to the corresponding formula, which depends on Wholesale Price, Consumer Price and Salaries indexes, as long as the compliance with the “Trigger Clause”.

With respect to Transener, on February 19th, 2018, the ENRE issued Res. No. 37/18, which was rectified by Res. ENRE No. 99/18 of April 5th, 2018. This last resolution adjusted Transener revenues in 24.15% for the period December 2016 - December 2017, to be applied to the remuneration schedule as of February 2018.

With respect to Transba, on February 19th, 2018, the ENRE issued Res. No. 38/18, which was rectified by Res. ENRE No. 100/18 of April 5th, 2018. This last resolution adjusted Transba revenues in 23.39% for the period December 2016 - December 2017, to be applied to the remuneration schedule as of February 2018.

Subsequently, on November 16th, 2018, the ENRE issued Resolutions No. 280/18 and 281/18, with the adjustment of the remuneration of Transener and Transba in 42,55% and 43,25%, respectively for the period December 2016 - June 2018, to be applied to the remuneration schedule as of August 2018. This adjustment was settled by CAMMESA in December 2018 with retroactivity as of August 1st, 2018. Since CAMMESA did not recognize the interest for months of August 2018 and September 2018, the Company presented a claim to the ENRE and CAMMESA in order to receive the corresponding interest.

On the other hand, on July 3rd, 2018, the ENRE informed that it has begun the procedure to determine the remuneration of the Independent Transmitters under the operation and maintenance period: TIBA (Transba), Fourth Line (Transener), YACYLEC and LITSA. Regarding this, on October 8th, 2018, the costs, investments and tariff pretension corresponding to Fourth Line and TIBA were presented to the ENRE.

3. Purpose of financial statements

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

4. Significant accounting policies

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

4.1 Basis of preparation

These financial statements have been prepared in accordance with the IFRS issued by the IASB and Interpretations of the IFRIC. All IFRS effective at the date of preparation of these financial statements were applied.

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 consolidated financial statements are presented in thousands of pesos. The same have been prepared under the convention of the restatement in constant currency, of purchasing power of the closing date of the year, modified by the measurement of certain financial assets at fair value with changes in results.

The preparation of these financial statements in accordance with the financial reporting framework above mentioned, requires that estimates and assessments that affect the amount of assets and liabilities reported and contingent assets and liabilities at the date of issuance of these financial statements be made, as well as income and expenses recorded. The areas that involve a higher degree of judgment or complexity or the areas in which the assumptions and estimates are significant for the financial statements are described in this note.

These consolidated financial statements (hereinafter referred to as "financial statements"), have been approved for issuance by the Board of Directors on March 6, 2019.

Comparative information

The comparative information as of December 31, 2017 has been restated in terms of the current unit of measurement as of December 31, 2018, in accordance with IAS No. 29 "Financial information in hyperinflationary economies".

Certain reclassifications have been made on the figures corresponding to the financial statements presented in comparative form in order to maintain consistency in the exposure with the figures for the current year.

Measurement Unit

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, be 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. Said requirements also apply to comparative information included in financial statements.

In order to conclude on whether an economy is categorized as high inflation in the terms of IAS 29, the standard details a series of factors to be considered among which is a cumulative rate of inflation in three years that approximates or exceeds The 100%. It is for this reason that, in accordance with IAS 29, the Argentine economy must be considered as high inflation starting on July 1, 2018.

In turn, Law No. 27,468 (published in Official Gazette on December 4, 2018) amended Article 10 of Law No. 23.928 and its amendments, by repealing all statutory or regulatory pieces of legislation that established or authorized price adjustment based on price increases, currency restatement, cost variation or other forms of boosting debts, taxes, prices or rates for goods, works or services This does not apply to financial statements in respect of which the provisions of article 62 in fine of the General Company Law No 19,550 (as restated in 1984) as amended will continue to apply. Likewise, the aforementioned legal body provided for the repeal of Decree No. 1269/2002 of July 16, 2002, as amended, and delegated to the National Executive Branch (PEN), through its controlling agencies, the establishment of the date from which the aforementioned provisions will take effect in relation to the financial statements presented to them. Therefore, CNV instructed, through General Resolution 777/2018 (published in Official Gazette on December 28, 2018), that issuing entities subject to its supervision shall restate their annual, interim or special financial statements closed after December 31, 2018 in constant currency as per IAS 29.

Pursuant to IAS 29, any entity reporting its financial statements in the currency of a hyperinflationary economy shall report them in the measuring unit current as of the date of those financial statements. All such amounts in the balance sheet as are not reported in terms of the measuring unit as of the date of the financial statements shall be adjusted by applying a general price index. All items in the statement of income shall be reported in terms of the measuring unit adjusted as of the date of the financial statements, by applying the general Price index variation experienced since the date when income and expenses were originally recognized in the financial statements.

The inflation adjustment to initial balances was determined considering the indexes established by FACPCE based on price indexes published by INDEC.

Considering this index, inflation was 47.64% and 24.79% for the years ended December 31, 2018 and 2017, respectively.

The main procedures for the inflation adjustment above mentioned are as follows:

- Monetary assets and liabilities reported at the balance sheet closing currency are not restated as they are already stated in terms of the measuring unit current at the date of the financial statements.
- Non-monetary assets and liabilities reported at cost at the balance sheet, and equity items, are restated by applying relevant adjustment rates.
- All statement of income items are adjusted by applying relevant conversion factors.
- The effect of inflation on the Company’s net monetary position is shown in the statement of income, under “Net financial income”, under "Result from exposure to change in purchasing power of currency" (RECPPC).
- Comparative figures are adjusted for inflation following the same procedure described in the preceding items.
-The RECPPC is presented in a separate line and reflects the effect of inflation on monetary items that was not computed in the determination of financial results in real terms.
- Income and expenses are restated from the date of its accounting recording, except for those items of the result that reflect or include in their determination the consumption of assets measured in currency of purchasing power of a date prior to the recording of consumption, which are restated based on the date of origin of the asset to which the item is related (depreciation and other consumptions of assets valued at historical cost); and except also those results that arise from comparing two measurements expressed in currency of purchasing power of different dates, for which it is necessary to identify the compared amounts, restate them separately, and carry out the comparison again, but with the amounts already restated.

In initially applying the inflation adjustment, equity items have been restated as follows:

- Common stock was restated from the date of the last accounting inflation adjustment. The resulting amount was incorporated in the "Comprehensive adjustment of capital" account.

- Other comprehensive income was restated from each accounting allocation date.
- Other income reserves were not restated in the initial application.
- The legal reserve was restated from the beginning date of the comparative period meaning that the book value is maintained at that date.
- The share premium was restated from the date of subscription.

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 betweenthe controlling company and the subsidiary, so that the financial statements present balances maintained with third parties.
2. Elimination of transactions/operations between the controlling company and the subsidiary, 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 the subsidiary.
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, 2018 and 2017 is as follows:

	December 31, 2018	December 31, 2017
Total assets	6,402,554	5,339,863
Total liabilities	1,542,833	1,662,978
Total equity	4,859,721	3,676,885
Total comprehensive income for the year	1,182,836	1,432,165

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.

(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

Property, plant and equipment are valued following the cost model. They are recorded at restated cost of acquisition in terms of the unit of measure current at the end of the reporting period, less accumulated depreciation and any accumulated impairment losses.

Subsequent costs are included in the carrying amount of the asset or recognized as a separate asset, as appropriate, only when it is probable that the associated future economic benefits and cost can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when it is replaced. All other repairs and maintenance are recorded in profit or loss when incurred.

Work in progress is valued on the basis of the degree of completion. Work in progress is recorded at restated cost in terms in terms of the current unit of measure the end of the reporting period, less any impairment losses, if any.

The residual value and remaining useful lives of the assets are reviewed and adjusted if appropriate at each year-end. When the carrying amount of an asset exceeds its estimated recoverable amount, the carrying amount is immediately reduced to its recoverable amount.

Gains and losses on sales of property, plant and equipment are calculated by comparing the selling price with the carrying amount of the good, restated in terms of the measuring unit current at the end of the reporting period.

3.5.1 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
- Electric equipment and 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.

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".

4.6 Inventories

Inventories are valued at the lower of restated cost of acquisition in terms of the unit of measure current at year-end or net realizable value. Cost is determined by the weighted average price method.

Since the Company's inventories are not intended for sale, their valuation is considered based on the purchase price, import duties (if applicable) and other taxes (not subsequently recoverable by tax authorities), transportation, warehousing and other costs directly attributable to the acquisition of those assets.

The evaluation of recoverable value is made at the end of the year, recording with charge to results the opportune correction of value when they are overvalued. As of December 31, 2018, the valuation of inventories as a whole does not exceed their recoverable value at the end of each year.

4.7 Depreciation of long-term non-financial assets

The Company analyses the recoverability of its long-term assets periodically, or when there are events or changes in circumstances that imply a potential devaluation of the value of the assets with respect to their recoverable value, measured as the value in use at year-end. This value in use is determined on the basis of projected and discounted cash flows using discount rates that reflect the time value of money and the specific risks of the assets considered. The cash flow is prepared based on estimates of the future performance of certain variables that are sensitive in determining recoverable amount: (i) nature, timing and modality of tariff increases; (ii) demand projections; (iii) evolution of costs to be incurred, and (iv) macroeconomic variables such as growth rates, inflation rates, exchange rate, among others.

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

The Company considers impairment to exist when the carrying amount of an asset exceeds its recoverable amount. In this case, the Company recognises a loss for the excess. When the conditions that gave rise to the recognition of a devaluation loss disappear, the carrying amount of the asset (or cash-generating unit) is increased to its new estimated recoverable amount, without exceeding the carrying amount that would have resulted if the aforementioned devaluation loss had not been recorded. The reversal of a impairment loss is recognised in the income statement.

As of December 31, 2018, no indication of impairment of the value of the assets with respect to their recoverable value has been identified.

4.8 Financial assets

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

(a) Financial assets at amortized cost

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

(b) Financial assets to fair value

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

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.

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 at amortized cost

Financial assets at amortised cost include Letras del Tesoro (Letes) and Letras del Banco Central (Lebacs), not considered cash equivalents.

The investments in Mutual guarantee companies are valued at cost of acquisition plus interest accrued as of the end of the year, not considered cash equivalents.

- Accounts receivable trade and other receivables

Trade and other receivables are initially recognized at fair value and subsequently valued at amortized cost using the effective rate method, net of the allowance for uncollectibility. The allowance for uncollectibility is established using the simplified expected loss method. For this purpose, it groups customers according to the shared credit risk characteristics, the existence of guarantees, the history of arrears and the existence of legal proceedings to obtain collection.

If trade accounts receivable and other receivables are expected to be receivable in one year or less, they are classified as current assets, otherwise they are presented as non-current assets.

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

4.9 Impairment of financial assets at amortised cost

To calculate the impairment of accounts receivable and other receivables, the Company uses the simplified expected loss method. For this purpose, it groups customers according to the shared credit risk characteristics, the existence of guarantees, the history of arrears and the existence of legal proceedings to obtain collection. Once each group was defined, an expected uncollectibility rate was assigned, calculated on the basis of historical default rates adjusted to future economic conditions.

(In Argentine Pesos, except as otherwise indicated)

If a write-down is recognised, the carrying amount of the asset is reduced through a provision account and the amount of the loss is recognised in the income statement when it occurs. If in subsequent periods the amount of the impairment loss decreases, the reversal is also recorded in the Statement of Comprehensive Income.

The following table shows the ratios used by the Company according to the maturity of the loans:

Maturity	Uncollectibility ratio
From 0 to 60 days	0,50%
From 61 a 90 days	1%
From 91 to 120 days	3%
From 121 to 180 days	5%
From 181 to 360 days	50%
Over 360 days	100%

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4.10 Loans

Loans are initially recognized at fair value less direct transaction costs incurred. Subsequently, they are measured at amortized cost. Any difference between the funds obtained (net of direct transaction costs) and the amount due at expiration is recognized in income over the term of the loans using the effective interest method.

Loans are derecognised when the obligation specified in the contract is forgiven, cancelled or expires. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including assets other than cash transferred or liabilities assumed, is recognised in profit or loss as other finance income or costs.

4.11 Equity

The accounting for movements in equity has been carried out in accordance with the respective decisions of assemblies, legal or regulatory standards.

a. Common stock
The common stock represents the issued capital, which is formed by the committed contributions and/or made by the shareholders, represented by shares, including the shares in circulation at their nominal value. These ordinary shares are classified within equity. Their restatement in terms of the unit of measure current at the end of the reporting year has been made since the date of their subscription.

b. Share premium
The share premium represents the difference in the price charged over the par value of the shares issued by the Company, net of accumulated absorbed losses. It has been restated in terms of the unit of measure current at the end of the reporting year from the date of subscription.

c. Legal reserve
In accordance with the provisions of Law No. 19,550 on Commercial Companies, not less than 5% of the net income arising from the statement of comprehensive income for the year, adjustments to prior years, transfers from Other comprehensive income to unallocated income and accumulated losses from prior years must be allocated to the legal reserve until the same reaches 20% of common stock and the corresponding comprehensive adjustment of common stock. When for any circumstance the amount of this reserve is reduced, no dividends may be distributed until such amount is paid in. It is exposed to its nominal value in the opening balance sheet of the first application of IAS 29 and is subsequently restated in terms of the unit of measurement current at the end of the reporting period. The constitution of reserves subsequent to the opening balance sheet of the first application of IAS 29, are restated from the closing date of the previous fiscal year to which they refer.
d. Optional Reserve

Corresponds to the allocation made by the Shareholders' Meeting in which a specific amount is allocated to cover the needs of funds required by the projects and situations that may occur in relation to the Company's policy. It is exposed to its nominal value in the opening balance sheet of the first application of IAS 29 and is subsequently restated in terms of the unit of measurement current at the end of the reporting period. The reserves created after the opening balance sheet of the first application of IAS 29 are restated from the closing date of the previous year to which they relate.

e. Other reserves
It is exposed to its nominal value in the opening balance sheet of the first application of IAS 29 and the reserves created after the opening balance sheet of the first application of IAS 29 are restated from the closing date of the previous financial year to which they relate.

f. Unallocated profit or loss
The unallocated results comprise the accumulated profits or losses without specific allocation, which being positive can be distributed through the decision of the Shareholders' Meeting, as long as they are not subject to legal and/or contractual restrictions. These results include the result of previous years that were not distributed and the amounts transferred from Other comprehensive income and the adjustments from previous years due to the application of IFRS. Their value arises from the difference in initial equity in the first application of IAS 29, from the restatement of assets, liabilities and the rest of the components of equity. These values are subsequently restated in terms of the unit of measure current at the end of the reporting period.

General Resolution No. 593/2011 of the CNV established that Shareholders' Meetings that consider financial statements whose income statement is positive must adopt an express resolution regarding their use, either as distribution in the form of dividends, capitalization, constitution of reserves or an eventual combination of such devices. The Company's Shareholders' Meetings complied with the foregoing.

g. Other comprehensive income
Included are the results generated by the actuarial gains and losses corresponding to the defined benefit plans and their corresponding tax effects, restated in terms of the unit of measurement current at the end of the reporting period.

h. Absorption of accumulated losses

CNV Resolution No. 777/18 establishes that when at the transition date (beginning of the fiscal year prior to the first fiscal year of application of IAS 29 or FACPCE Technical Resolution No. 6, as the case may be), and as a consequence of the adjustment for inflation, unassigned negative results arise, the absorption thereof may be chosen following the order of absorption of accumulated losses established by CNV standards (N.T. and mod.).
This option may be exercised only in the first financial statements adjusted for inflation, and may affect the opening balances of items corresponding to the date of transition as set out in the Statement of Exchange of Assets, a row with adjusted balances as resulting from the application of the inflation adjustment, then a row showing absorption of unallocated results, and another row with modified balances at the beginning; all this ad referendum of the next ordinary annual shareholders assembly. This option was exercised by the Company under the terms of the aforementioned Resolution.

4.12 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.

The amount recognised as a liability in the statement of financial position in respect of defined benefit plans represents, at year-end, the sum of the present value of the obligation and the current value of the plan assets, with which the obligations will be settled directly. The present value of the defined benefit plan obligation is determined by discounting estimated future cash outflows using actuarial assumptions about the demographic and financial variables that influence the determination of the amount of such benefits.

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, 2018 and 2017 respectively, based on an actuarial study conducted by an independent professional. The carried out actuarial method used by the Company is the projected unit credit method.

The before mentioned concepts are exposed under Employee Benefits.

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. Liabilities for labor costs accrue in the period of time in which the employees have rendered the service that gives rise to such consideration.

The cost of defined benefit plans is recognized periodically, in accordance with the contributions made by the Company.

4.13 Income tax and Minimum Notional Income tax

(a) Current and deferred income tax

The income tax charge for the year comprises current and deferred taxes. Income tax is recognised in profit or loss, except to the extent that it relates to items recognised in Other comprehensive income or directly in equity. In this case, the income tax is also recognised in Other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated based on tax laws enacted or nearing enactment on the closing date. The Company's management periodically evaluates the positions taken in the tax returns with respect to situations in which the applicable tax regulation is subject to interpretation, and, if necessary, establishes provisions according to the amount it estimates will have 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.

For its part, in accordance with the established Article 76 of Law No. 27,260, the IGMP has been repealed for fiscal years beginning on January 1, 2019.

4.14 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.

Provisions for contingent losses reflect a reasonable estimate of the losses that will be incurred, based on information available to management at the date of preparation of the financial statements, and considering litigation and resolution/settlement strategies. These estimates are mainly prepared with the assistance of legal advisors. However, if management's estimates prove to be incorrect, the current provisions may be inadequate and may incur a charge to earnings that could have a material effect on the consolidated statements of financial position, comprehensive income, changes in shareholders' equity and cash flows.

4.15 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.

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.

4.16 Revenue recognition

Revenue from customer contracts includes the current value of the consideration received or to be received for the sale of goods and services to customers net of value added tax, withholdings and discounts. Revenue from sales is recognized when control of the goods and services is transferred to the customer at the fair value of the consideration received or receivable. These revenues are recognized at a specific time and are mainly derived from direct sales to customers.

IFRS 15 incorporates a five-step model for the recognition and measurement of income:
i) identify the contract with the customer; ii) identify contract performance obligations; iii) determine the transaction price; iv) allocate the transaction price among the contract performance obligations; and v) recognize revenue when the entity satisfies the performance obligations.

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 Prizes

The Concession Contract establishes a system of penalties that Transener S.A. and Transba S.A. may incur if certain parts of the Networks are not available for the transport of electricity. The lack of availability is divided into two types: scheduled and forced. Scheduled service departures, which are generally for the purpose of performing planned maintenance, incur a reduced penalty of 10% of the penalties applicable to forced service departures described below.

The penalties applicable to forced departures are proportional to the regulated revenues corresponding to the unavailable equipment in question, taking into account the following factors: (ii) economic impact on the system as a consequence of unavailability (case of lines and transformers) and (iii) sanction coefficient corresponding to the type of equipment.

The penalties that Transener S.A. and Transba S.A. may be required to pay in any calendar month may not exceed 50% of their monthly Regulated Income (determined by dividing the annual Regulated Income by twelve) and, in relation to any twelve-month period, 10% of such annual Regulated Income. It is the Company's accounting policy to record a provision for penalties on the basis of information relating to the duration of an exit from service and the best estimate of the penalty to be imposed. This provision is shown under "Other operating income/expenses".

The penalties of Transener S.A. and Transba S.A. accrue interest from the 39th day following the last day of the month in which the event that resulted in the determination of penalties occurred, until the date on which CAMMESA withholds the amount of the penalty from the Regulated Income payments it makes to the Company. This interest is calculated at a variable daily rate published by Banco de la Nación Argentina, determined in accordance with the regulations issued by the Secretariat of Energy, which is the same rate applied to all debts of MEM Agents. The interest that accrues the penalties is shown under "Financial Expenses".

CAMMESA is responsible for supervising the availability of the Networks, recording all incidents of unavailability and deducting penalties from the Company's revenues.

The Penalty System also establishes a system for increasing the penalties to be applied to Transener S.A. and/or Transba S.A. if they do not exceed a minimum level of service quality established on a monthly basis.

In addition, the Company has an Awards Scheme as an incentive to improve the quality of the service provided. It establishes the payment of a prize (with a maximum established) when the Company exceeds the minimum level of quality of service calculated on a monthly basis.

It is Transener S.A.'s accounting policy to record a provision for prizes on the basis of the information referring to the level of service quality recorded in the period. This provision is shown under "Other operating income/expenses".

(iv) Interest

Interest income is recognized on a time-elapsed basis using the effective rate method. When the value of an account receivable becomes impaired, the Company reduces its carrying amount to its recoverable amount, which is the estimated future cash flow discounted at the instrument's original effective interest rate and continues to reverse the discount as interest income. Interest income from loans granted or provisioned placements is recognized using the instrument's original effective rate.

4.17 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 which have not been adopted early by the Company

- IFRS 2 “Share-based payments”: it was amended in June 2016, to clarify the measurement basis for cash-settled share-based payments and the accounting for modifications 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. As of the date of issuance of these financial statements, its application has not had an impact, for which reason the Company will apply this amendment, if applicable, in future transactions.

- 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.

IFRS 15 "Revenue from customer contracts".
The new revenue model is applicable to all customer contracts, except those within the scope of other IFRSs, such as leases, insurance contracts and financial instruments. The recognition of interest and dividend income is outside the scope of this standard.

In accordance with IFRS 15, among other issues, a mechanism is established for allocating the transaction price among the different performance obligations. The Company must recognise its revenues once the performance obligations are met, i.e. once "control" over the goods or services is transferred to the customer.

Following its analysis, the Company's management has concluded that the revenue recognition practices applied by the Company in accordance with the regulations in force at December 31, 2017, are consistent with the requirements of IFRS 15. As a result of the analysis performed, the Company did not record any adjustment to the accumulated results at January 1, 2018.

- 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.

Below we describe the impact of initial application of IFRS 15 and IFRS 9, as these standards had impact on accounting policies as from January 1, 2018.

The application of the other amendments and interpretations did not have an impact on the results of operations or the financial position of the Company.

Impact of the adoption on accounting policies:

- *IFRS 15:* The Company applied IFRS 15 retrospectively, in relation to contracts not completed at the initial application date.

  The Management analyzed the effects of the application of IFRS 15 regarding the agreements in effect at January 1, 2018, and did not detect differences in connection with the identification of performance obligations or the pricing methodology for those obligations, that could affect the recognition or the opportunity to recognize revenue of the Company. As a result, the Company did not recognize any adjustments in the balance of the breakdown of accumulated profits at the beginning of the period. Finally, no contract assets or liabilities that must be presented separately pursuant to IFRS 15 have been identified.

- *IFRS 9:* The Company applied the revised IFRS 9 retrospectively as from January 1, 2018, with the practical resources allowed by the standard, without restatement of the comparative periods.

  The Company has reviewed the financial assets currently measured and classified at fair value through profit or loss or at amortized cost, and it has concluded that the conditions to maintain this classification are fulfilled; therefore, initial adoption of IFRS 9 has not affected the classification and measurement of financial assets.

  Further, in connection with the new hedge accounting model, the Company has not opted for designating any hedging relationship at the date of initial adoption of the revised IFRS 9; therefore, this adoption did not have an impact on the Company's financial position or the results of its operations.

  Lastly, in relation to the change in methodology for the calculation of impairment based on expected credit losses, the Company applies the simplified approach of IFRS 9 for trade receivables. To measure expected credit losses, trade receivables are grouped on the basis of shared credit risk characteristics and the days past after due date.

  Trade receivables are derecognized when there is no reasonable expectation of their recovery. The Company understands that these are indicators of defaulted payment: i) reorganization proceedings, bankruptcy or litigation; ii) a situation of insolvency implying a high degree of impossibility of collection, and iii) unpaid balances for a period over 360 days.

  Although cash and cash equivalents are also subject to IFRS 9 requirements about impairment, identified impairment losses are immaterial. As for financial assets at amortized cost, the application of the expected credit risk model did not have an impact on the Company's financial position or the results of its operations.

  The Company applies the simplified approach of IFRS 9 for trade receivables, regardless of the objective evidence of impairment indications.

The recording of impairment losses of trade receivables is based on the best estimation if the Company regarding the risk of non-compliance and the calculation of the ratios of expected loss, according to historical information of the behavior of the customers of the Company, conditions of the current market and forward-looking estimations at the end of each reporting period.

b) New standards, amendments and interpretations issued by the IASB that are not effective and not adopted early by the Company

- IFRS 16 "Leases": it was issued in January 2016 and supersedes the current guidelines of the IAS 17. It defines a lease as a contract, or part of a contract, that conveys the right to control the use of an asset (underlying assets) for a period of time in exchange for consideration. Under this standard, the lessee must recognize a liability for lease arrangements to show the present value of future lease payments and a right-of-use asset. This is a significant change compared with IAS 17, which required that lessee make a distinction between a financial lease (disclosed in the statement of financial position) and an operating lease (without impact on the statement of financial position). IFRS 16 contains an optional exception for lessees, in the case of short-term leases and leases of low-value underlying assets. IFRS 16 is effective for the annual periods starting as from January 1, 2019. The Company is analyzing the impact of its application, however it estimates that it will not have an impact on the results of the operations or the financial position.

- 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. The Company is analyzing the impact of its application; however, it estimates that it will not have an impact on the results of the operations or the 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 its application on the results of the operations and the financial position.

- IFRS 9 "Financial Instruments": application guidance amended in October 2017 in relation to the classification of financial assets in the event of contractual terms that change the timing or amount of contractual cash flows to determine whether the flows that might arise because of that condition are only principal and interest payments. It is applicable to annual periods beginning on or after 1 January 2019, allowing early adoption. The Company estimates that its application will not have an impact on the results of operations or on the Company's financial position.

- IAS 28 "Investments in Associates and Joint Ventures": modified in October 2017. It clarifies that IFRS 9 is applied to other financial instruments in an associate or joint venture to which the equity method is not applied. It is applicable to annual periods beginning on or after 1 January 2019, allowing early adoption. The Company estimates that its application will not have an impact on the results of operations or on the Company's financial position.

- Annual improvements to IFRS - Cycle 2015-2017: the amendments were issued in December 2017 and are applicable for annual periods beginning on or after 1 January 2019. The Company considers that the application of these amendments will not have an impact on the results of operations or on the Company's financial position.

- IAS 19 “Employee benefits”: it was amended in February 2018. It specifies changes in the way of measuring costs of past services and net interest, when changes (amendments, curtailment or settlement) to defined post-employment benefits plans occur. It is applicable for amendments, curtailments or settlements as from January 1, 2019. The Company is analyzing the impact of its application on the results of operations and the financial position.

- Conceptual Framework: the IASB published a revised Conceptual Framework, replacing the previous version of the Framework. However, this Framework does not comprise a standard in itself, nor does it supersede any existing standard. The concepts included in the revised Conceptual Framework will be immediately applied for future standards issued by the IASB and the IFRIC. Preparers of financial statements under IFRS will consider the revised Conceptual Framework for the development of accounting policies on matters not specifically addressed by the IFRS for the annual periods beginning on or after January 1, 2020. The Company is analyzing the impact of its application on the results of operations and the financial position.

- IFRS 3 "Business Combinations": amended in October 2018. It clarifies the definition of business and establishes guidelines for determining whether a transaction should be accounted for as a business combination or as an acquisition of assets. Applies to acquisition transactions on or after 1 January 2020 and allows for early adoption.

- IAS 1 "Presentation of financial statements" and IAS 8 "Accounting policies, changes in accounting estimates and errors": amended in October 2018. They clarify the definition of materiality and incorporate the concept of "information shadowing" when there is an effect similar to omitting or reporting inaccurate information.
It applies prospectively to annual periods starting on 1 January 2020 and allows for early adoption.

4.18 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 4.7, 4.9 and 4.12.

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, 2018, 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 $ 63.0 million higher / lower, mainly as a result of gains / losses exchange of cash and cash equivalents and financial debts denominated in US dollars.

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 $ 16.6 million higher / lower, mainly as a result of gains / losses exchange of cash and cash equivalents and financial debts denominated in US dollars.

As of December 31, 2018, the Company valued its financial debt in US dollars at the exchange rate prevailing at that date (See Note 27).

(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, 2018 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, 2018, the accounts receivable debts amounted to approximately $ 98 million (2017: $ 116 million). As of December 31, 2018, the financial statements included an estimate of $ 119.4 million (2017: $4.7 million).

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

In relation to the accounts receivable, the Company's credit portfolio is distributed mainly between the balances held with CAMMESA and other clients. The concentration of appropriations focuses mainly on the balances held with CAMMESA, representing 89% of the total portfolio of accounts receivable of the Company to December 31, 2018 (2017: 87%).

(c) Liquidity risk

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

(In Argentine Pesos, except as otherwise indicated)

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, 2018 the Company remained cash and cash equivalents by $ 4,725 million that is expected to generate immediate cash inflows for the liquidity risk management (2017: $ 4,483 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, 2018	Matured	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Over 2 years
Debt and other indebtedness (*)	0	181,095	181,095	362,190	4,076,960
Accounts payable	0	1,103,927	0	0	0

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	132,296	132,296	264,592	3,242,948
Accounts payable	0	523,075	0	0	0

(*) Contractual flow

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, 2018 and 2017 and the date of transition to IFRS are as follows:

	December 31, 2018	December 31, 2017
Total Debt and other indebtedness	3,775,247	2,739,919
Less: Cash and cash equivalents and current investments	(4,725,188)	(4,483,366)
Net cash	(949,941)	(1,743,447)
Total Equity	11,556,100	9,990,954
Total capital	10,606,159	8,247,507
Leverage ratio	n/a	n/a

(In Argentine Pesos, except as otherwise indicated)

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

	December 31, 2018	December 31, 2017
Financial assets		
Investments at amortized cost - Letes	244,572	2,109,384
Investments at amortized cost - Lebacs	0	154,267
Investments at amortized cost - Sociedad de Garantía Recíproca	20,000	29,536
Investments at fair value - Mutual Funds	1,485,659	2,021,996
Investments at fair value - Bonar	192,693	160,530
Trade accounts receivables at amortized cost	1,675,512	2,010,985
Other receivables at amortized cost	16,905	30,215
Cash and cash equivalents at amortized cost	2,782,264	37,189
Total	6,417,605	6,554,102
Financial Liabilities		
Debt and other indebtedness	3,775,247	2,739,919
Trade accounts payable	1,103,927	523,075
Total	4,879,174	3,262,994

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, 2018**			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss				
Investments at fair value	1,678,352	0	0	1,678,352
Total Assets	1,678,352	0	0	1,678,352

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	2,182,526	0	0	2,182,526
Total Assets	2,182,526	0	0	2,182,526

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

(In Argentine Pesos, except as otherwise indicated)

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.

Segment information, used for decision making, has been prepared in historical currency, while these financial statements have been prepared in accordance with IAS29.

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, 2018 and 2017 is as follows:

	Regulated activity	Non-regulated activity	Adjustment according to IAS 29	Total
	$	$	$	$
Fiscal year ended December 31, 2018				
Net revenues	7,120,970	940,788	1,776,736	9,838,494
Operating results	4,291,308	521,972	587,788	5,401,068
Total assets	11,654,531	308,178	7,906,756	19,869,465
Total liabilities	6,104,121	830,555	1,378,689	8,313,365
Acquisition of property, plant and equipment	2,183,256	0	479,325	2,662,581
Property, plant and equipment depreciation	142,581	0	535,560	678,141
Fiscal year ended December 31, 2017				
Net revenues	5,616,783	408,202	3,721,160	9,746,145
Operating results	3,151,213	214,701	1,557,577	4,923,491
Total assets	7,196,572	137,989	10,382,511	17,717,072
Total liabilities	3,922,100	408,164	3,395,854	7,726,118
Acquisition of property, plant and equipment	617,875	0	418,900	1,036,775
Property, plant and equipment depreciation	113,092	0	568,634	681,726

No sales between operating segments identified by the Company are perfected. Sales revenues reported to Company Management 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

(In Argentine Pesos, except as otherwise indicated)

	Fiscal year ended	
	December 31, 2018	**December 31, 2017**
Net Regulated Revenue	8,689,827	9,085,331
Net Non-Regulated Revenue	1,148,667	660,814
Net Revenues	9,838,494	9,746,145

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

Notes to the Consolidated Financial Statements

(In Argentine Pesos, except as otherwise indicated)

8. Expenses by Nature

Items	Fiscal year ended December 31, 2018			Fiscal year ended December 31, 2017		
	Total	Operating Expenses	Administrative Expenses	Total	Operating Expenses	Administrative Expenses
Salaries and social security charges	2,412,717	2,166,911	245,806	2,675,552	2,367,757	307,795
Other personnel costs	35,212	27,501	7,711	44,495	36,516	7,979
Fees for operating services	40,654	40,654	0	94,458	94,458	0
Professional fees	92,096	55,865	36,231	89,408	52,791	36,617
Equipment maintenance	73,931	73,931	0	108,549	108,549	0
Fuel and lubricants	50,612	50,158	454	45,370	44,826	544
General Maintenance	175,427	173,878	1,549	143,879	142,619	1,260
Electricity	17,029	15,888	1,141	14,281	13,311	970
Depreciation of property, plant and equipment	678,141	610,327	67,814	681,726	613,553	68,173
Administration expenses related to WEM	6,141	6,141	0	7,205	7,205	0
Regulatory fees	17,612	17,612	0	1,417	1,417	0
ATEERA membership fees	1,934	0	1,934	2,754	0	2,754
Communications	23,897	23,272	625	20,009	19,254	755
Transportation	35,048	35,020	28	28,959	28,952	7
Insurance	121,610	117,321	4,289	112,659	107,024	5,635
Rents	44,073	43,974	99	38,572	38,379	193
Travel and lodging expenses	111,586	110,110	1,476	132,258	130,445	1,813
Stationary and printing	9,027	8,229	798	11,160	10,088	1,072
Licences	33,723	33,721	2	33,543	33,511	32
Taxes and government contributions	137,846	36,135	101,711	136,648	27,709	108,939
Directors and syndics	8,107	0	8,107	14,737	0	14,737
Security	104,450	104,400	50	109,399	109,351	48
Office and substation cleaning	62,279	57,724	4,555	63,494	58,710	4,784
Electroduct maintenance	53,523	53,523	0	51,471	51,471	0
Prevision for bad debtors	119,395	119,395	0	13,062	13,062	0
Others	69,826	49,621	20,205	72,669	50,656	22,013
TOTAL	4,535,896	4,031,311	504,585	4,747,734	4,161,614	586,120

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(In Argentine Pesos, except as otherwise indicated)

9. Net Financial Results

	Fiscal year ended	
	December 31, 2018	**December 31, 2017**
Finance Income		
Renewal Agreement interest	0	25,433
Results from investments at fair value	656,853	328,849
Interests from investments at amortized cost	173,254	23,360
Other finance income	91,326	31,969
Total finance income	921,433	409,611
Finance Costs		
Interest generated by loans	(360,509)	(278,509)
Other interest	(81,749)	(30,731)
Total finance costs	(442,258)	(309,240)
Other financial results		
Foreign exchange generated by loans	(2,342,917)	(417,450)
Foreign exchange generated by investments at fair value	304,642	92,486
Foreign exchange generated by investments at amortized cost	1,220,601	175,387
Other foreign exchenge net	597,855	31,716
RECPPC	(684,236)	290,151
Total Other financial results	(904,055)	172,290
Total Other financial results, net	(424,880)	272,661

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	Employee benefits payable	Other liabilities	Total
As of January 1, 2018	0	1,210	1,055	5,828	140,504	72,488	221,085
Charged to the income statement	0	33,795	(341)	(5,828)	(45,571)	(4,706)	(22,651)
Charged to other comprehensive income	0	0	0	0	41,003	0	41,003
As of December 31, 2018	0	35,005	714	0	135,936	67,782	239,437
As of January 1, 2017	68,220	5,351	1,317	0	179,595	90,560	345,043
Charged to the income statement	(68,220)	(4,141)	(262)	5,828	(39,511)	(18,072)	(124,378)
Charged to other comprehensive income	0	0	0	0	420	0	420
As of December 31, 2017	0	1,210	1,055	5,828	140,504	72,488	221,085

(In Argentine Pesos, except as otherwise indicated)

Deferred Tax Liabilities

	Property, plant and equipment	Inventories	Investments at fair value	Loans	Total
As of January 1, 2018	1,499,778	32,877	0	20,700	1,553,355
Charged to the income statement	(2,085)	23,204	60,389	(130)	81,378
Charged to other comprehensive income	0	0	0	0	0
As of December 31, 2018	1,497,693	56,081	60,389	20,570	1,634,733
As of January 1, 2017	2,056,609	24,606	48,092	33,981	2,163,288
Charged to the income statement	(556,831)	8,271	(48,092)	(13,281)	(609,933)
Charged to other comprehensive income	0	0	0	0	0
As of December 31, 2017	1,499,778	32,877	0	20,700	1,553,355

Deferred Tax Liabilities as of December 31, 2018 and 2017 amounts to $1,395,296 and $1,332,270, respectively.

The income tax charge for the year is as follows:

	Fiscal year ended	
	December 31, 2018	**December 31, 2017**
Current tax	1,695,520	1,905,049
Deferred tax	104,029	(485,555)
Refund action	0	(215,471)
Income tax	1,799,549	1,204,023

	31.12.2018
Deferred assets tax	
Deferred tax assets to be recovered in more than 12 months	239,437
Deferred tax assets to be recovered within 12 months	0
	239,437
Deferred tax liabilities	
Deferred tax liabiliities to be recovered in more than 12 months	1,572,129
Deferred tax liabiliites to be recovered within 12 months	62,604
	1,634,733

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

(In Argentine Pesos, except as otherwise indicated)

	Fiscal year ended	
	December 31, 2018	December 31, 2017
Net income / (loss) before income taxes	4,976,188	5,196,152
Tax rate in force	30%	35%
Net income at the tax rate	1,492,856	1,818,653
Taxable effects by:		
- RECPPC	205,271	(101,553)
- Refund action	0	(215,471)
- Other non taxable and/or non deductible items	119,479	211,453
- Change in tax rate	(18,057)	(509,059)
Income tax	1,799,549	1,204,023

Tax reform in Argentina

On December 29, 2017, the National Executive Branch promulgated Law Nº 27430 - 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.

Tax on dividends: A tax is introduced on dividends or profits distributed, among others, by Argentine companies or permanent establishments to: individuals, undivided estates or foreign beneficiaries, 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 withholdings at a 35% rate 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 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 10 % for personal property and other items of property. 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 from the revaluation is not subject to it.

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

Index-adjustments to deductions: Acquisitions or investments made in fiscal years beginning on or after January 1, 2018, will be adjusted on the basis of the percentage variations of the Domestic Wholesale

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Price Index (IPIM) provided by the National Institute of Statistics and Census, situation that will increase the deductible depreciation and its computable cost in case of sale.

11. Property, plant and equipment

Principal account	Depreciation				Net carrying value	
	At the beginning of the year	Deductions	From the period	At the end of the year	At December 31, 2018	At December 31, 2017
Land	0	0	0	0	33,203	33,203
Vehicles	(400,122)	17,517	(52,653)	(435,258)	253,068	174,442
Air and heavy equipment	(126,812)	1,770	(15,408)	(140,450)	273,690	227,255
Furniture and fixtures	(54,794)	0	(3,767)	(58,561)	23,563	20,505
Information systems	(175,335)	3,120	(23,526)	(195,741)	67,365	31,588
Transmission lines	(7,394,014)	33,422	(203,732)	(7,564,324)	2,120,319	2,134,634
Substations and related works	(6,000,979)	13,876	(279,815)	(6,266,918)	3,946,944	3,978,477
Building and civil works	(374,456)	0	(25,540)	(399,996)	544,116	517,910
Labs and maintenance	(73,147)	0	(11,256)	(84,403)	133,874	105,697
Communication equipment	(981,509)	0	(44,748)	(1,026,257)	184,206	202,557
Miscellaneous	(164,572)	0	(17,696)	(182,268)	55,545	42,708
Work in progress	0	0	0	0	4,493,494	2,744,366
Total December 31, 2018	(15,745,740)	69,705	(678,141)	(16,354,176)	12,129,387	-
Total December 31, 2017	(15,085,972)	21,958	(681,726)	(15,745,740)	-	10,213,342

Principal account	Original Value				
	At the beginning of the year	Additions	Deductions	Reclasifications	At the end of the year
Land	33,203	0	0	0	33,203
Vehicles	574,563	131,280	(17,517)	0	688,326
Air and heavy equipment	354,068	63,284	(3,212)	0	414,140
Furniture and fixtures	75,298	6,826	0	0	82,124
Information systems	206,923	59,303	(3,120)	0	263,106
Transmission lines	9,528,648	1,846	(33,422)	187,571	9,684,643
Substations and related works	9,979,457	26,386	(80,829)	288,848	10,213,862
Building and civil works	892,366	5,134	0	46,612	944,112
Labs and maintenance	178,844	39,433	0	0	218,277
Communication equipment	1,184,066	5,912	0	20,485	1,210,463
Miscellaneous	207,280	28,612	0	1,921	237,813
Work in progress	2,744,366	2,294,565	0	(545,437)	4,493,494
Total December 31, 2018	25,959,082	2,662,581	(138,100)	0	28,483,563
Total December 31, 2017	24,962,207	1,036,775	(39,900)	0	25,959,082

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

During the fiscal years ended December 31, 2018 and 2017, the Company has not capitalized interest costs.

12. Other receivables

	December 31, 2018	December 31, 2017
Non-Current		
Stock Ownership Program (1)	5,329	7,871
Total	5,329	7,871

	December 31, 2018	December 31, 2017
Current		
Advances to suppliers	693,998	393,079
Prepaid expenses	192,354	141,516
Loans to employees	8,698	13,612
Tax credits	4,128	20,256
Judicial seizure	2,801	3,596
Others	77	5,136
Total	902,056	577,195

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

As of December 31, 2018 and 2017, there are no other past due credits.

The book value of other credits is denominated in Pesos.

	December 31, 2018	December 31, 2017
Pesos	907,385	585,066
	907,385	585,066

13. Trade accounts receivable

	December 31, 2018	December 31, 2017
Current		
CAMMESA	1,486,300	1,758,792
Other services	302,802	242,006
Other related parties (Note 22)	5,760	14,868
Allowances for bad debt	(119,350)	(4,681)
Total	1,675,512	2,010,985

The fair values of trade accounts receivable do not differ significantly from their respective book values.

Allowances for bad debt

	December 31, 2018	December 31, 2017
Total at the beginning of the year	4,681	13,749
Increases	119,395	13,062
Decreases	(4,726)	(22,130)
Total at the end of the year	119,350	4,681

As of December 31, 2018, accounts receivables unexpired amount to $ 1,577,992 (2017: $ 1,894,853).

As of December 31, 2018, trade accounts receivables amounts to $ 97,520 (2017: $ 116,132) were due, but not undervalued. The aging analysis of these accounts is as follows:

To be matured in 3 months or less	63,809	102,234
To be matured from 3 to 6 months	22,519	1,025
To be matured from 6 to 9 months	11,192	1,140
To be matured from 9 to 12 months	0	11,733
Total	97,520	116,132

The book value of accounts receivables is denominated in Pesos.

	31.12.2017	**31.12.2016**
Pesos	1,675,512	2,010,985
	1,675,512	2,010,985

14. Cash and cash equivalents

	December 31, 2018	**December 31, 2017**
Cash in local currency	1,474	2,088
Cash in foreign currency	574	425
Banks in local currency	37,735	5,452
Banks in foreign currency	2,742,481	29,224
Cash and cash equivalents, net	2,782,264	37,189

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

	December 31, 2018	**December 31, 2017**
Pesos	39,209	7,540
US Dolar	2,743,024	29,607
Reales	31	42
Total	2,782,264	37,189

(In Argentine Pesos, except as otherwise indicated)

15. Investments

Non-current investments	December 31, 2018	December 31, 2017
Investments at amortized cost:		
Mutual guarantee companies	0	29,536
Total	0	29,536
Current investments		
Investments at fair value:		
Mutual funds	1,485,659	2,021,996
Bonos de la Nación Argentina (Bonar)	192,693	160,530
Total	1,678,352	2,182,526
Investments at amortized cost:		
Letras del tesoro (Letes)	244,572	2,109,384
Mutual guarantee companies	20,000	0
Letras del Banco Central (Lebacs)	0	154,267
	264,572	2,263,651

16. Loans

	December 31, 2018	December 31, 2017
Non-current bonds and other indebtedness		
Corporate Bonds 2021	3,636,407	2,638,492
Total Non-current	3,636,407	2,638,492
Current bonds and other indebtedness		
Corporate Bonds 2021	138,840	101,427
Total Current	138,840	101,427

The indebtedness structure of the Company is described in Note 24.

The maturities of the loans according to the contractual dates, are detailed below:

	31.12.2018	31.12.2017
To be matured in 3 months or less	138,840	101,427
To be matured from 3 to 12 months	0	0
To be matured from 1 to 2 years	0	0
To be matured in more than 2 years	3,636,407	2,638,492
Total	3,775,247	2,739,919

Total at the beginning of the year	2,739,919	2,896,386
Accrued interests	360,509	278,509
Foreign Exchange	2,342,917	417,450
Interest payments	(307,371)	(264,917)
RECPPC	(1,360,727)	(587,509)
Total at the end of the year	3,775,247	2,739,919

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

The fair value of non-current loans of the Company as of December 31, 2018 amounts approximately to thousands of $ 3,724,316. This value was calculated based on the market price.

17. Employee benefit expense

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

	Fiscal year ended	
	December 31, 2018	**December 31, 2017**
Charges to Income		
Services Cost	28,509	31,459
Interest Cost	85,299	111,398
Amortization of (profits) and losses	(10,888)	1,089
Total	102,920	143,946

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

	December 31, 2018	**December 31, 2017**
Benefits Obligations at the beginning of the year	525,789	513,128
Services Cost	28,509	31,459
Interest Cost	85,299	111,398
Amortization of (profits) and losses	(10,888)	1,089
Actuarial (profits) and losses	163,083	34,148
Benefits paid to participants	(87,392)	(54,949)
RECPPC	(175,898)	(110,484)
Benefits Obligations at the end of the year	528,502	525,789

Non - current benefits obligations	444,353	438,746
Current benefits obligations	84,149	87,043
Benefits Obligations at the end of the year	528,502	525,789

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

Discount rate	34.40%	20.75%
Current interest rate	6%	5%
Salary growth rate	2%	2%

(In Argentine Pesos, except as otherwise indicated)

18. Trade accounts payable

	December 31, 2018	December 31, 2017
Non-Current		
Advances from customers	379	1,488
Total	379	1,488

	December 31, 2018	December 31, 2017
Current		
Suppliers	641,126	145,871
Provisions	291,294	219,835
Advances from customers	77,432	17,208
Other related parties (Note 21)	0	15,508
Other liabilites	171,507	141,861
Total	1,181,359	540,283

The maturities of the trade accounts payable according to the contractual dates, are detailed below:

	31.12.2018	31.12.2017
To be matured in 6 months or less	1,181,359	540,283
To be matured from 6 to 12 months	0	0
To be matured from 1 to 5 years	379	1,488
Total	1,181,738	541,771

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

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

	31.12.2018	31.12.2017
Pesos	876,945	537,888
US Dolar	304,300	3,883
Euros	493	0
Total	1,181,738	541,771

(In Argentine Pesos, except as otherwise indicated)

19. Provisions

As of December 31, 2018 and 2017 the balances of foreign currency assets and liabilities are as follows:

	December 31, 2018	December 31, 2017
Labor lawsuits		
Total at the beginning of the year	45,994	49,762
Increases	16,035	8,416
Decreases	(16,794)	(12,184)
Total at the end of the year	45,235	45,994
Regulatory lawsuits		
Total at the beginning of the year	10,941	13,654
Increases	0	0
Decreases	(3,533)	(2,713)
Total at the end of the year	7,408	10,941
Commercial lawsuites		
Total at the beginning of the year	49,328	65,621
Increases	0	0
Decreases	(18,252)	(16,293)
Total at the end of the year	31,076	49,328
Total at the end of the year	83,719	106,263

20. Taxes payable

	December 31, 2018	December 31, 2017
V.A.T. payable	142,705	185,730
Withholding tax to be deposited – Income tax	8,937	19,227
Others	11,149	15,721
Totales	162,791	220,678

21. Payroll and social securities taxes payable

	December 31, 2018	December 31, 2017
Salaries and social security charges	293,433	262,222
Provision for variable remuneration	261,526	301,350
Provision for holidays	59,157	75,592
Total	614,116	639,164

22. 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.

Citelec's capital stock is comprised as follows: (i) 50% owned by Transelec Argentina SA, and (ii) 50% owned by Integración Energética Argentina S.A.

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.

- Integración Energética 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.The change in the corporate name of Energía Argentina S.A. (ENARSA) by Integración Energética Argentina S.A., in the terms of art. 215 of the General Companies Law, took place on June 18, 2018.

Transener has entered into an operating agreement under which Pampa Energía S.A. and Integración Energética Argentina S.A. provide services, expertise and know-how in connection with certain Company activities.

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. These fees amounted to single and final sums of $ 60 million and $ 30 million, respectively.

Said amendment established the validity of the technical assistance agreement until July 15, 2018.

(In Argentine Pesos, except as otherwise indicated)

The transactions with related parties are as follows:

Companies Law No. 19550 – Sect. 33

	Fiscal year ended December 31, 2018	December 31, 2017
Sales of assets and services rendered to Pampa Energía S.A.	6,361	4,285
Fees for operating services		
*Pampa Energía S.A.	20,327	47,200
*Integración Energética Argentina S.A.	20,327	47,200

Other related parties

	December 31, 2018	December 31, 2017
Sales of assets and services rendered to Enecor S.A.	3,454	2,995
Sales of assets and services rendered to Greenwind S.A.	2,366	0
Sales of assets and services rendered to Central Piedra Buena S.A.	1,450	1,122
Sales of assets and services rendered to Transportadora de Gas del Sur S.A.	370	1,035
Sales of assets and services rendered to C.T.Loma de la Lata S.A.	0	5,447

The balances with Companies Law No. 19550 – Sect. 33 and other related parties are as follows:

Companies Law No. 19550 – Sect. 33

Assets	December 31, 2018	December 31, 2017
Other credits		
Stock Ownership Program (1)	5,329	7,871
Total	5,329	7,871
Trade account receivables		
Pampa Energía S.A.	3,803	1,645
Integración Energética Argentina S.A.	0	10,426
Total	3,803	12,071
Liabilities		
Trade accounts payable		
Integración Energética Argentina S.A.	0	7,754
Pampa Energía S.A.	0	7,754
Total	0	15,508

Other related parties

Assets		
Trade account receivable		
Enecor S.A.	1,893	2,702
Transportadora de Gas del Sur S.A.	64	95
Total	1,957	2,797

(1) In 1997, the Executive Power of the Province of Buenos Aires awarded Transener. 100% of shares "A", "B" and "C" of Transba in the amount of US $ 220.2 million.

Transener maintains 90% of the capital stock of Transba because the remaining 10% was affected by a Stock Ownership Program for the benefit of certain employees of Transba in exchange for a price whose balance at historical values was recorded under "Non-current other receivables".

As of the date of presentation of these financial statements, said program is still in the process of being implemented, for reasons beyond Transener.

The Company has recorded such credit at its historical values based on the uncertainty in the collection of any adjustment that corresponds in favor of Transener.

23. Investment in Transener Internacional Ltda.

As of December 31, 2018, both the 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.

24. Financing structure

24.1 Series 2 Notes

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

As of December 31, 2018, the remaining balance of the Series 2 Notes, net of those held by the Company amounted to thousands of US$ 98,535.

24.2 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 securing additional indebtedness;
ii) Paying dividends or making other distributions as regards either the redemption or the 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, 2018 there is not any default related to those restrictions.

24.3 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.

(In Argentine Pesos, except as otherwise indicated)

The creation of the program was authorized by the National Securities Commission through Resolution No. 18.941 of September 20, 2017.

25. Income per share

The income 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 year, excluding those own shares acquired by the Company.

	Fiscal years ended	
	December 31, 2018	**December 31, 2017**
Results from operations attributable to the equity holders of the Company	2,936,275	3,815,185
Ordinary shares average	444,674	444,674
Income per share attributable to the equity holders of the Company ($/Share)	6.60	8.58

26. 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.

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)

27. Foreign currency assets and liabilities

As of December 31, 2018 and 2017 the balances of foreign currency assets and liabilities are as follows:

Captions	December 31, 2018			December 31, 2017	
	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$ 73,147	37.500	2,743,024	US$ 1,081	29,607
Cash and banks	R$ 3	10.260	31	US$ 5	42
Investments at fair value	US$ 5,138	37.500	192,693	US$ 15,496	424,501
Investments at amortized cost	US$ 6,522	37.500	244,572	US$ 74,272	2,034,578
Total current assets			3,180,320		2,488,728
Total assets			3,180,320		2,488,728
Liabilities					
Non current liabilities					
Debt and other indebtedness	US$ 96,456	37.700	3,636,407	US$ 95,802	2,638,492
Total non current liabilities			3,636,407		2,638,492
Current liabilities					
Debt and other indebtedness	US$ 3,683	37.700	138,840	US$ 3,683	101,427
Accounts payable	US$ 8,072	37.700	304,300	US$ 141	3,883
Account payable	€ 11	43.163	493		0
Total current liabilities			443,633		105,310
Total liabilities			4,080,040		2,743,802

US$: thousands of United States Dollars
R$: thousands of Reais
€: thousands of Euros