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

Unaudited Condensed Consolidated Financial Statements as of September 30, 2019 and for the nine-month period ended September 30, 2019 and 2018

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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Free translation from the original in Spanish published in Argentina.

REVIEW REPORT ON THE INTERIM CONDENSED 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: Av. Paseo Colón 728 – 6th Floor
Autonomous City of Buenos Aires
Tax Code No. 30-66314877-6

Introduction

We have reviewed the accompanying condensed interim consolidated balance sheets of Compañía de Transporte de Energía Eléctrica en Alta Tensión Transener S.A. and its subsidiary (hereinafter 'The Company') which comprise the consolidated statement of financial position at September 30, 2019, the related condensed interim consolidated statement of operations for the three and nine months period ended on that date, the condensed interim consolidated statements of changes in equity and cash flows for the nine months period then ended, and the selected explanatory notes.

The balances and other information corresponding to the fiscal year 2018 and interim period are an integral part of the financial statements mentioned above; therefore, they must be considered in connection with these financial statements.

Board responsibility

The Board of Directors of the Company is responsible for the preparation and presentation of the financial statements in accordance with International Financial Reporting Standards, adopted by the Argentine Federation of Professional Councils in Economic Sciences (FACPCE) as professional accounting standards and included by the National Securities Commission (CNV) in its regulations, as approved by the International Accounting Standards Board (IASB), and is therefore responsible for the preparation and presentation of the interim condensed consolidated financial statements mentioned in the first paragraph, in accordance with International Accounting Standard 34 "Interim Financial Information" (IAS 34).

Scope of our review

We conducted our review in accordance with International Standards on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity", adopted as a review standard in Argentina by Technical Pronouncement No. 33 of the FACPCE and approved by the International Auditing and Assurance Standards Board (IAASB). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit examination conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit.

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Accordingly, we do not express an audit opinion on the Company's consolidated balance sheets, consolidated statement of operations and consolidated cash flow.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements is not prepared, in all material respects, in accordance with International Accounting Standard 34.

Report on compliance with current regulations

In compliance with current regulations, we report, in connection with Compañía de Transporte de Energía Eléctrica en Alta Tensión Transener S.A. that:

a) The condensed interim consolidated Financial Statements of Transener S.A. are pending transcription into the "Inventory and Balance Sheet" book and, except as mentioned above, they are in compliance, regarding matters that are within our competence, with the provisions of the General Companies Law and pertinent resolutions of the National Securities Commission;

b) The condensed interim individual Financial Statements of Compañía de Transporte de Energía Eléctrica en Alta Tensión Transener S.A. arise, except as mentioned in section a) above, from accounting records kept in all formal respects in accordance with legal provisions;

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

d) At September 30, 2019, the debt accrued in favor of the Argentine Integrated Social Security System amounted, as shown by the Company's accounting records and calculations, to $40,415,438.99, none of which was claimable at that date.

Autonomous City of Buenos Aires, November 6, 2019.

PRICE WATERHOUSE & CO. S.R.L.

(Partner)

C.P.C.E.C.A.B.A. V. 1 F. 17

Fernando A. Rodríguez
Public Accountant (UBA)
C.P.C.E.C.A.B.A. V. 264 F. 112

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

Unaudited Condensed Consolidated Statements of Operations

for the three and nine-month period ended September 30, 2019 and 2018

(Expressed in thousands of Argentine Pesos)

		Three-month period ended		Nine-month period ended	
Consolidated income statement	Note	**September 30, 2019**	**September 30, 2018**	**September 30, 2019**	**September 30, 2018**
Net Revenues	7	3.298.907	3.104.400	9.804.940	10.155.794
Operating expenses	8	(1.310.874)	(1.288.518)	(3.969.011)	(3.916.813)
Gross income		1.988.033	1.815.882	5.835.929	6.238.981
Administrative expenses	8	(168.851)	(158.224)	(515.932)	(530.713)
Other operating income, net		40.925	146.627	152.648	108.487
Operating income		1.860.107	1.804.285	5.472.645	5.816.755
Finance income	9	305.505	485.301	866.982	978.698
Finance costs	9	(283.809)	(201.490)	(718.188)	(460.233)
Other financial results	9	(739.271)	(596.363)	(458.453)	(1.324.382)
Income before taxes		1.142.532	1.491.733	5.162.986	5.010.838
Income tax	10	(641.324)	(630.798)	(2.629.541)	(1.961.222)
Income for the period		501.208	860.935	2.533.445	3.049.616
Income attributable to :					
Owners of the parent		501.208	812.819	2.468.473	2.908.789
Non-controlling interests		0	48.115	64.972	140.827
Total for the period		501.208	860.935	2.533.445	3.049.616
OTHER COMPREHENSIVE CONSOLIDATED RESULTS					
Income for the period		501.208	860.935	2.533.445	3.049.616
Items that will not be reclassified to profit or loss					
Other comprehensive results for the period, net of taxes		0	0	0	0
Comprehensive income for the period		501.208	860.935	2.533.445	3.049.616
Attributable to :					
Owners of the parent		501.208	812.819	2.468.473	2.908.789
Non-controlling interests		0	48.116	64.972	140.827
Total for the period		501.208	860.935	2.533.445	3.049.616
Income per share attributable to the equity holders of the Company ($ per share):					
Total for the period	26	1,13	1,83	5,55	6,54

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

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

Unaudited Condensed Consolidated Balance Sheets as of September 30, 2019 and December 31, 2018

(Expressed in thousands of Argentine Pesos)

	Note	September 30, 2019	December 31, 2018
Assets			
Non-current assets			
Property, plant and equipment	11	17.967.285	16.683.989
Inventories		628.811	594.207
Other receivables	12	0	7.331
Total Non-current assets		18.596.096	17.285.527
Current Assets			
Trade accounts receivable	13	2.327.650	2.304.669
Other receivables	12	654.257	1.240.781
Investments at fair value	15	3.962.550	2.308.575
Investments at amortized cost	15	21.960	363.919
Cash and cash equivalents	14	11.260	3.827.006
Total Current assets		6.977.677	10.044.950
Total Assets		25.573.773	27.330.477
Equity and liabilities			
Common Stock		444.674	444.674
Inflation adjustment on common stock		8.049.935	8.049.935
Legal reserve		458.790	208.206
Optional reserve		394.724	129.369
Reserve for future dividends		0	1.777.828
Rserve for acquisition of non-controlling interests		465.890	0
Voluntary reserve		2.211.730	0
Other comprehensive results		(394.724)	(394.724)
Retained earnings		2.468.473	5.011.688
Equity attributable to owners of the parent		14.099.492	15.226.976
Non-controlling interests		0	668.455
Total equity		14.099.492	15.895.431
Liabilities			
Non-current liabilities			
Bonds and other indebtedness	16	5.211.118	5.001.883
Deferred tax payable	10	3.003.270	1.919.232
Employee benefits payable	17	527.780	611.207
Trade accounts payable	18	34.652	522
Total Non-current liabilities		8.776.820	7.532.844
Current liabilities			
Provisions	19	91.543	115.158
Bonds and other indebtedness	16	66.297	190.974
Income tax payable		742.403	786.726
Taxes payable	20	155.103	223.919
Payroll and social securities taxes payable	21	688.390	844.717
Employee benefits payable	17	101.543	115.746
Trade accounts payable	18	852.182	1.624.962
Total Current liabilities		2.697.461	3.902.202
Total Liabilities		11.474.281	11.435.046
Total Equity and liabilities		25.573.773	27.330.477

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

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

Unaudited Condensed Consolidated Statements of Changes in Equity for the nine-month period ended September 30, 2019 and 2018

(Expressed in thousands of Argentine Pesos)

	Attributable to owners of the parent											
	Common Stock	Inflation adjustment on common stock	Legal reserve	Optional reserve	Reserve for future dividends	Rserve for acquisition of non-controlling interests	Voluntary reserve	Other comprehensive income	Retained earnings	Subtotal	Non-controlling interests	Total equity
Balance as of December 31, 2017	**444.674**	**8.049.935**	**0**	**0**	**0**	**0**	**0**	**(231.507)**	**4.973.713**	**13.236.815**	**505.756**	**13.742.571**
Ordinary General Meeting of Shareholders held on April 12, 2018:												
- Legal reserve	0	0	208.206	0	0	0	0	0	(208.206)	0	0	0
- Voluntary reserve	0	0	0	129.369	0	0	0	0	(129.369)	0	0	0
- Reserve for future dividends	0	0	0	0	3.826.517	0	0	0	(3.826.517)	0	0	0
Income for the nine-month period	0	0	0	0	0	0	0	0	2.908.789	2.908.789	140.827	3.049.616
Balance as of September 30, 2018	**444.674**	**8.049.935**	**208.206**	**129.369**	**3.826.517**	**0**	**0**	**(231.507)**	**3.718.410**	**16.145.604**	**646.583**	**16.792.187**
Board of Directors held on December 12, 2018:												
- Distribution of dividends	0	0	0	0	(2.048.689)	0	0	0	0	(2.048.689)	0	(2.048.689)
Income for the three-month complementary period	0	0	0	0	0	0	0	0	1.293.278	1.293.278	26.577	1.319.855
Other comprehensive loss for the three - month complementary period	0	0	0	0	0	0	0	(163.217)	0	(163.217)	(4.705)	(167.922)
Balance as of December 31, 2018	**444.674**	**8.049.935**	**208.206**	**129.369**	**1.777.828**	**0**	**0**	**(394.724)**	**5.011.688**	**15.226.976**	**668.455**	**15.895.431**
Ordinary General Meeting of Shareholders held on April 25, 2019:												
- Legal reserve	0	0	250.584	0	0	0	0	0	(250.584)	0	0	0
- Optional reserve	0	0	0	265.355	0	0	0	0	(265.355)	0	0	0
- Voluntary reserve	0	0	0	0	(1.777.828)	0	2.211.730	0	(433.902)	0	0	0
- Reserve for future dividends	0	0	0	0	0	0	0	0	(4.061.847)	(4.061.847)	0	(4.061.847)
Income for the nine-month complementary period	0	0	0	0	0	0	0	0	2.468.473	2.468.473	64.972	2.533.445
Other comprehensive income / (loss) for the nine - month period	0	0	0	0	0	0	0	0	0	0	0	0
Rserve for acquisition of non-controlling interests	0	0	0	0	0	465.890	0	0	0	465.890	(733.427)	(267.537)
Balance as of September 30, 2019	**444.674**	**8.049.935**	**458.790**	**394.724**	**0**	**465.890**	**2.211.730**	**(394.724)**	**2.468.473**	**14.099.492**	**0**	**14.099.492**

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

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

Unaudited Condensed Consolidated Statements of Cash Flows for the nine-month period ended September 30, 2019 and 2018

(Expressed in thousands of Argentine Pesos)

	Note	Nine-month period ended September 30, 2019	September 30, 2018
Cash flows from operating activities:			
Income for the period		2.533.445	3.049.616
Adjustments:			
Depreciation of property, plant and equipment	11	755.213	662.336
Allowances for bad debt	8	(13.908)	33.551
Provisions		22.104	57.616
Employee benefits plan	17	171.348	120.981
Income tax expense accrued during the period	10	2.629.541	1.961.222
Interest and foreign exchange results generated by loans	16	970.832	2.826.165
Repurchases of Class 2 Notes	16	(13.011)	0
Investments at fair value	9	(1.204.236)	(1.123.988)
Investments at amortized cost	9	822	(2.455.549)
Interests on fiscal payable		25.931	0
RECPPC investments		853.293	1.771.878
Financial results from cash ans cash equivalents, net		148.227	(683.945)
Retirements of property, plant and equipment	11	6.216	110.286
Changes in certain assets and liabilities, net of non-cash:			
(Increase) / Decrease in trade receivables		(9.073)	398.071
Decrease / (Increase) in other receivables		593.855	(10.623)
(Decrease) / Increase in trade accounts payable		(738.650)	315.101
Decrease in payroll and social securities taxes payable		(156.327)	(265.149)
Decrease in taxes payable		(416.460)	(583.165)
Decrease in provisions		(45.719)	(76.711)
Increase in other payable		0	1.195
Decrease in employee benefits payable	17	(268.978)	(281.277)
Income tax payment		(1.268.113)	(2.875.802)
Net cash generated by operating activities		4.576.352	2.951.809

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

Unaudited Condensed Consolidated Statements of Cash Flows for the nine-month period ended September 30, 2019 and 2018

(continued)

(Expressed in thousands of Argentine Pesos)

	Note	Nine-month period ended September 30, 2019	Nine-month period ended September 30, 2018
Cash flows from investing activities:			
Acquisition of property, plant and equipment	11	(2.044.725)	(2.420.534)
(Increase) / Decrease in inventories		(34.604)	30.299
(Increase) / Decrease in investments at fair value		(1.017.322)	275.732
Decrease in financial assets at amortized cost		55.427	1.696.105
Acquisition of non-controlling interests	24	(267.537)	0
Cash used in investing activities		(3.308.761)	(418.398)
Cash flows from financing activities:			
Payment of dividends		(4.061.847)	0
Repurchases of Class 2 Notes	16	(345.576)	0
Payments a of bonds and other indebtedness - Interest	16	(527.687)	(422.789)
Net cash used in financing activities		(4.935.110)	(422.789)
(Decrease) / Increase in cash and cash equivalents		(3.667.519)	2.110.622
Financial results from cash ans cash equivalents, net		(148.227)	683.945
Cash and cash equivalents at the beginning of the period		3.827.006	51.154
Cash and cash equivalents at period end	14	11.260	2.845.721

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

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

Notes to the Unaudited Condensed Consolidated Financial Statements

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

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

Notes to the Unaudited Condensed 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 unaudited condensed 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.

In June 28, 2019 Transener S.A. became the owner of all the shares that were affected by the PPAP (41,806,717 Class C shares). In this way, 99.9999995216% of Transba´s common stock corresponds to Transener.

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 unaudited condensed 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.

The economic context in which the Company operates is described in Note 30.

2. Tariff Review

During the year 2019, as established in the FTR, the ENRE continued with the application of 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".

On September 25th, 2019, the ENRE issued Resolutions No. 269/19 and 267/19, with the adjustment of 18,83% and 18,81% in the remuneration of Transener and Transba respect the previous semester, accumulating 112,41% and 115,75%, respectively for the period December 2016 - June 2019, to be applied to the remuneration schedule as of August 2019.

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. The ENRE has not yet issued the Resolution with the results of the analysis of the required information.

3. Purpose of financial statements

The accompanying unaudited condensed 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 unaudited condensed 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 interim condensed financial statements for the nine-month period ended September 30, 2019 have been prepared in accordance with CNV's financial reporting framework, which is based on the adoption of IFRS – particularly IAS 34 ("IAS 34" – Interim Financial Reporting), approved by the International Accounting Standards Board (IASB).

These condensed interim consolidated statements for the nine-month period ended September 30, 2019 have not been audited. The Management of the Company estimates that they include all the necessary adjustments to reasonably present the results of each period. The results for the nine-month period ended September 30, 2019 do not necessarily reflect the proportion of the Company's results for the full year.

These condensed interim consolidated financial statements are presented in thousands of pesos without cents, as are the notes, except for the net profit per share.

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.

The Company makes estimates to calculate depreciations and amortizations, the recoverable value of non-current assets, income tax charge, certain labor charges, provision for contingencies, labor, civil and commercial lawsuits, and allowance for doubtful accounts. Future actual results may differ from estimates and assessments used at the date of preparation of these interim condensed financial statements.

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

4.2 Comparative information

The comparative information as of December 31, 2018 and for the nine-month period ended September 30, 2018 has been restated in terms of the current unit of measurement as of September 30, 2019, 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 period.

4.3 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 for the nine-month and twelve-month periods ended September 30, 2019 was 37.6% and 53.5%, respectively.

4.4 Consolidation

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

Significant consolidation adjustments are as follows:

1. Elimination of balances of accounts of assets and liabilities between the 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.

(In Argentine Pesos, except as otherwise indicated)

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 September 30, 2019 and December 31, 2018 is as follows:

	30.09.2019	31.12.2018
Total assets	9.765.053	8.806.722
Total liabilities	2.183.447	2.122.169
Total equity	7.581.606	6.684.553
Total comprehensive income for the period	1.234.234	1.626.993

4.5 Changes related to the accounting policies under IFRS

a) New accounting standards, modifications and interpretations effective for fiscal years beginning on January 1, 2019 and which have not been adopted early by the Company

The Company has applied the following standards and / or modifications for the first time as of January 1, 2019.

- 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 chose to apply IFRS 16 in a simplified retroactive manner, in relation to the lease agreements identified as such under IAS 17.

Management has reviewed the existing lease agreements and has recognized lease assets for a total of $ 69 million, and lease liabilities for a total of $ 61 million equivalent to the present value of the remaining lease payments.

- 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. Its application did 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. Its application did 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 application of these amendments did 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. Its application did not have an impact on the results of operations and the financial position.

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

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

- 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. The Company is analyzing the impact of its application on the results of operations and the financial position.

- 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. The Company is analyzing the impact of its application on the results of operations and the financial position.

4.6 Política de riesgos y estimaciones contables

In the preparation of these financial statements, the Company has applied the risk policies and accounting estimates consistently with those of the previous year. There are no significant variations at September 30, 2019 compared with the previous year as regards the risk analysis.

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5. Financial instruments by category and level fair value hierarchy

Description	Measurement at fair value as of September 30, 2019			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Investments at fair value	3.962.550	0	0	3.962.550
Total Assets	3.962.550	0	0	3.962.550

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	2.308.575	0	0	2.308.575
Total Assets	2.308.575	0	0	2.308.575

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.

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

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

The Company does not have financial liabilities measured at fair value at the dates indicated.

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.

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The segment information submitted to the General Director, who takes the business strategic decisions, for the reportable segments for the periods ended September 30, 2019 and 2018 is as follows:

	Regulated activity	Non-regulated activity	Adjustment according to IAS 29	Total
Nine - month period ended September 30, 2019				
Net revenues	7.544.323	964.611	1.296.006	9.804.940
Operating results	4.744.795	524.411	203.439	5.472.645
Property, plant and equipment depreciation	152.046	7.144	596.023	755.213
Nine - month period ended September 30, 2018				
Net revenues	5.004.656	666.502	4.484.636	10.155.794
Operating results	3.126.135	398.428	2.292.192	5.816.755
Property, plant and equipment depreciation	101.435	0	560.901	662.336

No sales between operating segments identified by the Company are perfected. Assets and liabilities are allocated based on the segment.

7. Net Revenues

	Three-month period ended		Nine-month period ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Net Regulated Revenue	2.914.089	2.746.981	8.690.890	8.962.965
Net Non-Regulated Revenue	384.818	357.419	1.114.050	1.192.829
Net Revenues	3.298.907	3.104.400	9.804.940	10.155.794

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8. Expenses by Nature

Items	Three-month period ended September 30, 2019			Three-month period ended September 30, 2018		
	Total	Operating Expenses	Administrative Expenses	Total	Operating Expenses	Administrative Expenses
Salaries and social security charges	791.607	711.617	79.990	748.797	677.509	71.288
Other personnel costs	14.802	9.412	5.390	9.168	6.658	2.510
Fees for operating services	0	0	0	4.075	4.075	0
Professional fees	29.777	21.416	8.361	26.206	13.788	12.418
Equipment maintenance	41.341	41.341	0	31.663	31.663	0
Fuel and lubricants	18.320	18.214	106	19.425	19.299	126
General Maintenance	55.556	55.447	109	62.403	61.566	837
Electricity	6.286	5.936	350	5.155	4.741	414
Depreciation of property, plant and equipment	255.423	228.663	26.760	231.654	208.489	23.165
Administration expenses related to WEM	3.187	3.187	0	2.266	2.266	0
Regulatory fees	3.002	3.002	0	4.672	4.672	0
ATEERA membership fees	741	0	741	345	0	345
Communications	9.154	8.851	303	8.034	7.772	262
Transportation	15.538	15.533	5	15.238	15.234	4
Insurance	53.168	51.427	1.741	39.272	37.587	1.685
Rents	5.616	5.583	33	17.738	17.730	8
Travel and lodging expenses	35.526	34.956	570	36.215	35.652	563
Stationery and printing	3.929	3.708	221	2.402	2.236	166
Licences	15.882	15.882	0	17.569	17.567	2
Taxes and government contributions	34.197	9.449	24.748	38.284	5.166	33.118
Directors and syndics	6.661	0	6.661	687	0	687
Security	25.937	25.930	7	37.376	37.346	30
Office and substation cleaning	18.575	17.319	1.256	24.118	22.640	1.478
Electroduct maintenance	25.350	25.350	0	29.179	29.179	0
Prevision for bad debts	(19.379)	(19.379)	0	12.648	12.648	0
Others	29.529	18.030	11.499	22.153	13.035	9.118
TOTAL	1.479.725	1.310.874	168.851	1.446.742	1.288.518	158.224

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Items	Nine-month period ended September 30, 2019			Nine-month period ended September 30, 2018		
	Total	Operating Expenses	Administrative Expenses	Total	Operating Expenses	Administrative Expenses
Salaries and social security charges	2.484.105	2.230.609	253.496	2.416.799	2.152.933	263.866
Other personnel costs	35.079	22.749	12.330	26.138	19.685	6.453
Fees for operating services	0	0	0	55.919	55.919	0
Professional fees	83.690	56.469	27.221	85.820	54.810	31.010
Equipment maintenance	67.671	67.671	0	64.052	64.052	0
Fuel and lubricants	51.290	50.868	422	52.698	52.183	515
General Maintenance	158.097	157.042	1.055	165.796	164.056	1.740
Electricity	20.913	19.794	1.119	17.283	16.042	1.241
Depreciation of property, plant and equipment	755.213	680.068	75.145	662.336	596.102	66.234
Administration expenses related to WEM	7.420	7.420	0	7.573	7.573	0
Regulatory fees	11.711	11.711	0	19.002	19.002	0
ATEERA membership fees	2.728	0	2.728	1.744	0	1.744
Communications	26.453	25.875	578	22.724	22.107	617
Transportation	45.075	44.988	87	33.272	33.257	15
Insurance	172.089	168.024	4.065	127.484	122.539	4.945
Rents	13.094	12.977	117	47.068	46.869	199
Travel and lodging expenses	100.965	98.733	2.232	112.926	111.435	1.491
Stationary and printing	11.892	10.950	942	9.040	8.191	849
Licences	39.792	39.792	0	36.291	35.614	677
Taxes and government contributions	131.664	38.670	92.994	139.898	23.739	116.159
Directors and syndics	19.991	0	19.991	9.047	0	9.047
Security	85.555	85.529	26	113.694	113.642	52
Office and substation cleaning	56.974	53.025	3.949	65.097	60.336	4.761
Electroduct maintenance	49.349	49.349	0	53.957	53.957	0
Prevision for bad debtors	(13.908)	(13.908)	0	33.551	33.551	0
Others	68.041	50.606	17.435	68.317	49.219	19.098
TOTAL	4.484.943	3.969.011	515.932	4.447.526	3.916.813	530.713

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9. Net Financial Results

Financial Results

	Three-month period ended		Nine-month period ended	
	September 30, 2019	**September 30, 2018**	**September 30, 2019**	**September 30, 2018**
Finance Income				
Results from investments at fair value	171.017	337.066	563.041	678.529
Interests from investments at amortized cost	24.656	105.466	29.580	226.494
Other finance income	109.832	42.769	274.361	73.675
Total finance income	305.505	485.301	866.982	978.698
Finance Costs				
Interest generated by loans	(139.160)	(146.612)	(391.670)	(357.772)
Other interest	(144.649)	(54.878)	(326.518)	(102.461)
Total finance costs	(283.809)	(201.490)	(718.188)	(460.233)
Other financial results				
Foreign exchange generated by loans	(1.544.825)	(1.907.123)	(2.150.130)	(3.732.236)
Foreign exchange generated by investments at fair value	621.787	194.789	641.195	445.459
Foreign exchange generated by investments at amortized cost	(32.402)	957.584	(30.402)	2.229.055
Other foreign exchenge net	107.102	609.143	752.444	661.998
RECPPC	109.067	(450.756)	328.440	(928.658)
Total Other financial results	(739.271)	(596.363)	(458.453)	(1.324.382)
Total Other financial results, net	(717.575)	(312.552)	(309.659)	(805.917)

10. Income tax and deferred income tax

The analysis of the deferred tax assets and liabilities is as follows:

Deferred Tax Assets

	Trade accounts receivables	Other receivables	Investments at fair value	Employee benefits payable	Other liabilities	Tax payable	Total
As of January 1, 2019	48.149	983	0	186.979	93.234	0	329.345
Charged to the income statement	(16.993)	(850)	0	(29.649)	(12.877)	0	(60.369)
Charged to other comprehensive income	0	0	0	0	0	0	0
As of September 30, 2019	31.156	133	0	157.330	80.357	0	268.976
As of January 1, 2018	1.664	1.451	8.016	193.263	99.709	0	304.103
Charged to the income statement	4.604	(355)	(8.016)	(42.267)	(10.179)	0	(56.213)
Charged to other comprehensive income	0	0	0	0	0	0	0
As of September 30, 2018	6.268	1.096	0	150.996	89.530	0	247.890

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Deferred Tax Liabilities

	Property, plant and equipment	Inventories	Investments at fair value	Loans	Taxes payable	Total
As of January 1, 2019	2.060.079	77.139	83.065	28.294	0	2.248.577
Charged to the income statement	747.767	16.201	173.575	(6.324)	92.450	1.023.669
Charged to other comprehensive income	0	0	0	0	0	0
As of September 30, 2019	2.807.846	93.340	256.640	21.970	92.450	3.272.246
As of January 1, 2018	2.062.947	45.223	0	28.473	0	2.136.643
Charged to the income statement	43.267	5.003	47.534	(1.394)	0	94.410
Charged to other comprehensive income	0	0	0	0	0	0
As of September 30, 2018	2.106.214	50.226	47.534	27.079	0	2.231.053

Deferred Tax Liabilities as of September 30, 2019 and December 31, 2018 amounts to $3,003,270 and $1,919,232, respectively.

The income tax charge for the year is as follows:

Current income tax	1.545.503	1.810.599
Deferred income tax	1.084.038	150.623
Income tax	2.629.541	1.961.222

The Company has recognized the income tax charge according to the deferred tax liability method, thus considering the timing differences between measurements of accounting and taxable assets and liabilities.

For purposes of determining the deferred assets and liabilities, the tax rate that is expected to be in force at the moment of their reversal or use has been applied to the timing differences identified, under legal provisions enacted at the date of issue of these financial statements.

The Tax Reform Law No. 27,430 establishes the application of the fiscal inflation adjustment provided in Title VI of the Income Tax Law with respect to the first, second and third fiscal year as of its validity (in 2018), in case the Cumulative variation in the CPI, calculated from the beginning until the end of each year, exceeds fifty-five percent (55%), thirty percent (30%) and fifteen percent (15%) for years 2018, 2019 and 2020, respectively. As of September 30, 2019, accumulated inflation amounts to 37.6%, so that the condition provided by the law of 30% for the year 2019 is exceeded.

The tax inflation adjustment must be allocated as follows: one third (1/3) in the current fiscal year and the remaining two thirds (2/3) in equal parts in the immediate following two fiscal years.

<u>Tax determined by Transba S.A. for fiscal year 2018</u>

Transba S.A. has determined the income tax for fiscal year 2018 considering the overall application of the tax inflation adjustment mechanisms provided for in Title VI of the ITL, and the restatement of fixed asset depreciation provided for by Sections 83 and 84 of that law. Without the application of the inflation adjustments, the tax determined for this period would represent an amount to be deposited that exceeds any reasonable tax limit, thus implying an alleged confiscatory situation and infringing the constitutional guarantee of not violating property rights. This procedure has been approved by the Supreme Court in similar cases, with the ruling of the case Candy S.A. dated July 3, 2009 being the most renowned.

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Should the inflation adjustment mechanisms have not been applied, the tax computed for fiscal year 2018 would have amounted to $ 637,816. At September 30, 2019 and until the matter has a final resolution, Transba S.A. will keep a provision within the caption Income tax liabilities- current for the liability for the additional income tax that would have been determined for fiscal period 2018 if the inflation adjustment had not been subtracted. The provision amounts to $ 144,823, including compensatory interest.

11. Property, plant and equipment

Principal account	Original Value				
	At the beginning of the period	Additions	Deductions	Reclasifications	At the end of the period
Land	45.671	0	0	0	45.671
Vehicles	946.794	55.430	(16.620)	0	985.604
Air and heavy equipment	569.651	73.614	(5.388)	0	637.877
Furniture and fixtures	112.962	848	0	0	113.810
Information systems	361.902	36.392	(33)	0	398.261
Transmission lines	13.321.239	13	0	130.382	13.451.634
Substations and related works	14.049.181	36.235	0	573.105	14.658.521
Building and civil works	1.298.628	7.023	0	39.106	1.344.757
Labs and maintenance	300.240	13.961	0	29.872	344.073
Communication equipment	1.664.994	992	0	44.330	1.710.316
Miscellaneous	327.112	33.300	0	0	360.412
Work in progress	6.180.808	1.695.552	0	(816.795)	7.059.565
Lease assets	0	0	0	0	0
Total September 30, 2019	39.179.182	2.044.725	(22.041)	0	41.201.866
Total September 30, 2018	35.706.754	2.420.534	(188.492)	0	37.938.796

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Principal account	Depreciation				Net carrying value	
	At the beginning of the period	Deductions	From the period	At the end of the year	At September 30, 2019	At September 30, 2018
Land	0	0	0	0	45.671	45.671
Vehicles	(598.698)	10.404	(53.226)	(641.520)	344.084	286.861
Air and heavy equipment	(193.189)	5.388	(19.290)	(207.091)	430.786	333.271
Furniture and fixtures	(80.551)	0	(3.130)	(83.681)	30.129	32.074
Information systems	(269.242)	33	(37.115)	(306.324)	91.937	83.857
Transmission lines	(10.404.738)	0	(219.492)	(10.624.230)	2.827.404	3.210.679
Substations and related works	(8.620.155)	0	(299.621)	(8.919.776)	5.738.745	5.455.349
Building and civil works	(550.195)	0	(25.531)	(575.726)	769.031	634.570
Labs and maintenance	(116.097)	0	(12.908)	(129.005)	215.068	177.169
Communication equipment	(1.411.618)	0	(37.918)	(1.449.536)	260.780	262.525
Miscellaneous	(250.710)	0	(24.593)	(275.303)	85.109	68.776
Work in progress	0	0	0	0	7.059.565	5.105.577
Lease assets	0	0	0	0	0	0
Total September 30, 2019	(22.495.193)	15.825	(755.213)	(23.234.581)	17.967.285	-
Total September 30, 2018	(21.658.287)	78.206	(662.336)	(22.242.417)	-	15.696.379

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

During the nine-month periods ended September 30, 2019 and 2018, the Company has not capitalized interest costs.

12. Other receivables

	September 30, 2019	December 31, 2018
Non-Current		
Stock Ownership Program (22)	0	7.331
Total	0	7.331

	September 30, 2019	December 31, 2018
Current		
Advances to suppliers	554.928	954.596
Prepaid expenses	62.347	264.583
Tax credits	14.575	5.679
Judicial seizure	12.362	3.853
Loans to employees	9.958	11.964
Others	87	106
Total	654.257	1.240.781

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

As of September 30, 2019 and December 31, 2018, there are no other past due credits.

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13. Trade accounts receivable

	September 30, 2019	December 31, 2018
Current		
CAMMESA	2.112.609	2.044.407
Other services	316.673	416.503
Other related parties (Note 22)	2.782	7.925
Allowances for bad debt	(104.414)	(164.166)
Total	2.327.650	2.304.669

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

Allowances for bad debt

	September 30, 2019	September 30, 2018
Total at the beginning of the year	164.166	6.440
Increases	6.125	34.869
Decreases	(65.877)	(5.490)
Total at the end of the year	104.414	35.819

14. Cash and cash equivalents

	September 30, 2019	December 31, 2018
Cash in local currency	2.050	2.027
Cash in foreign currency	873	789
Banks in local currency	2.070	51.904
Banks in foreign currency	6.267	3.772.286
Cash and cash equivalents, net	11.260	3.827.006

15. Investments

	September 30, 2019	December 31, 2018
Current investments		
Investments at fair value:		
Mutual funds	3.962.550	2.043.526
Bonos de la Nación Argentina (Bonar)	0	265.049
Total	3.962.550	2.308.575
Investments at amortized cost:		
Mutual guarantee companies	21.960	27.510
Letras del tesoro (Letes)	0	336.409
	21.960	363.919

16. Loans

	September 30, 2019	December 31, 2018
Non-current bonds and other indebtedness		
Class 2 Notes	5.211.118	5.001.883
Total Non-current	5.211.118	5.001.883
Current bonds and other indebtedness		
Class 2 Notes	66.297	190.974
Total Current	66.297	190.974

	September 30, 2019	September 30, 2018
Total at the beginning of the period	5.192.857	3.768.762
Accrued interests	391.670	357.772
Foreign Exchange	2.150.130	3.732.236
Repurchases of Class 2 Notes	(345.576)	0
Interest payments	(527.687)	(422.789)
Results from repurchases of Class 2 Notes	(13.011)	0
RECPPC	(1.570.968)	(1.263.843)
Total at the end of the period	5.277.415	6.172.138

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

The fair value of loans of the Company as of September 30, 2019 amounts approximately to thousands of $ 4,717,538. This value was calculated based on the market price.

17. Employee Benefits expense

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

	Nine-month period ended	
	September 30, 2019	September 30, 2018
Charges to Income		
Services Cost	33.454	31.050
Interest Cost	137.894	89.931
Total	171.348	120.981

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

	September 30, 2019	September 30, 2018
Benefits Obligations at the beginning of the year	726.953	723.224
Services Cost	33.454	31.050
Interest Cost	137.894	89.931
Benefits paid to participants	(53.564)	(103.457)
RECPPC	(215.414)	(177.820)
Benefits Obligations at the end of the year	629.323	562.928

Non - current benefits obligations	527.780	469.792
Current benefits obligations	101.543	93.136
Benefits Obligations at the end of the year	629.323	562.928

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%

18. Trade accounts payable

	September 30, 2019	December 31, 2018
Non-Current		
Lease liabilities	34.626	0
Advances from customers	26	522
Total	34.652	522

	September 30, 2019	December 31, 2018
Current		
Suppliers	352.139	881.870
Provisions	156.052	400.675
Lease liabilities	26.747	0
Advances from customers	59.315	106.508
Other liabilites	257.929	235.909
Total	852.182	1.624.962

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

(In Argentine Pesos, except as otherwise indicated)

19. Provisions

As of September 30, 2019 and 2018 the balances of foreign currency assets and liabilities are as follows:

	September 30, 2019	September 30, 2018
Labor lawsuits		
Total at the beginning of the period	62.222	63.265
Increases	0	16.830
Decreases	(22.328)	(16.511)
Total at the end of the period	39.894	63.584
Regulatory lawsuits		
Total at the beginning of the period	10.191	15.050
Increases	0	0
Decreases	(5.791)	(3.681)
Total at the end of the period	4.400	11.369
Commercial lawsuites		
Total at the beginning of the period	42.745	67.850
Increases	22.104	40.787
Decreases	(17.600)	(56.520)
Total at the end of the period	47.249	52.117
Total at the end of the period	91.543	127.070

20. Taxes payable

	September 30, 2019	December 31, 2018
V.A.T. payable	127.938	196.291
Withholding tax to be deposited – Income tax	4.344	12.293
Others	22.821	15.335
Total	155.103	223.919

21. Payroll and social securities taxes payable

	September 30, 2019	December 31, 2018
Salaries and social security charges	373.117	403.616
Provision for variable remuneration	266.764	359.730
Provision for holidays	48.509	81.371
Total	688.390	844.717

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.

On April 25, 2019 the Ordinary General Meeting of Shareholders of Transener resolved the distribution of dividends for thousands of $ 4,061,847, corresponding to Citelec S.A. 52.65%, equivalent to thousands of $ 2,138,564.

(In Argentine Pesos, except as otherwise indicated)

The transactions with related parties are as follows:

Companies Law No. 19550 – Sect. 33

	Nine-month period ended	
	September 30, 2019	**September 30, 2018**
Sales of assets and services rendered to Pampa Energía S.A.	4.306	5.730
Fees for operating services		
*Pampa Energía S.A.	0	27.960
*Integración Energética Argentina S.A.	0	27.960

Other related parties

	Nine-month period ended	
	September 30, 2019	**September 30, 2018**
Sales of assets and services rendered to Transportadora de Gas del Sur S.A.	86	282
Sales of assets and services rendered to Enecor S.A.	3.602	3.843

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

Companies Law No. 19550 – Sect. 33

	September 30, 2019	**December 31, 2018**
Trade account receivables		
Pampa Energía S.A.	367	5.232
Total	367	5.232
Other credits		
Stock Ownership Program (Note 25)	0	7.331
Total	0	7.331

Other related parties

Assets		
Trade account receivable		
Enecor S.A.	2.415	2.604
Transportadora de Gas del Sur S.A.	0	89
Total	2.415	2.693

23. Investment in Transener Internacional Ltda.

As of September 30, 2019, 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 September 30, 2019, the remaining balance of the Series 2 Notes amounted to thousands of US$ 98,535, of which US$5.000 and US$ 1.600 thousands were purchased by Transba and Transener, respectively. In both cases the repurchased Class 2 Notes are in the portfolio.

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 September 30, 2019 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.

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

25. Employee Stock Ownership Program – Transba S.A.

In 1997, the Executive Branch of the Province of Buenos Aires awarded to Transener S.A. 100% of the Class A, B and C shares in Transba S.A. for USD 220.2 million. As for Class C shares, they were awarded with the condition of being transferred to the Employee Share Participation Program (PPAP, for its acronym in Spanish) under the terms of Chapter XII of the Bidding Terms and Conditions of Transba S.A. This program was created for the benefit of certain employees of Transba S.A.

(In Argentine Pesos, except as otherwise indicated)

Consequently, Transener S.A. held 89.9999995216 % of the shares in Transba S.A. The remaining participation belonged: a) 0.0000004784% to Citelec S.A. and b) 10% to PPAP, for a price whose balance at historical value was recorded in due time under "Other non-current receivables".

Last June 28, 2019 Transener S.A. became the owner of all shares affected to the PPAP (41,806,717 Class C shares). In this way, Transener S.A. owns 99.9999995216 % of the capital stock of Transba S.A.

The result of the operation is disclosed under Reserve for acquisition of non-controlling interest, in the Shareholders' equity.

The amount of the operation amounted to thousands $ 267.537.

26. 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.

	Nine-month period ended	
	September 30, 2019	**September 30, 2018**
Results from operations attributable to the equity holders of the Company	2,468,473	2,908,789
Ordinary shares average	444,674	444,674
Income per share attributable to the equity holders of the Company ($/Share)	5,55	6,54

27. 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.

28. Interruption of the service in the Argentine Interconnection System (SADI) - June 16, 2019

Last June 16, at 7.07 am a total interruption of the Argentine Interconnection System (SADI) service occurred.

The full interruption of the service was due to the concurrence of multiple inconveniences within SADI, some of them outside the scope of the System of Transport under the operation and maintenance of Transener S.A.

As to the System of Transport under the responsibility of Transener S.A., the fault was due to a specific technical issue, and not to a lack of investment and maintenance. Given the change of setting of the Litoral corridor, as a result of the bypass between the 500kV lines Colonia Elía - Campana and Colonia Elía - Manuel Belgrano, the mechanism for Automatic Disconnection of Generation (DAG) was not correctly adapted and did not recognize the signals emitted by the protection system. This bypass was made due to the transfer of tower 412 and with the aim of maintaining the greatest possible transport of energy capacity of the Litoral corridor.

Due to the great volume of energy dispatched from said corridor and the fault in DAG, an imbalance occurred between offer and supply, which could not be supported by the remaining containment barriers of the system outside the scope of the electrical transport, thus generating the total interruption of the service.

The transport system at 500 kV was available immediately after the disturbance, with 100% of the transmission lines available to provide service and resume the system activity. The restoration of service was quick, in general, (by 8.30am 75% of the country's supply had been restored).

The Company estimated that due to the event described above, it will be subject to a penalty of approximately $ 6.6. million, which has been recorded in these financial statements. The estimate is made based on the application of the Rules on Quality Service and Penalties of the High-Tension Transport System which form part of the Concession Contract of Transener S.A. as amended and supplemented, under Sub-annex II-B.

At the date of these financial statements, the Company has not been notified by ENRE on the fine to the applied to the Company. The fine finally imposed by ENRE could differ from the estimate made by the Company.

29. Restricted assets and limitations to transfer of shares

Restricted assets

Both for Transener S.A. and Transba S.A., the Concession Contract forbids the concessionaire Company to set up a pledge, mortgage or any other lien or encumbrance on behalf of third parties on the assets used to provide the Utility of transport of high-voltage electricity at a national level in the case of Transener S.A. and Utility of transport of electricity at a provincial level for Transba S.A., without prejudice to the free availability of those assets that in the future were inappropriate or unnecessary for such purpose, at ENRE's discretion.

Limitations to the transfer of shares

Transener S.A. By-laws forbids holders of Class A shares (Citelec S.A.) to change their interest and sell shares without the prior approval of ENRE or otherwise of the agency that replaces it. Transener S.A. is neither allowed to change or sell its interest in Transba S.A. without the prior approval of said agency.

As established in the Concession Contract, Citelec S.A. as regards Transener S.A. and Transener S.A. as regards Transba S.A. have set up a pledge on behalf of the National Government on the total of Class A shares, to guarantee compliance with obligations undertaken. Awardees Citelec S.A. and Transener S.A. should increase the guarantee by pledging Class A shares to be subsequently acquired as a result of new capital contributions that they make or the capitalization of earnings and/or capital adjustment balances and the successive possible transfers of the majority share package of Class A shares will be transferred with the pledge.

In addition, the By-laws also forbid the setting up of a pledge or any other lien on the mentioned Class A shares, except for certain exceptions mentioned in the Concession Contract.

30. Economic environment in which the Company operates

The Company operates in an economic context in which the main variables have been affected by a strong volatility as a result of political and economic events at a national and international level.

In the local market, particularly, the shares of the main public companies, the sovereign bonds and the Argentine peso suffered a sharp decline in their value.

In this scenario, the national government implemented economic measures, such as: i) restrictions on exchange market - Specific periods of time for bringing in and trading foreign currency from export transactions and the

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Notes to the Unaudited Condensed Consolidated Financial Statements
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request of BCRA authorization for the payment of debts to foreign related parties; ii) deferral of certain short-term debt instruments; iii) freeze on the price of the crude oil barrel and fuel for 90 days, and iv) changes to fourth-bracket Income Tax and tax settlement plans for SMEs.

Company Management constantly supervises the evolution of the situations affecting its business to define possible courses of action and identify the potential impact on its financial position.

The Company's Financial Statements must be read in light of these circumstances.

31. Foreign currency assets and liabilities

As of September 30, 2019 and December 31, 2018 the balances of foreign currency assets and liabilities are as follows:

Captions	September 30, 2019			December 31, 2018	
	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$ 123	57,390	7.071	US$ 73.147	3.773.032
Cash and banks	R$ 5	13,850	69	US$ 3	43
Investments at fair value	US$ 40.417	57,390	2.319.515	US$ 5.138	265.049
Investments at amortized cost			0	US$ 6.522	336.410
Total current assets			2.326.655		4.374.534
Total assets			2.326.655		4.374.534
Liabilities					
Non current liabilities					
Debt and other indebtedness	US$ 90.487	57,590	5.211.118	US$ 96.456	5.001.883
Total non current liabilities			5.211.118		5.001.883
Current liabilities					
Debt and other indebtedness	US$ 1.151	57,590	66.297	US$ 3.683	190.974
Trade accounts payable	US$ 527	57,590	30.326	US$ 8.072	418.565
Trade accounts payable	SEK 7.688	57,590	45.289		0
Trade accounts payable			0	€ 11	677
Total current liabilities			141.912		610.216
Total liabilities			5.353.030		5.612.099

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