

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

**Unaudited Condensed Interim Consolidated Financial Statements as of June 30, 2018
and for the three-month and six-month periods ended June 30, 2018 and 2017**



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

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REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders, President and Directors of
Compañía de Transporte de Energía Eléctrica en
Alta Tensión Transener S.A.
Legal address: Avda. Paseo Colón 728 – 6° Piso
City of Buenos Aires
Tax Code N° 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 "Transener S.A.") as of June 30, 2018 and the related condensed interim consolidated statement of operations for the three and six months period then ended, the condensed interim consolidated statements of changes in equity and cash flows for the six months period then ended, and the selected explanatory notes.

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

Board responsibility

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

Scope of our review

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

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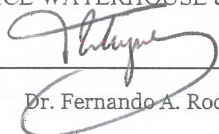


Conclusion

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.

City of Buenos Aires, August 7, 2018.

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.
Unaudited Condensed Interim Consolidated Statements of Operations
for the three-month and six month periods ended June 30, 2018 and 2017
 (Expressed in thousands of Argentine Pesos)

Consolidated income statement	Note	Three-month period ended		Six-month period ended	
		June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Net Revenues	7	1,915,724	1,447,980	3,758,598	2,642,645
Operating expenses	8	(660,531)	(542,287)	(1,256,075)	(1,019,261)
Gross income		1,255,193	905,693	2,502,523	1,623,384
Administrative expenses	8	(93,089)	(83,199)	(179,287)	(152,518)
Other expenses net		(6,782)	(9,424)	(19,709)	(25,403)
Operating income		1,155,322	813,070	2,303,527	1,445,463
Finance income	9	134,675	44,756	264,075	78,399
Finance costs	9	(78,030)	(50,768)	(138,676)	(97,378)
Other financial results	9	(123,292)	(82,056)	(138,953)	(31,459)
Income before taxes		1,088,675	725,002	2,289,973	1,395,025
Income tax	10	(312,659)	(255,868)	(674,199)	(491,895)
Income for the period		776,016	469,134	1,615,774	903,130
Income attributable to :					
Owners of the parent		731,238	452,718	1,539,223	875,933
Non-controlling interests		44,778	16,416	76,551	27,197
Total for the period		<u>776,016</u>	<u>469,134</u>	<u>1,615,774</u>	<u>903,130</u>
Other consolidated comprehensive income					
Income for the period		776,016	469,134	1,615,774	903,130
Items that will not be reclassified to profit or loss					
Recognition of actuarial income in retirement benefits plans		0	0	0	0
Tax effect on actuarial income in retirement benefits plans		0	0	0	0
Total comprehensive income for the period		<u>776,016</u>	<u>469,134</u>	<u>1,615,774</u>	<u>903,130</u>
Attributable to :					
Owners of the parent		731,238	452,718	1,539,223	875,933
Non-controlling interests		44,778	16,416	76,551	27,197
Total for the period		<u>776,016</u>	<u>469,134</u>	<u>1,615,774</u>	<u>903,130</u>
Income per share attributable to the equity holders of the Company:					
Total for the period	25	1.64	1.02	3.46	1.97

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

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Compañía de Transporte de Energía Eléctrica en Alta Tensión Transener S.A.
Unaudited Condensed Interim Consolidated Balance Sheets as of June 30, 2018 and December 31, 2017
 (Expressed in thousands of Argentine Pesos)

	Note	<u>June 30, 2018</u>	<u>December 31, 2017</u>
Assets			
Non-current assets			
Property, plant and equipment	11	3,019,313	2,453,084
Other receivables	12	5,329	5,329
Deferred tax assets	10	61,201	66,993
Investments at amortized cost	15	20,000	20,000
Total Non-current assets		<u>3,105,843</u>	<u>2,545,406</u>
Current Assets			
Trade accounts receivable	13	1,483,022	1,361,704
Other receivables	12	500,664	391,616
Investments at fair value	15	1,525,868	1,477,860
Investments at amortized cost	15	2,386,586	1,532,793
Cash and cash equivalents	14	338,345	25,182
Total Current assets		<u>6,234,485</u>	<u>4,789,155</u>
Total Assets		<u>9,340,328</u>	<u>7,334,561</u>
Equity and liabilities			
Common Stock		444,674	444,674
Inflation adjustment on common stock		352,996	352,996
Share premium		31,979	31,979
Legal reserve		145,124	42,628
Voluntary reserve		63,686	0
Reserve for future dividends		1,883,721	0
Other comprehensive results		(63,686)	(63,686)
Retained earnings		1,539,223	2,049,903
Equity attributable to owners of the parent		<u>4,397,717</u>	<u>2,858,494</u>
Non-controlling interests		<u>222,354</u>	<u>145,803</u>
Total equity		<u>4,620,071</u>	<u>3,004,297</u>
Liabilities			
Non-current liabilities			
Debt and other indebtedness	16	2,772,961	1,786,610
Employee benefits payable	17	311,621	294,706
Trade accounts payable	18	1,119	1,008
Total Non-current liabilities		<u>3,085,701</u>	<u>2,082,324</u>
Current liabilities			
Provisions	19	89,995	71,954
Other liabilities		779	779
Debt and other indebtedness	16	103,937	68,680
Income tax payable		403,070	1,097,134
Taxes payable	20	126,440	149,428
Payroll and social securities taxes payable	21	329,486	432,799
Employee benefits payable	17	62,416	61,323
Trade accounts payable	18	518,433	365,843
Total Current liabilities		<u>1,634,556</u>	<u>2,247,940</u>
Total Liabilities		<u>4,720,257</u>	<u>4,330,264</u>
Total Equity and liabilities		<u>9,340,328</u>	<u>7,334,561</u>

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



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Compañía de Transporte de Energía Eléctrica en Alta Tensión Transener S.A.
Unaudited Condensed Interim Consolidated Statements of Changes in Equity for the three-month and six month periods ended June 30, 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	352,996	31,979	42,628	0	0	(41,386)	(232,190)	598,701	53,388	652,089
Comprehensive income for the six-month period	0	0	0	0	0	0	0	875,933	875,933	27,197	903,130
Other comprehensive income for the six-month period	0	0	0	0	0	0	0	0	0	0	0
Balance as of June 30, 2017	444,674	352,996	31,979	42,628	0	0	(41,386)	643,743	1,474,634	80,585	1,555,219
Comprehensive income for the three-month period	0	0	0	0	0	0	0	1,406,160	1,406,160	65,756	1,471,916
Other comprehensive income for the three-month period	0	0	0	0	0	0	(22,300)	0	(22,300)	(538)	(22,838)
Balance as of December 31, 2017	444,674	352,996	31,979	42,628	0	0	(63,686)	2,049,903	2,858,494	145,803	3,004,297
Comprehensive income for the six-month period	0	0	0	0	0	0	0	1,539,223	1,539,223	76,551	1,615,774
Other comprehensive income for the three-month period	0	0	0	0	0	0	0	0	0	0	0
Ordinary General Meeting of Shareholders held on April 12, 2018:											
- Legal reserve	0	0	0	102,496	0	0	0	(102,496)	0	0	0
- Voluntary reserve	0	0	0	0	63,686	0	0	(63,686)	0	0	0
- Reserve for future dividends	0	0	0	0	0	1,883,721	0	(1,883,721)	0	0	0
Balance as of June 30, 2018	444,674	352,996	31,979	145,124	63,686	1,883,721	(63,686)	1,539,223	4,397,717	222,354	4,620,071

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



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Compañía de Transporte de Energía Eléctrica en Alta Tensión Transener S.A.
Unaudited Condensed Interim Consolidated Statements of Cash Flows the three-month and six month
periods ended June 30, 2018 and 2017
 (Expressed in thousands of Argentine Pesos)

	Note	Six-month period ended	
		June 30, 2018	June 30, 2017
Cash flows from operating activities:			
Income for the period		1,615,774	903,130
Adjustments:			
Depreciation of property, plant and equipment	11	64,827	53,587
Instrumental Agreement		0	(478,253)
Allowances for bad debt	13	11,424	9,213
Provisions	19	18,041	(1,446)
Employee benefits plan	17	46,087	43,591
Income tax expense accrued during the period	10	674,199	491,895
Interest and foreign exchange results generated by loans	16	1,117,679	150,979
Investments at fair value	9	(371,839)	(83,738)
Investments at amortized cost	9	(747,296)	(10,851)
Interest on taxes payable		0	7,263
Retirements of property, plant and equipment	11	15,920	3,955
Changes in certain assets and liabilities, net of non-cash:			
(Increase) Decrease in trade receivables		(132,742)	(918,702)
(Increase) Decrease in other receivables		(109,048)	(3,044)
Increase (Decrease) in trade accounts payable		152,701	9,327
Increase (Decrease) in payroll and social securities taxes payable		(103,313)	(75,650)
Increase (Decrease) in taxes payable		(311,436)	(144,597)
Increase (Decrease) in provisions	19	0	(923)
Increase (Decrease) of employee benefits payable	17	(28,079)	(16,619)
Income tax payment		(1,074,023)	
Net cash generated by (used in) operating activities		838,876	(60,883)



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Unaudited Condensed Interim Consolidated Statements of Cash Flows for the three-month and six month
periods ended June 30, 2018 and 2017
(continued)

(Expressed in thousands of Argentine Pesos)

	Note	Six-month period ended	
		<u>June 30, 2018</u>	<u>June 30, 2017</u>
Cash flows from investing activities:			
Acquisition of property, plant and equipment	11	(646,976)	(211,003)
Decrease / (Increase) in investments at fair value		323,831	(412,480)
Increase in financial assets at amortized cost		(106,497)	(185,068)
Cash used in investing activities		<u>(429,642)</u>	<u>(808,551)</u>
Cash flows from financing activities:			
Funds from CAMMESA Financing		0	933,173
Payments and repurchase of bonds and other indebtedness - Interest	16	(96,071)	(74,407)
Net cash generated by financing activities		<u>(96,071)</u>	<u>858,766</u>
Increase / (Decrease) in cash and cash equivalents		313,163	(10,668)
Cash and cash equivalents at the beginning of the period		<u>25,182</u>	<u>66,523</u>
Cash and cash equivalents at period end	14	<u><u>338,345</u></u>	<u><u>55,855</u></u>
Significant non-cash transactions			
Decrease in accounts receivable		0	933,173
Decrease in other liabilities - CAMMESA Financing		0	(933,173)
		<u>0</u>	<u>0</u>

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Compañía de Transporte de Energía Eléctrica en Alta Tensión Transener S.A.
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
(In 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 Interim 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 Anónima Transba 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 interim 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 unaudited condensed interim consolidated financial statements, Transener holds 99.93% of Transener International Ltda's shares. On March 25, 2012, the Board of Directors approved to discontinue the Transener International Ltda's operation and maintenance contracts.

These unaudited condensed interim consolidated financial statements (hereinafter referred to as "financial statements"), have been approved for issuance by the Board of Directors on August 7, 2018.

2. Tariff Review

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

Within the framework of the above mentioned resolution, on January 31st, 2017 the ENRE issued Resolutions Nos. 66/17, 84/17 and 139/17, and Nos. 73/17, 88/17 and 138/17, by which the new tariff system in force for the five-year period 2017/2021 was established, resulting in the annual amounts of AR\$ 3.274 and AR\$ 1.499 million in currency of February 2017, for Transener and Transba, respectively. Those resolutions also provide for the execution of an investment plan during the five-year period 2017/2021 for the amounts of AR\$ 3.336 and AR\$ 2.251 million for Transener and Transba, respectively.

The ENRE also established the tariff adjustment mechanism, the regime of quality of service and penalties and the system of awards.

Due to the differences between the tariff proposals formulated under the framework of the FTR process initiated by the ENRE, on April 7th and 21st, 2017, Transener and Transba filed, respectively, an appeal for reconsideration with a subsidy appeal against the ENRE Resolutions Nos. 66/17, 84/17 and 139/17, and Nos. 73/17, 88/17 and 138/17.

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On October 31st, 2017, Transener and Transba were notified of ENRE Resolutions Nos. 516/17 and 517/17, through which the ENRE partially accepted the reconsideration appeals filed against ENRE Resolutions N° 66/17, 84/17 and 139/17 and N° 73/17, 88/17 and 138/17 by Transener and Transba, respectively.

These resolutions established a new tariff system for Transener and Transba, retroactively to February 2017, resulting in annual regulated revenues of AR\$ 3.534 and AR\$ 1.604 million, respectively.

On December 15th, 2017, the ENRE issued Resolutions Nos. 627/17 and 628/17, through which the new tariff system was established, as a result of the tariff adjustment mechanism established in the FTR, effective as from August 2017, resulting in regulated annual revenues of AR\$ 3.933 and AR\$ 1.771 million for Transener and Transba, respectively.

On February 15th, 2018, the ENRE issued Resolutions Nos. 37/18 and 38/18, which were modified by Resolutions Nos. 99/18 and 100/18 on April 5th, 2018, establishing the new tariff system as from February 2018, resulting the annual regulated revenues in AR\$ 4.388 and AR\$ 1.979 million for Transener and Transba, respectively.

Additionally, during the fiscal year 2017, Transener and Transba requested the recognition of the damages from the breaches by the National State with respect to (i) the lack of the adjustment of the remuneration for the provision of the public service of transmission of high voltage electricity and by trunk distribution of the Province of Buenos Aires, in accordance with the real cost variations according to the Transition Tariff Regime and (ii) the lack of the reasonable profitability that should result from the FTR process, both concepts for the period May 2013 – January 2017.

Nevertheless, the claims made by Transener and Transba regarding the valuation of the capital base on which the profitability set by ENRE Resolution N° 553/16 is applied, and other aspects not favorably resolved, will continue their process before the Secretariat of Electrical Energy under the appeals filed on a subsidiary basis to the reconsideration resources.

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. These companies must present, within 30 days, the information of costs, investments and tariff requests to the ENRE, which must also have the opinion of Transener as a concessionaire of the High Voltage Transport System.

3. Purpose of financial statements

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

4. Significant accounting policies

The main accounting policies used in the preparation of these unaudited condensed interim 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 condensed interim consolidated statements for the six-month period ended June 30, 2018 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 six-month period ended June 30, 2018 do not necessarily reflect the proportion of the Company's results for the full year.

These interim condensed separate financial statements of the Company for the nine-month period ended September 30, 2017 were prepared in accordance with International Accounting Standard No. 34 "Interim Financial Reporting" (IAS 34), approved by the IASB.

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(In Argentine Pesos, except as otherwise indicated)

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

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

At June 30, 2018, it is not possible to calculate the cumulative inflation rate for the three-year period then ended based on official data from the National Institute of Statistics and Census (INDEC), given that in October 2015, this agency discontinued the calculation of the Domestic Wholesale Price Index, only resuming its calculation from January 2016 onwards.

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

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

4.2 Consolidation

The unaudited condensed interim 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.
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.

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(In Argentine Pesos, except as otherwise indicated)

Transba S.A. significant information corresponding to assets, liabilities and results of operations as of June 30, 2018 and December 31, 2017 is as follows:

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
Total assets	2,823,728	2,267,048
Total liabilities	600,187	809,015
Total equity	2,223,541	1,458,033
Total comprehensive income for the period	765,508	924,154

4.3 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 Contracts with Customers”: it was issued in May 2014 and in September 2015, its effective date was modified so that it is applied for annual periods beginning on or after January 1, 2018. This standard is about the principles for revenue recognition and it addresses the information requirements on the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. The underlying principle implies the recognition of revenues representing the transfer of goods or services promised to customers in exchange for an amount reflecting the consideration to which the entity expects to be entitled.

- 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.

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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, modifications and interpretations not yet effective and which have not been 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

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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 be applied for annual reporting periods beginning on or after January 1, 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.

- 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.

4.4 Risk policy and accounting estimates

In the preparation of these financial statements, the Company has applied the risk policies and accounting estimates consistently with those of the previous year. There are no significant variations at June 30, 2018 compared with the previous year as regards the risk analysis.

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5. Financial instruments by category and level of fair value hierarchy

Description	Measurement at fair value as of June 30, 2018			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Investments at fair value	1,525,868	0	0	1,525,868
Total Assets	1,525,868	0	0	1,525,868

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

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.

6. Segment reporting

The sales and assets of the Company are basically carried out in Argentina, therefore, no segments by geographic area have been identified.

The operating segments have been adapted to the guidelines of ENRE Resolution 176/2013, which establishes that a regulatory accounting system will enter into force since January 1, 2014, differentiating regulated from non-regulated activity pursuant to the resolution.

The segment information submitted to the General Director, who takes the business strategic decisions, for the reportable segments for the six-month periods ended June 30, 2018 and 2017 is as follows:



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	Regulated activity	Non-regulated activity	Total
	\$	\$	\$
<u>Six-month period ended June 30, 2018</u>			
Net revenues	3,312,687	445,911	3,758,598
Operating results	2,023,636	279,891	2,303,527
Total assets	9,132,075	208,253	9,340,328
Total liabilities	4,087,339	632,918	4,720,257
Acquisition of property, plant and equipment	646,976	0	646,976
Property, plant and equipment depreciation	64,827	0	64,827
<u>Three-month period ended June 30, 2017</u>			
Net revenues	2,477,274	165,371	2,642,645
Operating results	1,347,481	97,982	1,445,463
Total assets	4,537,525	62,617	4,600,142
Total liabilities	2,682,334	362,589	3,044,923
Acquisition of property, plant and equipment	211,003	0	211,003
Property, plant and equipment depreciation	53,587	0	53,587

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

	Three-month period ended		Six-month period ended	
	June 30, 2018	June 30, 2018	June 30, 2018	June 30, 2018
Net Regulated Revenue	1,694,516	1,363,624	3,312,687	2,477,274
Net Non-Regulated Revenue	221,208	84,356	445,911	165,371
Net Revenues	<u>1,915,724</u>	<u>1,447,980</u>	<u>3,758,598</u>	<u>2,642,645</u>

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8. Expenses by Nature

Items	Three-month period ended June 30, 2018			Three-month period ended June 30, 2017		
	Total	Operating Expenses	Administrative Expenses	Total	Operating Expenses	Administrative Expenses
Salaries and social security charges	470,834	411,160	59,674	401,370	349,473	51,897
Other personnel costs	4,789	4,019	770	2,681	2,328	353
Fees for operating services	13,800	13,800	0	24,120	24,120	0
Professional fees	16,344	11,965	4,379	7,463	2,483	4,980
Equipment maintenance	7,158	7,158	0	8,123	8,123	0
Fuel and lubricants	9,412	9,393	19	6,934	6,870	64
General Maintenance	27,887	27,763	124	16,373	16,309	64
Electricity	3,206	2,951	255	1,445	1,240	205
Depreciation of property, plant and equipment	33,351	30,014	3,337	27,352	24,617	2,735
Administration expenses related to WEM	1,140	1,140	0	1,417	1,417	0
Regulatory fees	3,534	3,534	0	220	220	0
ATEERA membership fees	334	0	334	380	0	380
Communications	4,039	4,013	26	3,516	3,398	118
Transportation	5,406	5,404	2	3,896	3,896	0
Insurance	24,087	23,119	968	16,177	16,136	41
Rents	9,896	9,880	16	5,583	5,583	0
Travel and lodging expenses	22,801	22,733	68	21,006	20,852	154
Stationery and printing	1,578	1,393	185	1,670	1,352	318
Licences	5,260	5,260	0	4,387	4,387	0
Taxes and government contributions	26,386	6,282	20,104	20,826	4,238	16,588
Directors and syndics	1,927	0	1,927	2,471	0	2,471
Security	21,422	21,417	5	16,144	16,137	7
Office and substation cleaning	11,152	10,279	873	9,452	8,717	735
Electroduct maintenance	9,741	9,741	0	1,671	1,671	0
Prevision for bad debts	7,228	7,228	0	9,213	9,213	0
Others	10,908	10,885	23	11,596	9,507	2,089
TOTAL	753,620	660,531	93,089	625,486	542,287	83,199

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Items	Six-month period ended June 30, 2018			Six-month period ended June 30, 2017		
	Total	Operating Expenses	Administrative Expenses	Total	Operating Expenses	Administrative Expenses
Salaries and social security charges	889,204	786,554	102,650	747,009	659,235	87,774
Other personnel costs	9,030	7,233	1,797	5,077	3,827	1,250
Fees for operating services	27,600	27,600	0	43,490	43,490	0
Professional fees	31,731	22,400	9,331	19,380	8,698	10,682
Equipment maintenance	17,080	17,080	0	17,877	17,877	0
Fuel and lubricants	17,743	17,676	67	12,630	12,512	118
General Maintenance	55,071	54,690	381	31,073	30,897	176
Electricity	6,453	6,017	436	2,685	2,365	320
Depreciation of property, plant and equipment	64,827	58,340	6,487	53,587	48,226	5,361
Administration expenses related to WEM	2,795	2,795	0	1,559	1,559	0
Regulatory fees	7,595	7,595	0	721	721	0
ATEERA membership fees	741	0	741	880	0	880
Communications	7,876	7,775	101	6,087	5,869	218
Transportation	9,666	9,661	5	7,551	7,551	0
Insurance	46,985	45,249	1,736	33,031	31,546	1,485
Rents	15,800	15,719	81	11,408	11,357	51
Travel and lodging expenses	41,018	40,687	331	36,145	35,698	447
Stationary and printing	3,511	3,228	283	3,233	2,841	392
Licences	9,648	9,648	0	9,310	9,310	0
Taxes and government contributions	54,176	9,896	44,280	40,374	8,111	32,263
Directors and syndics	4,417	0	4,417	4,457	0	4,457
Security	40,724	40,712	12	32,592	32,577	15
Office and substation cleaning	21,863	20,161	1,702	18,137	16,778	1,359
Electroduct maintenance	13,534	13,534	0	3,806	3,806	0
Provision for bad debtors	11,424	11,424	0	9,213	9,213	0
Others	24,850	20,401	4,449	20,467	15,197	5,270
TOTAL	1,435,362	1,256,075	179,287	1,171,779	1,019,261	152,518



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9. Net Financial Results

	Three-month period ended		Six-month period ended	
	June 30, 2018	June 30, 2018	June 30, 2018	June 30, 2018
<u>Finance Income</u>				
Renewal Agreement interest	0	6,900	0	14,923
Results from investments at fair value	76,123	36,253	181,092	59,449
Interests from investments at amortized cost	55,647	590	66,148	590
Other finance income	2,905	1,013	16,835	3,437
Total finance income	134,675	44,756	264,075	78,399
<u>Finance Costs</u>				
Interest generated by loans	(64,219)	(41,290)	(113,193)	(79,273)
Other interest	(13,811)	(9,478)	(25,483)	(18,105)
Total finance costs	(78,030)	(50,768)	(138,676)	(97,378)
<u>Other financial results</u>				
Foreign exchange generated by loans	(855,592)	(121,195)	(1,004,486)	(71,706)
Foreign exchange generated by investments at fair value	173,503	24,289	190,747	24,289
Foreign exchange generated by investments at amortized cost	568,256	10,261	681,148	10,261
Other foreign exchange net	(9,459)	4,589	(6,362)	5,697
Total Other financial results	(123,292)	(82,056)	(138,953)	(31,459)
Total Other financial results, net	(66,647)	(88,068)	(13,554)	(50,438)

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	820	714	3,946	95,140	49,084	149,704
Charged to the income statement	0	3,265	0	(3,946)	3,259	9,259	11,837
Charged to other comprehensive income	0	0	0	0	0	0	0
As of June 30, 2018	0	4,085	714	0	98,399	58,343	161,541
As of January 1, 2017	37,015	2,904	714	0	97,447	49,138	187,218
Charged to the income statement	(37,015)	3,224	0	0	9,440	(3,862)	(28,213)
Charged to other comprehensive income	0	0	0	0	0	0	0
As of June 30, 2017	0	6,128	714	0	106,887	45,276	159,005

Deferred Tax Liabilities

	Property, plant and equipment	Investments at fair value	Debt and other indebtedness	Total
As of January 1, 2018	68,694	0	14,017	82,711
Charged to the income statement	(2,870)	15,764	4,735	17,629
Charged to other comprehensive income	0	0	0	0
As of June 30, 2018	65,824	15,764	18,752	100,340
As of January 1, 2017	101,249	26,095	18,438	145,782
Charged to the income statement	(5,072)	4,881	(792)	(983)
Charged to other comprehensive income	0	0	0	0
As of June 30, 2017	96,177	30,976	17,646	144,799



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Deferred Tax Assets as of June 30, 2018 and December 31, 2017 amounts to thousands of \$61,201 and \$66,993, respectively.

The income tax charge for the period is as follows:

	Six-month period ended	
	June 30, 2018	June 30, 2018
Current tax	668,407	464,665
Deferred tax	5,792	27,230
Income tax	<u>674,199</u>	<u>491,895</u>

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).

	Six-month period ended	
	June 30, 2018	June 30, 2018
Net income / (loss) before income taxes	2,289,973	1,395,025
Tax rate in force	<u>30%</u>	<u>35%</u>
Net income at the tax rate	686,992	488,259
Taxable effects by:		
- Other non taxable and/or non deductible items	(12,793)	3,636
Income tax	<u>674,199</u>	<u>491,895</u>

Tax reform in Argentina

On December 29, 2017, the National Executive Branch promulgated Law N° 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).



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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 unaudited condensed interim 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 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	Original Value				
	At the beginning of the period	Additions	Deductions	Reclasifications	At the end of the period
Land	3,864	0	0	0	3,864
Vehicles	155,457	39,029	(133)	0	194,353
Air and heavy equipment	87,657	11,466	0	0	99,123
Furniture and fixtures	17,668	4,527	0	0	22,195
Information systems	46,222	15,083	(314)	0	60,991
Transmission lines	996,895	44	(3,302)	70,016	1,063,653
Substations and related works	1,284,118	3,985	(11,986)	132,771	1,408,888
Building and civil works	106,691	2,685	0	18,847	128,223
Labs and maintenance	60,101	16,022	0	0	76,123
Communication equipment	119,776	2,745	0	9,982	132,503
Miscellaneous	51,183	7,591	0	1,295	60,069
Work in progress	995,683	518,023	0	(215,246)	1,298,460
Spare parts	197,383	25,776	(6,032)	(17,665)	199,462
Total June 30, 2018	4,122,698	646,976	(21,767)	0	4,747,907
Total June 30, 2017	3,445,159	211,003	(7,097)	0	3,649,065



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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 period	At June 30, 2018	At June 30, 2017
Land	0	0	0	0	3,864	3,864
Vehicles	(78,944)	133	(11,504)	(90,315)	104,038	71,610
Air and heavy equipment	(17,161)	0	(1,955)	(19,116)	80,007	44,214
Furniture and fixtures	(7,045)	0	(834)	(7,879)	14,316	3,831
Information systems	(28,248)	314	(4,798)	(32,732)	28,259	14,739
Transmission lines	(732,058)	3,302	(2,416)	(741,172)	322,481	251,067
Substations and related works	(630,417)	2,098	(22,189)	(650,508)	758,380	565,346
Building and civil works	(45,124)	0	(1,752)	(46,876)	81,347	52,158
Labs and maintenance	(11,859)	0	(2,253)	(14,112)	62,011	37,848
Communication equipment	(86,114)	0	(3,393)	(89,507)	42,996	34,684
Miscellaneous	(32,644)	0	(3,733)	(36,377)	23,692	17,464
Work in progress	0	0	0	0	1,298,460	786,360
Spare parts	0	0	0	0	199,462	154,917
Total June 30, 2018	(1,669,614)	5,847	(64,827)	(1,728,594)	3,019,313	-
Total June 30, 2017	(1,560,518)	3,142	(53,587)	(1,610,963)	-	2,038,102

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

During the six-month periods ended June 30, 2018 and 2017, the Company has not capitalized interest costs.

12. Other receivables

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
Non-Current		
Stock Ownership Program	5,329	5,329
Total	<u>5,329</u>	<u>5,329</u>
	<u>June 30, 2018</u>	<u>December 31, 2017</u>
Current		
Advances to suppliers	428,441	266,167
Prepaid expenses	53,952	95,825
Loans to employees	9,031	9,217
Tax credits	5,284	13,716
Judicial seizure	3,090	2,435
Stock Ownership Program - Dividends receivable	779	779
Others	87	3,477
Total	<u>500,664</u>	<u>391,616</u>

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



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13. Trade accounts receivable

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
Current		
CAMMESA	1,300,142	1,190,936
Other services	186,181	163,871
Other related parties (Note 22)	11,293	10,067
Allowances for bad debt	<u>(14,594)</u>	<u>(3,170)</u>
Total	<u><u>1,483,022</u></u>	<u><u>1,361,704</u></u>

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

Allowances for bad debt

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
Total at the beginning of the year	3,170	8,295
Increases	11,424	9,213
Decreases	<u>0</u>	<u>0</u>
Total at the end of the year	<u><u>14,594</u></u>	<u><u>17,508</u></u>

14. Cash and cash equivalents

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
Cash in local currency	1,425	1,414
Cash in foreign currency	440	288
Banks in local currency	213,105	3,692
Banks in foreign currency	<u>123,375</u>	<u>19,788</u>
Cash and cash equivalents, net	<u><u>338,345</u></u>	<u><u>25,182</u></u>

15. Investments

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
Non-current investments		
Investments at amortized cost:		
Mutual guarantee companies	<u>20,000</u>	<u>20,000</u>
Total	<u><u>20,000</u></u>	<u><u>20,000</u></u>
Current investments		
Investments at fair value:		
Mutual funds	1,368,262	1,369,160
Bonos de la Nación Argentina (Bonar)	<u>157,606</u>	<u>108,700</u>
Total	<u><u>1,525,868</u></u>	<u><u>1,477,860</u></u>
Investments at amortized cost:		
Letras del tesoro (Letes)	1,776,139	1,377,679
Letras del Banco Central (Lebacs)	<u>610,447</u>	<u>155,114</u>
	<u><u>2,386,586</u></u>	<u><u>1,532,793</u></u>



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16. Loans

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
Non-current bonds and other indebtedness		
Corporate Bonds 2021	2,772,961	1,786,610
Total Non-current	<u>2,772,961</u>	<u>1,786,610</u>
Current bonds and other indebtedness		
Corporate Bonds 2021	103,937	68,680
Total Current	<u>103,937</u>	<u>68,680</u>
Total at the beginning of the period	1,855,290	1,571,560
Accrued interests	113,193	79,273
Foreign Exchange	1,004,486	71,706
Interest payments	(96,071)	(74,407)
Total at the end of the period	<u>2,876,898</u>	<u>1,648,132</u>

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

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

The fair value of non-current loans of the Company as of June 30, 2017 amounts approximately to thousands of \$ 2,866,159. 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:

	Six-month period ended	
	<u>June 30, 2018</u>	<u>June 30, 2018</u>
Charges to Income		
Services Cost	11,545	9,599
Interest Cost	34,542	33,992
Total	<u>46,087</u>	<u>43,591</u>

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

	<u>June 30, 2018</u>	<u>June 30, 2018</u>
Benefits Obligations at the beginning of the period	356,029	278,420
Services Cost	11,545	9,599
Interest Cost	34,542	33,992
Benefits paid to participants	(28,079)	(16,619)
Benefits Obligations at the end of the period	<u>374,037</u>	<u>305,392</u>
Non - current benefits obligations	311,621	257,368
Current benefits obligations	62,416	48,024
Benefits Obligations at the end of the period	<u>374,037</u>	<u>305,392</u>

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



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Discount rate	20.75%	26.00%
Current interest rate	5%	5%
Salary growth rate	2%	2%

18. Trade accounts payable

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
Non-Current		
Advances from customers	1,119	1,008
Total	<u>1,119</u>	<u>1,008</u>
	<u>June 30, 2018</u>	<u>December 31, 2017</u>
Current		
Suppliers	206,266	98,774
Provisions	139,228	148,857
Other related parties (Note 21)	20,100	10,502
Advances from customers	18,411	11,652
Other liabilities	134,428	96,058
Total	<u>518,433</u>	<u>365,843</u>

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

19. Provisions

As of June 30, 2018 and 2017 the balances of foreign currency assets and liabilities are as follows:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Labor lawsuits		
Total at the beginning of the period	28,800	24,657
Increases	0	3,450
Decreases	0	(923)
Total at the end of the period	<u>28,800</u>	<u>27,184</u>
Regulatory lawsuits		
Total at the beginning of the period	3,009	3,009
Increases	0	0
Decreases	0	0
Total at the end of the period	<u>3,009</u>	<u>3,009</u>
Commercial lawsuits		
Total at the beginning of the period	40,145	42,349
Increases	18,041	0
Decreases	0	(4,896)
Total at the end of the period	<u>58,186</u>	<u>37,453</u>
Total at the end of the period	<u>89,995</u>	<u>67,646</u>



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20. Taxes payable

	June 30, 2018	December 31, 2017
V.A.T. payable	111,682	125,764
Withholding tax to be deposited – Income tax	8,133	8,779
Others	6,625	14,885
Totales	126,440	149,428

21. Payroll and social securities taxes payable

	June 30, 2018	December 31, 2017
Salaries and social security charges	190,293	177,559
Provision for variable remuneration	101,744	204,054
Provision for holidays	37,449	51,186
Total	329,486	432,799

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.

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

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

- Transelec Argentina S.A., which own 50% of the share capital of Citelec, is a corporation (*sociedad anónima*) organized under the laws of Argentina, whose main business consists of investment and investment management activities. Transelec Argentina S.A. is controlled by Pampa Energía S.A., an Argentine corporation, that is controlled directly and indirectly by legal entities under common control with Grupo Emes S.A.
- Energía Argentina S.A., which owns 50% of the share capital of Citelec, is an Argentine corporation (*sociedad anónima*) controlled by the Government through the Ministry of Federal Planning, Public Investment and Services under Law No. 25,943.

Transener has entered into an operating agreement under which Pampa Energía S.A., ENARSA S.A. and Electroingeniería S.A. provide services, expertise and know-how in connection with certain



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Company activities. Electroingeniería S.A. gave notice in the month of November of 2010 of the transfer of its contract to Grupo Eling S.A.

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

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

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

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

The transactions with related parties are as follows:

Companies Law No. 19550 – Sect. 33

	Six-month period ended	
	June 30, 2018	June 30, 2018
Sales of assets and services rendered to Pampa Energía S.A.	1,875	572
Fees for operating services		
*Pampa Energía S.A.	13,800	21,745
*Energía Argentina S.A.	13,800	21,745

Other related parties

	Six-month period ended	
	June 30, 2018	June 30, 2018
Sales of assets and services rendered to Greenwind S.A.	1,602	0
Sales of assets and services rendered to Enecor S.A.	1,500	876
Sales of assets and services rendered to Central Piedra Buena S.A.	231	231
Sales of assets and services rendered to Transportadora de Gas del Sur S.A.	150	450
Sales of assets and services rendered to C.T.Loma de la Lata S.A.	0	81

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



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Companies Law No. 19550 – Sect. 33

Assets	June 30, 2018	December 31, 2017
Trade account receivables		
Grupo Eling S.A.	7,060	7,060
Pampa Energía S.A.	275	1,114
Total	<u>7,335</u>	<u>8,174</u>
 Liabilities		
Trade accounts payable		
Energía Argentina S.A.	13,800	5,251
Pampa Energía S.A.	6,300	5,251
Total	<u>20,100</u>	<u>10,502</u>
 Other related parties		
Assets		
Trade account receivable		
Greenwind S.A.	1,987	0
Enecor S.A.	1,939	1,829
Transportadora de Gas del Sur S.A.	32	64
Total	<u>3,958</u>	<u>1,893</u>

23. Investment in Transener Internacional Ltda.

As of June 30, 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 US\$ 100,535,000. These Notes accrue an annual interest rate of 9,75% and will mature on August 15, 2021.

As of June 30, 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;



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- v) Selling or otherwise disposing of assets, including the subsidiaries' capital stock;
- vi) Entering into agreements that restrict the dividends of the subsidiaries;
- vii) Carrying out transactions with affiliates; and
- viii) Performing mergers or consolidation transactions.

As of June 30, 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. The Program is pending authorization by the National Securities Commission.

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 period, excluding those own shares acquired by the Company.

	Six-month periods ended	
	June 30, 2018	June 30, 2017
Results from operations attributable to the equity holders of the Company	1,539,223	875,933
Ordinary shares average	444.674	444.674
Income per share attributable to the equity holders of the Company (\$/Share)	3,46	1,97

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.



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27. Foreign currency assets and liabilities

As of June 30, 2018 and December 31, 2017 the balances of foreign currency assets and liabilities are as follows:

Captions	June 30, 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 assets					
Cash and banks	US\$ 4,306	28.750	123,784	US\$ 1,081	20,048
Cash and banks	R\$ 4	7.453	31	US\$ 5	28
Investments at amortized cost	US\$ 61,779	28.750	1,776,139	US\$ 74,272	1,377,679
Investments at fair value	US\$ 5,482	28.750	157,606	US\$ 15,496	287,443
Total current assets			2,057,560		1,685,198
Total assets			2,057,560		1,685,198
Liabilities					
Non current liabilities					
Debt and other indebtedness	US\$ 96,116	28.850	2,772,961	US\$ 95,802	1,786,610
Total non current liabilities			2,772,961		1,786,610
Current liabilities					
Accounts payable	US\$ 385	28.850	11,099	US\$ 141	2,630
Debt and other indebtedness	US\$ 3,603	28.850	103,937	US\$ 3,683	68,680
Total current liabilities			115,036		71,310
Total liabilities			2,887,997		1,857,920

US\$: thousands of United States Dollars

R\$: thousands of Reais

28. Destine of the positive retained earnings as of December 31, 2017

Through Ordinary General Meeting of Shareholders held on April 12, 2018, it has been approved that the positive retained earnings as of December 31, 2017 of thousands of \$ 2,049,903 are destined: a) 5% of said positive result, that is thousands of \$ 102,496, to the Legal Reserve, b) thousands of \$ 63,686 to voluntary reserve, in order to comply with the provisions of Title IV, Chapter III, Article 8 point B.I. of the CNV Rules by virtue of the negative balance of the Other Comprehensive Income, and c) thousands of \$ 1,883,721 to a reserve account for future dividends, delegating to the board the power to decide its distribution during the current fiscal year on the occasion and for the amount it deems necessary.