

Results for nine-month period ended on September 30th, 2019

Compañía de Transporte de Energía Eléctrica en Alta Tensión Transener S.A. (“Transener” or the “Company”) announces the results for nine-month period ended on September 30th, 2019

Stock Information

Bolsa de Comercio
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BCBA
Ticker: TRAN

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Transener, Argentina’s leading electricity transmission company, announces results for nine-month period ended on September 30th, 2019.

Main results for nine-month period ended September 30th, 2019, restated in constant currency at September 30th, 2019¹

Consolidated net revenues of AR\$ 9.804,9 million, 3,5% lower than the AR\$ 10.155,8 million for same period last year.

Consolidated EBITDA² of AR\$ 6.227,9 million, 3,9% lower than the AR\$ 6.479,1 million for same period last year, mainly due to a decrease in net sales of AR\$ 350,9 million.

Consolidated net profit attributable to the owner of the parent of AR\$ 2.468,5 million, 15,1% lower than the AR\$ 2.908,8 million for same period last year, mainly due to a lower operating profit of AR\$ 344,1 million and a higher loss in income tax of AR\$ 668,3 million in the income tax charge, partially offset by a lower loss in financial results of AR\$ 496,2 million.

Main results for the third quarter of 2019³

Consolidated net revenues of AR\$ 3.298,9 million, 6,3% higher than the AR\$ 3.104,4 million for the same period last year.

Consolidated adjusted EBITDA¹ of AR\$ 2.115,5 million, 3,9% higher than the AR\$ 2.035,9 million for the same period last year, principally due to an increase in net sales of AR\$ 194,5 million, partially offset by a decrease of AR\$ 105,7 million in the profit from other gains / (expenses), net.

Consolidated net profit attributable to the owner of the parent of AR\$ 501,2 million, 38,3% lower than the AR\$ 812,8 million for the same period last year, mainly due to a higher loss in financial results of AR\$ 405,0 million.

1. Financial Situation

As of September 30th, 2019, consolidated outstanding principal debt amounted to US\$ 98,5 million, corresponding exclusively to the Class 2 Notes at 9,75%, of which US\$ 5,0 and US\$ 1,6 million have been repurchased by Transba and Transener, respectively. In both cases the repurchased Class 2 Notes are in the portfolio. Since these notes fully amortize in August 2021, there is no additional financial debt due until that date.

¹Expressed in constant currency, in accordance with IAS 29.

²Consolidated EBITDA represents consolidated operating results before depreciations.

³The financial information presented in this document for the quarters ended on September 30th, 2019 and of 2018 is based on the unaudited condensed interim consolidated financial statements prepared according to the financial reporting framework established by the National Securities Commission (CNV), which is based on the adoption of IFRS, corresponding to the three-month and nine-month periods ended on September 30th, 2019 and 2018.

Regarding Transener's qualifications, during the nine-month period ended on September 30th, 2019 S&P modified the local qualification of the Class 2 Notes to 'raBBB+' from 'raAA-' and the global qualification for local and foreign currency to 'B-' from 'B', in both cases with a negative outlook. The modifications resulted from a readjustment of corporate ratings due to a downgrade of the Argentine Republic on a global scale.

2. Tariff Situation

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. Operating information

The Company continues to carry out the execution of the investment plan, maintaining as of September 30th, 2019 commitments for the acquisition of capital expenditures for an amount of approximately AR\$ 1.616 million.

Transener, as the concessionaire of the extra high voltage electric power transmission network, is in charge of the supervision of the expansions of the network.

Here follows the most significant works in progress under Transener's supervision:

- **Federal Plan for Transmission Works**

- **Expansion of La Rioja Sur Substation**

- Connection of a 500/132kV-300MVA back-up transformer in 500kV and 132kV, to operate in parallel with the existing transformer. It includes the installation of a complete 500kV field and six 132kV outputs.

- **Nueva San Juan - Rodeo Substations interconnection**

- Construction and assembly of approximately 162 kms of a 500kV EHV, its connection to a new field in 132kV in the New San Juan Substation and construction of a 132kV field in the Rodeo Substation.

- Electrical Interconnection in 500kV Bahía Blanca - Mar del Plata, Connection in 132kV to Villa Gesell and Complementary Works - North Trench

- Construction and assembly of the new ET Vivoratá 500/132kV, with eight 132kV outputs.

- **Works under the SE Resolutions N° 1/2003 and 821/2006**

- **Macachín Substation**

- Installation and commissioning of a new 500/132kV-300MVA transformer.

Almafuerte Substation

Acquisition of a new 500/132kV-300MVA transformer.

New 25 de Mayo Substation

Civil works and electromechanical assembly of the new 500/132kV substation.

Paso de la Patria Substation

Civil works and electromechanical assembly for the back-up transformer connection.

Rodríguez Substation

Civil works and electro-mechanical assembly of a new 500kV field for the connection of the Edenor's 500/220kV-800 MVA transformer bank.

Fast connection works

Fast back-up phase connection for the following substations: Atucha, Puerto Madryn, Santa Cruz Norte and Esperanza.

- **Other works to be undertaken by the Wholesale Electricity Market (WEM) Agents**

Gran Formosa Substation - Increase in Transformation Capacity

Installation and commissioning of a new 500/132kV-300MVA transformer.

La Rioja Sur Substation - Connection to the Arauco Wind Power Park

Installation and commissioning of two fields of 132kV line output for wind power park.

ET Ezeiza

Bypass between Abasto - Ezeiza EHVL and Gral. Rodríguez - Ezeiza EHVL.

Río Coronda Substation - Connection to Central Puerto San Lorenzo

Installation and commissioning of the 500kV EHVL.

Business Development

Given its position as a leader in electricity transmission, Transener is involved in the supply of operation and maintenance services, engineering, testing and commissioning of lines and substations for new works or for the enhancement of existing works in the 500kV system.

Transener maintains its main contracts with the following customers:

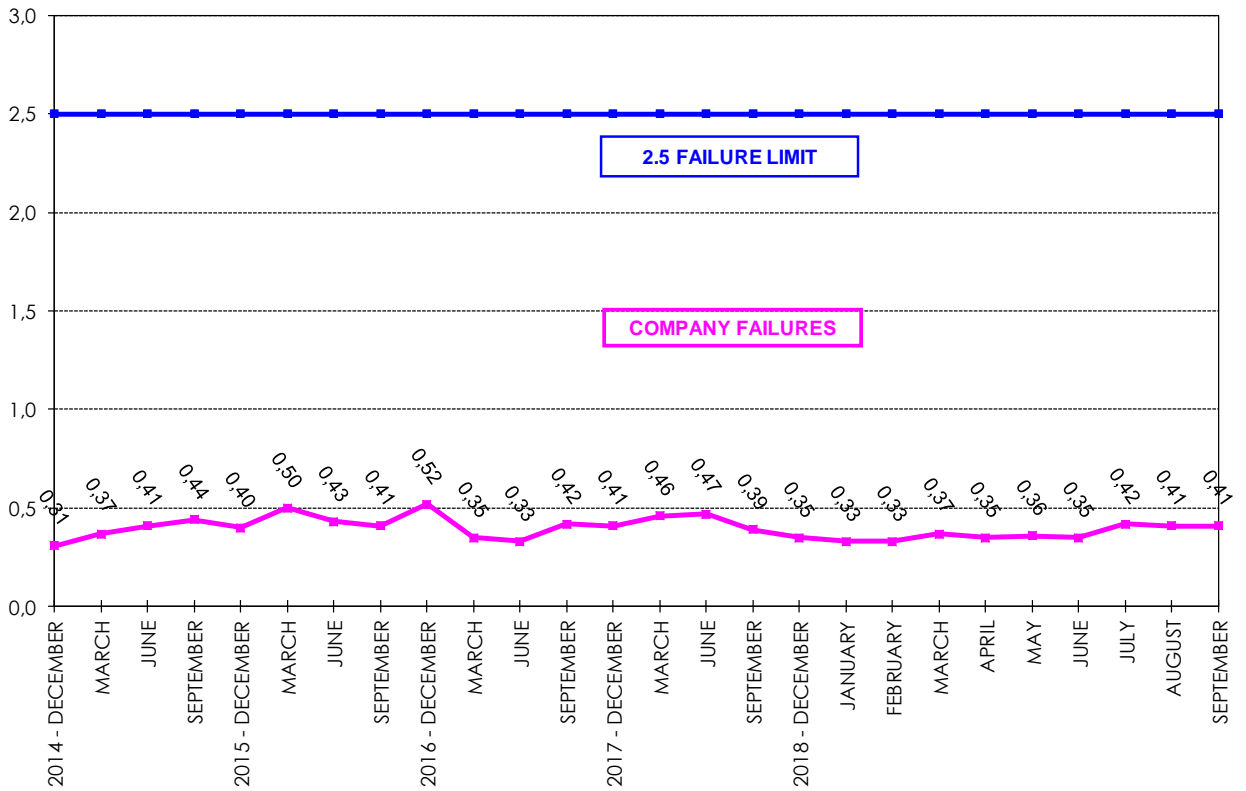
- Minera Alumbrera Ltd.
- Yacylec S.A.
- Transportadora del Norte S.A.
- Transportadora Cuyana S.A.
- AES Argentina Generación S.A.
- Nucleoeléctrica Argentina S.A.
- Transportel Minera II S.A.

Rate of failures

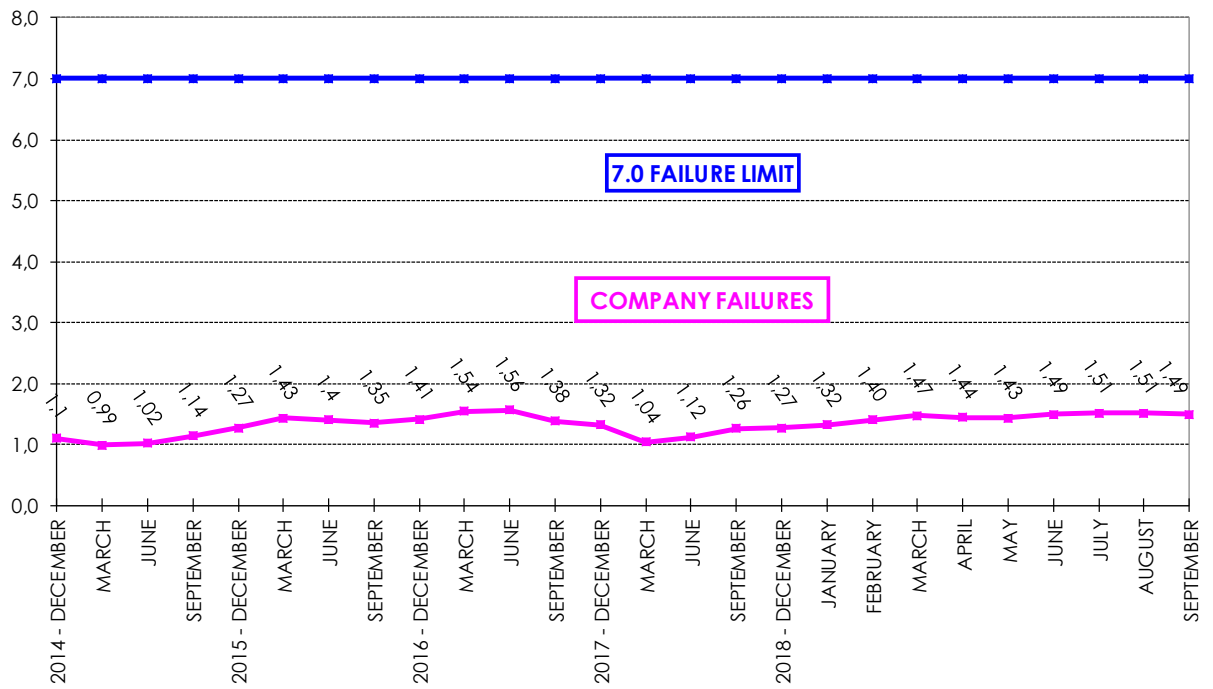
The rate of failures represents the quality of the service provided. The following charts show the quality of the service provided by Transener and Transba as from December 2014.

Transener and Transba Concession Agreements state a maximum rate of failures of 2,5 and 7,0 outages per 100 km over a 12-month period, respectively.

Transener



Transba



4. Significant Financial Information

4.1 Consolidated Statements of Operations

In AR\$ MM	Nine-month period ended on September 30th,		Three-month period ended on September 30th,	
	2019	2018	2019	2018
Net Revenues	9.804,9	10.155,8	3.298,9	3.104,4
Operating expenses	(3.969,0)	(3.916,8)	(1.310,9)	(1.288,5)
Gross income	5.835,9	6.239,0	1.988,0	1.815,9
Administrative expenses	(515,9)	(530,7)	(168,9)	(158,2)
Other gains / (expenses), net	152,6	108,5	40,9	146,6
Operating income	5.472,6	5.816,8	1.860,1	1.804,3
Finance income	867,0	978,7	305,5	485,3
Finance costs	(718,2)	(460,2)	(283,8)	(201,5)
Other financial results	(458,5)	(1.324,4)	(739,3)	(596,4)
Income before taxes	5.163,0	5.010,8	1.142,5	1.491,7
Income tax	(2.629,5)	(1.961,2)	(641,3)	(630,8)
Income for the period	2.533,4	3.049,6	501,2	860,9
Income attributable to :				
Owners of the parent	2.468,5	2.908,8	501,2	812,8
Non-controlling interests	65,0	140,8	0,0	48,1
Total for the period	2.533,4	3.049,6	501,2	860,9
Other consolidated comprehensive results				
Income for the period	2.533,4	3.049,6	501,2	860,9
Other comprehensive results, net of tax	0,0	0,0	0,0	0,0
Total comprehensive income for the period	2.533,4	3.049,6	501,2	860,9
Total comprehensive attributable to :				
Owners of the parent	2.468,5	2.908,8	501,2	812,8
Non-controlling interests	65,0	140,8	0,0	48,1
Total for the period	2.533,4	3.049,6	501,2	860,9
EBITDA	6.227,9	6.479,1	2.115,5	2.035,9
Acquisition of property, plant and equipment	2.044,7	2.420,5	866,6	1.367,4
Depreciations	755,2	662,3	255,4	231,7

4.2 Consolidated Balance Sheets

In AR\$ MM	As of September 30th, 2019	As of December 31st, 2018
ASSETS		
Non-current assets		
Property, plant and equipment	17.967,3	16.684,0
Inventories	628,8	594,2
Other receivables	0,0	7,3
Total Non-current assets	18.596,1	17.285,5
Current assets		
Trade accounts receivable	2.327,7	2.304,7
Other receivables	654,3	1.240,8
Investments at fair value	3.962,6	2.308,6
Investments at amortized cost	22,0	363,9
Cash and cash equivalents	11,3	3.827,0
Total Current assets	6.977,7	10.045,0
TOTAL ASSETS	25.573,8	27.330,5
EQUITY		
Common stock	444,7	444,7
Inflation adjustment on common stock	8.049,9	8.049,9
Legal reserve	458,8	208,2
Optional reserve	394,7	129,4
Reserve for future dividends	0,0	1.777,8
Reserve for acquisition of non-controlling interests	465,9	0,0
Voluntary reserve	2.211,7	0,0
Other comprehensive results	(394,7)	(394,7)
Retained earnings	2.468,5	5.011,7
Equity attributable to owners of the parent	14.099,5	15.227,0
Non-controlling interests	0,0	668,5
TOTAL EQUITY	14.099,5	15.895,4
LIABILITIES		
Non-current liabilities		
Bonds and other indebtedness	5.211,1	5.001,9
Deferred tax payable	3.003,3	1.919,2
Employee benefits payable	527,8	611,2
Trade accounts payable	34,7	0,5
Total Non-current liabilities	8.776,8	7.532,8
Current liabilities		
Provisions	91,5	115,2
Bonds and other indebtedness	66,3	191,0
Income tax payable	742,4	786,7
Taxes payable	155,1	223,9
Payroll and social securities taxes payable	688,4	844,7
Employee benefits payable	101,5	115,7
Trade accounts payable	852,2	1.625,0
Total Current liabilities	2.697,5	3.902,2
TOTAL LIABILITIES	11.474,3	11.435,0
TOTAL LIABILITIES AND EQUITY	25.573,8	27.330,5

4.3 Additional information

In AR\$ MM, nominal values	Nine-month period ended on September 30th,		Three-month period ended on September 30th,	
	2019	2018	2019	2018
Net Revenues	8.508,9	5.671,2	3.153,4	1.912,6
Operating and administrative expenses	(3.374,8)	(2.222,3)	(1.210,1)	(804,9)
Other gains / (expenses), net	135,1	75,7	38,6	113,4
Operating income	5.269,2	3.524,6	1.982,0	1.221,1
EBITDA	5.428,4	3.626,0	2.040,6	1.257,7
Acquisition of property, plant and equipment	1.858,2	1.519,1	855,0	812,9
Depreciations	159,2	101,4	58,6	36,6

5. Analysis of results for nine-month period ended on September 30th, 2019 compared to same period last year

Net revenues Consolidated

Net revenues for nine-month period ended on September 30th, 2019 resulted in AR\$ 9.804,9 million, 3,5% lower than the AR\$ 10.155,8 million for same period last year.

Consolidated net regulated revenues for nine-month period ended on September 30th, 2019 amounted to AR\$ 8.690,9 million, 3,0% lower than the AR\$ 8.963,0 million for same period last year, principally due to the fact that the semiannual tariff adjustments in the revenues for electricity transmission received by the Company do not compensate the effects of inflation.

Consolidated net non-regulated revenues for nine-month period ended on September 30th, 2019 amounted to AR\$ 1.114,1 million, 6,6% lower than the AR\$ 1.192,8 million for same period last year, mainly due to the fact that the semiannual tariff adjustments in the revenues for the operation and maintenance of the Fourth Line and TIBA received by the Company do not compensate the effects of inflation.

Operating and administrative expenses

Consolidated operating and administrative expenses for nine-month period ended on September 30th, 2019 amounted to AR\$ 4.484,9 million, 0,8% higher than the AR\$ 4.447,5 million for same period last year.

Other gains / expenses

Consolidated other gains / expenses, net for nine-month period ended on September 30th, 2019 resulted in a profit of AR\$ 152,6 million, 40,7% higher the AR\$ 108,5 million for same period last year, mainly due to a higher profit of AR\$ 54,8 million in awards for quality service.

Operating profit

Consolidated operating profit for the nine-month period ended on September 30th, 2019 amounted to AR\$ 5.472,6 million, 5,9% lower than the AR\$ 5.816,8 million for the same period last year, mainly due to the gap, in a scenario of high inflation, between the tariff adjustments received semiannually and the variation in costs.

Financial results

Consolidated financial results for nine-month period ended on September 30th, 2019 amounted to a loss of AR\$ 309,7 million, 61,6% lower than the AR\$ 805,9 million for same period last year, mainly due to a lower loss in other financial results of AR\$ 865,9 million (mainly due to a higher profit of AR\$ 1.257,1 million in Result from exposure to change in purchasing power of currency (RECPPC), partially offset by a higher loss of AR\$ 391,2 million corresponding to foreign exchange, net), a higher loss in finance costs of AR\$ 258,0 million and a lower profit in finance income of AR\$ 111,7 million.



Income tax

Consolidated income tax charges for nine-month period ended on September 30th, 2019 resulted in a loss of AR\$ 2.629,5 million, 34,1% higher than the AR\$ 1.961,2 million for same period last year.

You may find additional information on the Company at:

www.transener.com.ar

www.transba.com.ar

www.cnv.gob.ar