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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 20-F**

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2012

Commission File number: 001-33422

**Empresa Distribuidora y Comercializadora Norte S.A.**

(Exact name of registrant as specified in its charter)

**Distribution and Marketing Company of the North S.A.**

(Translation of registrant's name into English)

**Argentine Republic**

(Jurisdiction of incorporation or organization)

**Avenida Del Libertador 6363  
Ciudad de Buenos Aires, C1428ARG  
Buenos Aires, Argentina**

(Address of principal executive offices)

Leandro Montero

Tel.: +54 11 4346 5511 / Fax: +54 11 4346 5325

Avenida Del Libertador 6363 (C1428ARG)

Buenos Aires, Argentina

Chief Financial Officer

**Securities registered or to be registered pursuant to Section 12(b) of the Act:**

**Title of each class:**

**Name of each exchange on which registered**

Class B Common Shares

New York Stock Exchange, Inc.\*

American Depositary Shares, or ADSs, evidenced by American  
Depositary Receipts, each representing 20 Class B Common  
Shares

New York Stock Exchange, Inc.

\* Not for trading, but only in connection with the registration of American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission.

**Securities registered or to be registered pursuant to Section 12(g) of the Act: None**

**Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: N/A**

**Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 462,292,111 Class A Common Shares, 442,210,385 Class B Common Shares and 1,952,604 Class C Common Shares**

**Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.**

Yes  No

**If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Sections 13 or 15(d) of the Securities Exchange Act of 1934. Yes  No**

**Note: Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.**

**Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes  No**

**Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):**

Large accelerated filer  Accelerated filer  Non-accelerated filer

**Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing: U.S. GAAP**

**International Financial Reporting Standards as issued by the International Accounting Standards Board  Other**

**If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow: Item 17  Item 18**

**If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes  No**

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Item 1.	Identity of Directors, Senior Management and Advisors .....	1
Item 2.	Offer Statistics and Expected Timetable .....	1
Item 3.	Key Information .....	1
Item 4.	Information on the Company .....	30
Item 4A.	Unresolved Staff Comments .....	75
Item 5.	Operating and Financial Review and Prospects .....	75
Item 6.	Directors, Senior Management and Employees .....	121
Item 7.	Major Shareholders and Related Party Transactions.....	132
Item 8.	Financial Information.....	136
Item 9.	The Offer and Listing.....	142
Item 10.	Additional Information.....	145
Item 11.	Quantitative and Qualitative Disclosures about Market Risk.....	173
Item 12.	Description of Securities Other than Equity Securities .....	174
Item 13.	Defaults, Dividend Arrearages and Delinquencies .....	175
Item 14.	Material Modifications to the Rights of Security Holders and Use of Proceeds.....	175
Item 15.	Controls and Procedures.....	171
Item 16A.	Audit Committee Financial Expert.....	177
Item 16B.	Code of Ethics .....	177
Item 16C.	Principal Accountant Fees and Services .....	173
Item 16D.	Exemptions from the Listing Standards for Audit Committees .....	178
Item 16E.	Purchases of Equity Securities by the Issuer and Affiliated Purchasers.....	178
Item 16F.	Change in Registrant’s Certifying Accountant.....	178
Item 16G.	Corporate Governance .....	178
Item 16H.	Mine Safety Disclosures.....	178
Item 17.	Financial Statements .....	182
Item 18.	Financial Statements .....	182
Item 19.	Exhibits .....	182
	Index to Financial Statements.....	F-1

## PART I

### Item 1. *Identity of Directors, Senior Management and Advisors*

Not applicable.

### Item 2. *Offer Statistics and Expected Timetable*

Not applicable.

### Item 3. *Key Information*

In this annual report, except as otherwise specified, references to “we”, “us”, “our” and “the Company” are references to (i) Empresa Distribuidora y Comercializadora Norte S.A., or “Edenor”, on a standalone basis prior to March 1, 2011, (ii) Edenor, Empresa Distribuidora Eléctrica Regional S.A. (“Emdersa”) and Aeseba S.A. (“Aeseba”) when references are made to information as of any date within the period between March 1, 2011 and December 31, 2012. References to Edenor, Emdersa and/or Aeseba on a standalone basis are made by naming each company as the case may be. Our financial statements as of December 31, 2012, include the financial data of Aeseba. For more information, see “Item 4—Information on the Company—History and Development of the Company.”

## FORWARD-LOOKING STATEMENTS

This annual report includes forward-looking statements, principally under the captions “Item 3. Key Information—Risk factors,” “Item 4. Information on the Company” and “Item 5. Operating and Financial Review and Prospects.” We have based these forward-looking statements largely on our current beliefs, expectations and projections about future events and financial trends affecting our business. Forward-looking statements may also be identified by words such as “believes,” “expects,” “anticipates,” “projects,” “intends,” “should,” “seeks,” “estimates,” “future” or similar expressions. Many important factors, in addition to those discussed elsewhere in this annual report, could cause our actual results to differ materially from those expressed or implied in our forward-looking statements, including, among other things:

- the outcome and timing of the integral tariff revision process (*Revisión Tarifaria* Integral or “RTI”) and, more generally, uncertainties relating to future government approvals to increase or adjust our tariffs;
- general political, economic, social, demographic and business conditions in the Republic of Argentina, or “Argentina” and particularly in the geographic market we serve;
- the impact of regulatory reform and changes in the regulatory environment in which we operate;
- electricity shortages;
- potential disruption or interruption of our service;
- restrictions on the ability to exchange Pesos into foreign currencies or to transfer funds abroad;
- the revocation or amendment of our concession by the granting authority;
- our ability to implement our capital expenditure plan, including our ability to arrange financing when required and on reasonable terms;
- fluctuations in exchange rates, including a devaluation of the Peso;
- the impact of high rates of inflation on our costs;
- our ability to access to financing under reasonable terms, and
- additional matters identified in “Risk factors”.

Forward-looking statements speak only as of the date they were made, and we undertake no obligation to update publicly or to revise any forward-looking statements after we file this annual report because of new information, future events or other factors. In light of these limitations, undue reliance should not be placed on forward-looking statements contained in this annual report.

## SELECTED FINANCIAL DATA

The following tables present our summary financial data for the years ended December 31, 2012 and 2011. This information should be read in conjunction with our audited consolidated financial statements as of and for the years ended December 31, 2012 and 2011, and the related notes thereto (the “Consolidated Financial Statements”) and Item 5. Operating and Financial Review and Prospects” included elsewhere in this annual report. The financial data as of December 31, 2012, is derived from our Consolidated Financial Statements. Our Consolidated Financial Statements are the first annual audited financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

Until the year ended December 31, 2011, our consolidated financial statements were prepared in accordance with generally accepted accounting principles in Argentina (“Argentine GAAP”) and in accordance with the rules of the Argentine National Securities Commission (“CNV”). For 2012, we have prepared our financial statements in accordance with IFRS, as issued by the IASB, and these have been approved by resolution of the Board of Directors’ meeting held on April 30, 2013.

The mandatory adoption of IFRS for public companies in Argentina is effective for fiscal years beginning January 1, 2012. Therefore, the consolidated financial statements as of December 31, 2011 for filing with the CNV were prepared in accordance with Argentine GAAP, which differs in certain respects from IFRS. The selected consolidated income statement data for the years ended December 31, 2012 and 2011 and the selected consolidated balance sheet data as of December 31, 2012 and 2011 have been prepared in accordance with IFRS and have been derived from our Consolidated Financial Statements, which were audited by Price Waterhouse & Co. S.R.L. (“PwC”), member firm of PricewaterhouseCoopers network, whose report dated April 30, 2013 is included elsewhere herein. See Item 18 – “Financial Statements”.

We have prepared our annual financial statements for the fiscal year ended December 31, 2012 included herein, assuming that we will continue as a going concern. Our independent auditors, PwC, issued a report dated April 30, 2013, on our financial statements as of and for the years ended December 31, 2012 and 2011, which contains an explanatory paragraph expressing substantial doubt as to our ability to continue as a going concern. As discussed in Note 1 to the Consolidated Financial Statements, the delay in obtaining tariff increases, the cost adjustments recognition requested by the Company in accordance with the terms of the Adjustment Agreement and the continuous increase in operating expenses that are necessary to maintain the level of service significantly affected the economic and financial position of the Company and have raised substantial doubt with respect to our ability to continue as a going concern. Management’s plans in response to these matters are also described in Note 1. However, our Consolidated Financial Statements as of and for the years ended December 31, 2012 and 2011 do not include any adjustments or reclassifications that might result from the outcome of this uncertainty. See Item 3: “Key Information - Risk Factors - Risks Relating to Our Business - Failure or delay to negotiate further improvements to our tariff structure, including increases in our distribution margin, and/or to have our tariff adjusted to reflect increases in our distribution costs in a timely manner, could have a material adverse effect on our capacity to perform our financial and commercial obligations. As a result, there is substantial doubt with respect to the ability of the Company to continue as a going concern.” See Item 18: “Financial Statements.”

Our Consolidated Financial Statements are included on pages F-1 through F-101 of this annual report.

Our financial statements as of December 31, 2012, include the financial data of Aeseba. In preparing the Consolidated Financial Statements, the Company combined the financial statements of Aeseba, including its subsidiary, Empresa Distribuidora de Energía Norte S.A. (“Eden”), an electricity distribution company with the concession area in the northern part of the Province of Buenos Aires, line by line, adding together alike items of assets, liabilities, equity, income and expenses in compliance with International Accounting Standard (“IAS”) 27 and IFRS 10. Furthermore, as of December 31, 2011, in accordance with the decision of the Board of Directors to divest and sell the subsidiaries of Emdersa Holding S.A. (“Emdersa Holding” or “EHSA”), including Empresa

Distribuidora Eléctrica Regional S.A. (“Emdersa”) and its subsidiaries, Empresa Distribuidora de San Luis S.A. (“Edesal”), Empresa Distribuidora de La Rioja S.A. (“Edelar”), Empresa Distribuidora de Salta S.A. (“Edesa”) and Emdersa Generación Salta S.A. (“EGSSA”), we have classified the corresponding assets and liabilities associated to these subsidiaries in the Consolidated Financial Statements as of December 31, 2012 and 2011 as “Assets of disposal groups classified as held for sale” and “Liabilities of disposal groups classified as held for sale”. As of October 11, 2011, October 25, 2011 and May 10, 2012 the Company sold its direct and indirect stake in EGSSA (subject to a condition precedent related to EMDERSA’s spin-off), Edesal and Edesa, respectively. The corresponding charges to results have been included within “Loss from discontinued operations” line item in our consolidated statements of comprehensive loss for the years ended December 31, 2012 and 2011.

In this annual report, except as otherwise specified, references to “\$”, “U.S.\$” and “Dollars” are to U.S. Dollars, and references to “Ps.” and “Pesos” are to Argentine Pesos. Solely for the convenience of the reader, Peso amounts as of and for the year ended December 31, 2012 have been translated into U.S. Dollars at the buying rate for U.S. Dollars quoted by Banco de la Nación Argentina (Banco Nación) on December 31, 2012 of Ps. 4.918 to U.S. \$1.00. The U.S. Dollar equivalent information should not be construed to imply that the Peso amounts represent, or could have been or could be converted into, U.S. Dollars at such rates or any other rate. See “Item 3. Key Information—Exchange Rates.”

Certain figures included in this annual report have been subject to rounding adjustments. Accordingly, figures shown as totals may not sum due to rounding.

<b>Consolidated Statements of Comprehensive Loss</b>	<b>2012<sup>(*)</sup></b>	<b>2012<sup>(*)</sup></b>	<b>2011<sup>(*)</sup></b>
<b>IFRS</b>		<i>(figures in millions)</i>	
<b>Continuing Operations</b>			
Revenue from sales <sup>(1)</sup> .....	U.S. \$ 757.5	Ps. 3,725.3	Ps. 2,805.8
Revenue from construction <sup>(2)</sup> .....	23.9	117.6	87.4
Electric power purchases.....	(419.3)	(1,740.2)	(1,130.9)
Cost of Construction.....	(23.9)	(117.6)	(87.4)
<b>Subtotal</b> .....	<u>338.2</u>	<u>1,663.0</u>	<u>1,480.4</u>
Transmission and distribution expenses.....	(319.3)	(1,570.1)	(1,094.8)
<b>Gross Profit</b> .....	<u><b>18.9</b></u>	<u><b>93.0</b></u>	<u><b>385.5</b></u>
Selling expenses.....	(87.5)	(430.4)	(310.3)
Administrative expenses.....	(60.3)	(296.4)	(224.3)
Gain from acquisition of companies <sup>(3)</sup> .....	-	-	435.0
Other operating income.....	6.8	33.3	27.9
Other operating expenses.....	(22.9)	(112.8)	(54.9)
<b>Operating (expense) income</b> .....	<u>(145.0)</u>	<u>(713.3)</u>	<u>258.9</u>
Financial Income.....	17.5	86.0	55.6
Financial Expenses <sup>(4)</sup> .....	(60.4)	(296.8)	(216.1)
Other financial results.....	(33.9)	(166.7)	(97.2)
Net Financial Expense.....	(76.8)	(377.5)	(257.8)
<b>(Loss) Profit before taxes</b> .....	<u>(221.8)</u>	<u>(1,090.8)</u>	<u>1.1</u>
Income Tax.....	20.3	99.8	(153.0)
Loss for the year from continuing operations.....	(201.5)	(991.0)	(151.9)
Loss from discontinued operations.....	(4.6)	(22.4)	(139.5)
<b>Loss for the year</b> .....	<u>(206.1)</u>	<u>(1,013.4)</u>	<u>(291.4)</u>
<b>Loss for the year attributable to:</b>			
Owners of the parent.....	(206.7)	(1,016.5)	(304.1)
Non- controlling interests.....	0.6	3.1	12.7
Loss for the year.....	<u>(206.1)</u>	<u>(1,013.4)</u>	<u>(291.4)</u>
<b>Loss for the year attributable to Owners of the parent:</b>			
Continuing Operations.....	(203.5)	(1,000.6)	(157.7)
Discontinued Operations.....	(3.2)	(15.8)	(146.4)
	<u>U.S. \$ (206.7)</u>	<u>Ps. (1,016.5)</u>	<u>Ps. (304.1)</u>
<b>Other Comprehensive (income) loss</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Actuarial losses on benefit plans.....	1.0	4.7	(13.8)
Tax effect of actuarial losses on benefit plans.....	(0.3)	(1.6)	4.8
Total other comprehensive loss from discontinued operations.....	-	-	(3.4)
<b>Total other comprehensive income (loss)</b> .....	<u>0.6</u>	<u>3.1</u>	<u>(12.3)</u>
<b>Comprehensive loss for the year attributable to:</b>			
Owners of the parent.....	(206.0)	(1,013.2)	(315.4)
Non- controlling interests.....	0.6	2.8	11.7
<b>Comprehensive loss for the year</b> .....	<u>(205.4)</u>	<u>(1,010.4)</u>	<u>(303.7)</u>
<b>Comprehensive loss for the year attributable to owners of the parent:</b>			
Continuing Operations.....	(202.8)	(997.4)	(166.4)
Discontinued Operations.....	(3.2)	(15.8)	(149.0)

	U.S. \$ (206.0)	Ps. (1,013.2)	Ps. (315.4)
<b>Basic and diluted loss per share attributable to owners of the parent:</b>			
Number of shares outstanding.....	897,042,600	897,042,600	897,042,600
Basic and diluted loss per share - from continuing operations.....	(0.228)	(1.12)	(0.17)
Basic and diluted loss per share – from discontinued operations.....	(0.004)	(0.02)	(0.16)
<b>Basic and diluted loss per ADS attributable to owners of the parent <sup>(5)</sup>:</b>			
Basic and diluted loss per ADS - from continuing operations.....	(4.536)	(22.31)	(3.52)
Basic and diluted loss per ADS - from discontinued operations.....	(0.072)	(0.35)	(3.26)

(\*) Consolidated financial data.

- (1) Revenue from operations is recognized on an accrual basis and derives mainly from electricity distribution. Such revenue includes electricity supplied, whether billed or unbilled, at the end of each year, and has been valued on the basis of applicable tariffs and the charges determined by the Resolution 347/12.
- (2) In accordance with IFRIC 12, the construction of the infrastructure necessary for the subsidiary EDEN S.A. to distribute electricity is considered a service rendered to the concession authority and the corresponding revenue is reflected at cost within the sales account.
- (3) The excess of the fair value of the net assets acquired from Emdersa and Aeseba, including those recognized in the reassessment of the purchase price allocation, over the consideration paid and the non-controlling interest has been considered as a gain in bargain purchase, because the seller had started a process for divesting its net assets in the region and, consequently, it sold them at values lower than their respective fair value. The acquisitions have been recorded in accordance with the purchase method on the basis of the fair value measurements of the acquired assets and liabilities.
- (4) Includes commercial interests accrued by CAMMESA of Ps. 55.2 million, under the Commercial Interest line item.
- (5) Each ADS represents 20 Class B common shares.

	2012(*)	2012(*)	2011(*)	01.01.2011(*)
	<i>(figures in millions)</i>			
<b>ASSETS</b>				
<b>Non-current assets:</b>				
Property, plant and equipment.....	U.S.\$ 883.4	Ps. 4,344.6	Ps. 3,995.3	Ps. 3,712.3
Intangible Assets.....	172.0	845.8	793.0	-
Interest in joint ventures.....	0.1	0.4	0.4	0.4
Trade Receivables.....	9.7	47.7	45.7	45.5
Other receivables.....	14.3	70.5	50.3	18.5
<b>Total non-current assets.....</b>	<b>U.S.\$ 1,079.5</b>	<b>Ps. 5,309.1</b>	<b>Ps. 4,884.7</b>	<b>Ps. 3,776.8</b>
<b>Current assets:</b>				
Assets under construction.....	U.S.\$ 17.2	Ps. 84.5	Ps. 45.5	-
Inventories.....	17.3	85.0	45.3	12.4
Trade receivables.....	180.8	889.4	534.7	421.2
Derivative Financial Instruments.....	-	-	1.3	-
Financial Assets at fair value through profit or loss.....	0.7	3.4	2.1	430.8
Other receivables.....	27.6	135.6	76.3	40.1
Cash and cash equivalents.....	14.5	71.1	130.5	246.0
<b>Total current assets.....</b>	<b>U.S.\$ 258.0</b>	<b>Ps. 1,269.0</b>	<b>Ps. 835.8</b>	<b>Ps. 1,150.5</b>
Assets of disposal groups classified as held for sale.....	45.4	223.4	1,291.1	-
<b>TOTAL ASSETS.....</b>	<b>U.S.\$ 1,383.0</b>	<b>Ps. 6,801.4</b>	<b>Ps. 7,011.6</b>	<b>Ps. 4,927.3</b>
<b>EQUITY</b>				
<b>Equity attributable to the owners</b>				
Share Capital.....	U.S \$182.4	Ps. 897.0	Ps. 897.0	Ps. 897.0
Adjustment to Share Capital.....	80.9	397.7	986.1	986.1
Additional paid- in capital.....	0.7	3.5	21.8	18.3
Treasury stock.....	1.9	9.4	9.4	9.4
Adjustment to treasury stock.....	2.1	10.3	10.3	10.3
Legal Reserve.....	-	-	64.0	64.0
Accumulated Deficit.....	(183.0)	(899.8)	(557.3)	(241.9)
<b>Equity attributable to the owners.....</b>	<b>85.0</b>	<b>418.2</b>	<b>1,431.4</b>	<b>1,743.3</b>
Non- controlling interests.....	14.5	71.1	415.8	-
<b>TOTAL EQUITY.....</b>	<b>99.5</b>	<b>489.3</b>	<b>1,847.2</b>	<b>1,743.3</b>
<b>LIABILITIES</b>				
<b>Non -Current liabilities:</b>				
Trade payables.....	31.6	155.3	87.7	51.0
Deferred Revenues.....	53.8	264.4	174.8	-
Other liabilities <sup>(1)</sup> .....	385.3	1,894.8	1,373.7	984.5
Borrowings.....	274.6	1,350.7	1,189.9	1,035.1
Salaries and social security taxes payable	3.6	17.5	23.6	19.3
Benefit Plans.....	19.8	97.4	83.5	41.5
Provisions.....	16.3	80.0	66.1	6.8
Taxes Liabilities.....	2.0	10.0	17.7	9.0
Deferred Tax Liability.....	46.9	230.4	348.7	250.3
<b>Total non- current liabilities.....</b>	<b>U.S. \$ 833.8</b>	<b>Ps. 4,100.5</b>	<b>Ps. 3,365.7</b>	<b>Ps. 2,397.5</b>
<b>Current liabilities:</b>				
Trade payables.....	241.7	1,188.5	623.7	377.1
Borrowings.....	21.0	103.1	59.0	46.9
Derivative Financial Instruments.....	-	-	-	7.3
Salaries and social security taxes payable	78.1	384.3	275.8	180.4
Benefit plans.....	3.0	15.0	11.3	-
Taxes Liabilities.....	41.2	202.5	147.7	111.1
Other Liabilities <sup>(1)</sup> .....	30.6	150.4	128.6	5.9
Provisions.....	2.1	10.5	10.3	57.8
<b>Total Current Liabilities.....</b>	<b>U.S. \$ 417.7</b>	<b>Ps. 2,054.4</b>	<b>Ps. 1,256.5</b>	<b>Ps. 786.5</b>

Liabilities of disposal groups classified as held for sale .....	32.0		157.3		542.2		-
<b>TOTAL LIABILITIES.....</b>	<u>U.S.\$ 1,283.5</u>	<u>Ps.</u>	<u>6,312.2</u>	<u>Ps.</u>	<u>5,164.4</u>	<u>Ps.</u>	<u>3,184.0</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>U.S.\$ 1,383.0</u>	<u>Ps.</u>	<u>6,801.4</u>	<u>Ps.</u>	<u>7,011.6</u>	<u>Ps.</u>	<u>4,927.3</u>

(\*) Consolidated financial data.

- (1) Includes the amounts collected through the Program for the Rational Use of Electricity Power (PUREE), which as of December 31, 2012, 2011 and January 1, 2011 amounted to Ps. 1,352.5 million, Ps. 928.7 million and Ps. 529.1, respectively. For the years ended December 31, 2012 and 2011, Ps. 74.7 million and Ps. 61.6 million, respectively, corresponded to PUREE funds collected by Aeseba, included under current liabilities, and Ps. 1,277.8 million and Ps. 867.1 corresponded to PUREE funds collected by Edenor, included under non-current liabilities. Edenor is permitted to retain funds from the PUREE that it would otherwise be required to transfer to CAMMESA according to Resolution SS.EE. 1037/07.

## Consolidated Statements of Cash Flows

Cash flows from operating activities	2012 <sup>(*)</sup>	2012 <sup>(*)</sup>	2011 <sup>(*)</sup>
	<i>(Figures in millions)</i>		
Loss for the year .....	U.S.\$ (206.1)	Ps.(1,013.4)	Ps.(291.4)
<b>Adjustments to reconcile net loss to net cash flows provided by operating activities:</b>			
Depreciation of property, plant and equipment .....	40.2	197.9	187.9
Amortization of intangible assets .....	5.1	24.9	20.1
Disposals of property, plant and equipment .....	0.4	1.9	1.9
Loss from retirement of intangible assets .....	1.6	8.0	10.7
Gain from the purchase of financial debt .....	-	-	(6.5)
Interest on loans and other liabilities.....	30.7	151.2	109.0
Exchange differences .....	39.5	194.1	102.8
Income Tax.....	(20.3)	(99.8)	153.0
Allowance for the impairment of trade receivables and other receivables .....	3.8	18.5	10.8
Provision of Contingencies, net of recovery .....	5.4	26.4	8.1
Adjustment to present value of the retroactive tariff increase arising from the application of the new electricity rate schedule and other trade receivables .....	(0.1)	(0.4)	(1.2)
Changes in fair value of financial instruments.....	(7.9)	(39.1)	(13.3)
Gain from acquisition of companies .....	—	—	(435.0)
Benefit Plans accrued.....	6.3	31.0	15.6
Discontinued Operations .....	50.1	246.2	202.3
<b>Changes in operating assets and liabilities (excluding previous adjustments)</b>			
Net increase in trade receivables .....	(69.5)	(342.0)	(136.6)
Net (decrease) increase in other receivables .....	2.4	11.7	(88.3)
Increase in inventories .....	(8.1)	(39.7)	(32.9)
Increase in assets under construction .....	(7.9)	(39.0)	(45.5)
Increase in trade payable .....	110.9	545.6	25.4
Increase in salaries and social security taxes .....	20.8	102.4	139.2
Decrease of benefit plans .....	(1.8)	(8.8)	(15.6)
Increase in taxes .....	10.1	49.7	36.5
Increase in deferred revenue .....	18.2	89.6	174.8
Increase in other liabilities .....	28.6	140.8	203.7
(Decrease) Increase in provisions .....	(2.5)	(12.4)	3.7
Income tax paid .....	(6.9)	(34.1)	(24.4)
Increase in funds obtained from PUREE (Res. SE N° 1037/07) <sup>(1)</sup> .....	83.5	410.7	338.0
Increase in funds obtained from PUREE (Res. MIVSPBA N° 252/07) .....	2.7	13.1	6.0
<b>Net Cash Flows provided by operating activities .....</b>	<b>129.1</b>	<b>635.1</b>	<b>659.0</b>
<b>Cash flows from investing activities</b>			
Increase from sale of financial assets at fair value .....	7.7	37.8	442.0
Additions of property, plant and equipment .....	(111.6)	(549.0)	(443.4)
Additions of intangible assets .....	(17.4)	(85.7)	(63.4)
Payment for acquisition of companies.....	-	-	(442.9)
Payment for acquisition of additional non controlling interests. Loans granted.....	(3.0)	(14.6)	-
Collection of loans proceed from borrowing.....	28.9	142.4	-
Collection for sale of discontinued operations .....	21.3	104.6	-
Discontinued Operations.....	(40.8)	(200.8)	(279.9)
<b>Net Cash Flows used in investing activities .....</b>	<b>(115.0)</b>	<b>(565.5)</b>	<b>(794.0)</b>
<b>Cash flows from financing activities:</b>			
Loans taken .....	19.5	95.8	298.2
Repayment of borrowings.....	(42.8)	(210.3)	(380.4)
Change in non – controlling interest- Dividend Distribution Aeseba .....	(1.2)	(5.8)	—
Dividends paid <sup>(1)</sup> .....	(1.1)	(5.6)	—

Discontinued Operations.....	(8.1)	(39.9)	98.5
<b>Net cash flows (used in) provided by financing activities</b>	<b>(33.7)</b>	<b>(165.8)</b>	<b>16.3</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(19.6)</b>	<b>(96.2)</b>	<b>(118.8)</b>
Cash and cash equivalents at beginning of year .....	U.S.\$ 26.5	Ps. 130.5	Ps. 246.0
Gain from exchange differences in cash and cash equivalents ..	7.5	36.8	3.3
Changes in cash and cash equivalents	(19.6)	(96.2)	(118.8)
Cash and cash equivalents at end of the year.....	U.S.\$ 14.5	Ps. 71.1	Ps. 130.5
Cash and cash equivalents in the statement of financial position .....	U.S.\$ 14.5	Ps. 71.1	Ps. 130.5
Cash and cash equivalents included in assets of disposal groups classified as held for sale.....	2.3	11.2	28.3
Cash and cash equivalents at end of the year.....	U.S.\$ 16.7	Ps. 82.3	Ps. 158.8

#### Supplemental cash flows information

	2012	2012	2011
Financial cost charged to fixed assets.....	U.S.\$ 1.3	6.4	4.1
<b>Changes in assets for disposal classified as held for sale</b>			
Increased credit extended related companies .....	(8.5)	(41.7)	-
Decrease advance payments received related companies .....	(2.1)	(10.4)	-
<b>Acquired Companies</b>	-	-	119.0
Cash and cash equivalents .....	-	-	1,881.4
Property, plant and equipment and intangible assets.....	-	-	4.3
Inventories .....	-	-	255.3
Trade receivables .....	-	-	84.6
Other receivables.....	-	-	(257.8)
Trade payables .....	-	-	(450.0)
Borrowings .....	-	-	(78.8)
Deferred tax liability .....	-	-	(331.0)
Other liabilities .....	-	-	<b>(1,227.0)</b>
<b>Net Assets</b> .....	-	-	<b>(230.0)</b>
Non-controlling interests.....	-	-	<b>996.9</b>
<b>Net assets acquired</b> .....	-	-	435.0
Bargain Purchase.....	-	-	<b>(562.0)</b>
<b>Cash Paid</b> .....	-	-	119.0
Cash and cash equivalents in acquired companies .....	-	-	<b>(442.9)</b>
<b>Net Cash Flows for acquisition of companies</b> .....	-	-	<b>(442.9)</b>

(\*) Consolidated financial data

(1) Correspond to Eden.

	Year ended December 31,						
	2012		2011		2010	2009	2008
	Edenor	Aeseba	Edenor	Aeseba			
<b>Operating data</b>							
Energy sales (in GWh):	20,760	2,868	20,098	2,791	19,293	18,220	18,616
Residential	8,662	648	8,139	619	7,796	7,344	7,545
Small Commercial	1,688	236	1,601	227	1,543	1,470	1,530
Medium Commercial	1,717	111	1,700	104	1,634	1,565	1,597
Industrial	3,335	814	3,442	807	3,378	3,204	3,277
Wheeling System <sup>(1)</sup>	4,261	294	4,156	291	3,891	3,622	3,700
Others:							
Public Lighting	668	81	656	80	654	644	644
Shantytowns	410	675	384	657	377	351	304
Others <sup>(2)</sup>	20	9	20	6	20	20	19
Customers (in thousands) <sup>(3)</sup>	2,726	344	2,699	340	2,662	2,605	2,537
Energy Losses (%)	13.3%	10.6%	12.6%	10.4%	12.5%	11.9%	10.8%
MWh sold per employee	7,088.0	3,944.2	7,188.1	3,771.2	7,123.9	6,936.1	7,392.8
Customers per employee	931	473	965	460	971	978	997

(1) Wheeling system charges represent our tariffs for large users, which consist of a fixed charge for recognized technical losses and a charge for our distribution margins but exclude charges for electric power purchases, which are undertaken directly between generators and large users.

(2) Represents energy consumed internally by us and our facilities.

(3) We define a customer as one meter. We may supply more than one consumer through a single meter. In particular, because we measure our energy sales to each shantytown collectively using a single meter, each shantytown is counted as a single customer.

## EXCHANGE RATES

From April 1, 1991 until the end of 2001, the Convertibility Law established a fixed exchange rate under which the Central Bank was obliged to sell U.S. Dollars at a fixed rate of one Peso per U.S. Dollar (the “Convertibility Regime”). On January 6, 2002, the Argentine Congress enacted the Public Emergency Law No. 25,561 (the “Public Emergency Law”), formally putting an end to the regime of the Convertibility Regime and abandoning over ten years of U.S. Dollar-Peso parity. The Public Emergency Law grants the Executive Branch of the Argentine government the power to set the exchange rate between the Peso and foreign currencies and to issue regulations related to the foreign exchange market. The Public Emergency law has been extended until December 31, 2013. For a brief period following the end of the Convertibility Regime, the Public Emergency Law established a temporary dual exchange rate system. Since February 2002, the Peso has been allowed to float freely against other currencies.

The following table sets forth the annual high, low, average and period-end exchange rates for U.S. Dollars for the periods indicated, expressed in Pesos per U.S. Dollar at the purchasing exchange rate and not adjusted for inflation. When preparing our financial statements, we utilize the selling exchange rates for U.S. Dollars quoted by Banco Nación to translate our U.S. Dollar denominated assets and liabilities into Pesos. The Federal Reserve Bank of New York does not report a noon buying rate for Pesos.

	Low	High	Average	Period End
	<i>(Pesos per U.S. Dollar)</i>			
<b>Year ended December 31,</b>				
2008 .....	3.01	3.47	3.16 <sup>(1)</sup>	3.45
2009 .....	3.45	3.88	3.73 <sup>(1)</sup>	3.80
2010 .....	3.79	3.99	3.91 <sup>(1)</sup>	3.98
2011 .....	3.97	4.30	4.13 <sup>(1)</sup>	4.30
2012 .....	4.31	4.92	4.58 <sup>(1)</sup>	4.92
<b>Month</b>				
January 2013.....	4.93 <sup>(2)</sup>	4.98 <sup>(2)</sup>	4.95	4.98
February 2013.....	4.98 <sup>(2)</sup>	5.05 <sup>(2)</sup>	5.01	5.05
March 2013 .....	5.12 <sup>(2)</sup>	5.05 <sup>(2)</sup>	5.08	5.12
April 2013 <sup>(3)</sup> .....	5.13 <sup>(4)</sup>	5.18 <sup>(4)</sup>	5.15	5.18

*Source:* Banco Nación

- (1) Represents the average of the exchange rates on the last day of each month during the period.
- (2) Average of the lowest and highest daily rates in the month.
- (3) Represents the corresponding exchange rates from April 1 through April 29, 2013.
- (4) Represents the average of the lowest and highest daily rates from April 1 through April 29, 2013.

## RISK FACTORS

### Risks Related to Argentina

#### *Overview*

We are a stock corporation (sociedad anónima) incorporated under the laws of the Republic of Argentina and substantially all of our revenues are earned in Argentina and substantially all of our operations, facilities, and customers are located in Argentina. Accordingly, our financial condition and results of operations depend to a significant extent on macroeconomic, regulatory, political and financial conditions prevailing in Argentina, including growth, inflation rates, currency exchange rates, interest rates, and other local, regional and international events and conditions that may affect Argentina in any manner. For example, slower economic growth or economic recession could lead to a decreased demand for electricity in our concession area or a decline in the purchasing power of our customers, which, in turn, could lead to a decrease in collection rates from our customers or increased energy losses due to illegal use of our service. Actions of the Argentine Government concerning the economy, including decisions with respect to inflation, interest rates, price controls, foreign exchange controls and taxes, have had and could continue to have a material adverse effect on private sector entities, including us. For example, during the Argentine economic crisis of 2001, the Argentine Government froze electricity distribution margins and caused the pesification of our tariffs, which had a materially adverse effect on our business and financial condition and led us to suspend payments on our financial debt at the time. We cannot assure you that the Argentine Government will not adopt other policies that could adversely affect the Argentine economy or our business, financial condition or results of operations. In addition, we cannot assure you that future economic, regulatory, social and political developments in Argentina will not impair our business, financial condition or results of operations, or cause the market value of our ADSs and Class B common shares to decline.

#### ***A global financial crisis and unfavorable credit and market conditions may negatively affect our liquidity, customers, business, and results of operations***

The effects of a global credit crisis and related turmoil in the global financial system may have a negative impact on our business, financial condition and results of operations, an impact that is likely to be more severe on an emerging market economy, such as Argentina. The effect of this economic crisis on our customers and on us cannot be predicted. Weak economic conditions could lead to reduced demand or lower prices for energy, which could have a negative effect on our revenues. Economic factors such as unemployment, inflation levels and the availability of credit could also have a material adverse effect on demand for energy and therefore on our financial condition and operating results. The financial and economic situation may also have a negative impact on third parties with whom we do, or may do, business. In addition, our ability to access credit or capital markets may be restricted at a time when we would need financing, which could have an impact on our flexibility to react to changing economic and business conditions (See Risk Factors – “*Argentina’s ability to obtain financing from international markets is limited, which may impair its ability to implement reforms and foster economic growth, and consequently, may affect our business, results of operations and prospects for growth*”). For these reasons, any of the foregoing factors or a combination of these factors could have an adverse effect on our results of operations and financial condition and cause the market value of our ADSs and Class B common shares to decline.

#### ***The Argentine economy remains fragile and any significant decline could adversely affect our financial condition***

Sustainable economic growth in Argentina is dependent on a variety of factors, including international demand for Argentine exports, the stability and competitiveness of the Argentine Peso against foreign currencies, confidence among consumers and foreign and domestic investors and a stable rate of inflation.

The Argentine economy remains fragile, as reflected by the following economic conditions:

- GDP growth has declined and employment is beginning to show some signals of weakness;
- inflation has accelerated recently and threatens to continue at those levels;
- investment as a percentage of GDP remains too low to sustain the growth rate of recent years;

- the availability of long-term credit is scarce, while international financing remains limited;
- the regulatory environment continues to be uncertain;
- in the climate created by the above conditions, demand for foreign currency has grown, generating a capital flight effect to which the Argentine Government has responded with regulations and currency exchange and transfer restrictions, and it is widely reported that in other countries where the Peso is traded, the Peso/U.S. Dollar exchange rate differs substantially from the official exchange rate in Argentina; and
- previous GDP performance has depended to some extent on high commodity prices which, despite having a favorable long-term trend, are volatile in the short-term and beyond the control of the Argentine Government.

As in the recent past, Argentina's economy may be adversely affected if political and social pressures inhibit the implementation by the Argentine Government of policies designed to control inflation, generate growth and enhance consumer and investor confidence, or if policies implemented by the Argentine Government that are designed to achieve these goals are not successful. These events could materially adversely affect our financial condition and results of operations, or cause the market value of our ADSs and our Class B common shares to decline.

As public finances became increasingly tight, the Argentine Government decided to revise its subsidy policies, particularly those related to energy, electricity and gas, water and public transportation. However, as economic growth has not reached the levels of previous years (on average, GDP grew close to 8.0% per year between 2003 and 2010) and inflation has continued to increase, the manner in which the Argentine Government has revised those policies has been affected. As ultimately implemented, the revised policies will not have an impact on companies' revenues but could affect the timing of the revision of the tariff process, and generate a strong negative impact on economic activity and an increase in prices, considering that they would be put into effect in a context of subpar growth, high inflation and capital flight.

We cannot assure you that a decline in economic growth, increased economic instability, or the expansion of economic policies and measures taken by the Argentine Government that affect private sector enterprises such as us, all developments over which we have no control, would not have an adverse effect on our business, financial condition or results of operations or would not have a negative impact on the market value of our ADSs and our Class B common shares.

***The impact of inflation in Argentina on our costs could have a material adverse effect on our results of operations***

Inflation has, in the past, materially undermined the Argentine economy and the Argentine Government's ability to create conditions that permit growth. In recent years, Argentina has confronted inflationary pressure, evidenced by significantly higher fuel, energy and food prices, among other factors. According to data published by the *Instituto Nacional de Estadística y Censos* (National Statistics and Census Institute or INDEC), the rate of inflation reached 10.9% in 2010, 9.5% in 2011 and 10.8% in 2012. The Argentine Government has implemented programs to control inflation and monitor prices for essential goods and services, including freezing the prices of supermarket products, and price support arrangements agreed between the Argentine Government and private sector companies in several industries and markets.

A high inflation environment would undermine Argentina's foreign competitiveness by diluting the effects of the Argentine Peso devaluation, negatively impact the level of economic activity and employment and undermine confidence in Argentina's banking system, which could further limit the availability of domestic and international credit to businesses. In turn, a portion of the Argentine debt is adjusted by the *Coficiente de Estabilización de Referencia* (Stabilization Coefficient, or "CER"), a currency index, that is strongly related to inflation. Therefore, any significant increase in inflation would cause an increase in the Argentine external debt and consequently in Argentina's financial obligations, which could exacerbate the stress on the Argentine economy. A continuing high

inflation environment could undermine our results of operations as a result of a delay in our ability to, or our inability to, adjust our tariffs accordingly and could adversely affect our ability to finance the working capital needs of our businesses on favorable terms, and adversely affect our results of operations and cause the market value of our ADSs and Class B common shares to decline.

***The credibility of several Argentine economic indexes has been called into question, which may lead to a lack of confidence in the Argentine economy and may in turn limit our ability to access the credit and capital markets***

In January 2007, INDEC modified its methodology used to calculate the consumer price index (the “CPI”), which is calculated as the monthly average of a weighted basket of consumer goods and services that reflects the pattern of consumption of Argentine households. Since then, the credibility of the CPI, as well as other indexes published by the INDEC has been affected. As a result of the uncertainty relating to the accuracy of INDEC indexes, the inflation rate of Argentina and the other rates calculated by INDEC could be higher than as indicated in official reports.

Beginning November 23, 2010, the Argentine government consulted with the IMF for technical assistance in order to prepare a new national consumer price index with the aim of modernizing the current statistical system. During the first quarter of 2011, a team from the IMF started working in conjunction with the INDEC to create such new national consumer price index. Notwithstanding the foregoing, reports published by the IMF state that their staff also uses alternative measures of inflation for macroeconomic surveillance, including data produced by private sources, which have shown inflation rates considerably higher than those issued by the INDEC since 2007, and the IMF has called on Argentina to adopt remedial measures to address the quality of official data. In its meeting held on February 1, 2013, the Executive Board of the IMF found that Argentina’s progress in implementing remedial measures since September 2012 has not been sufficient, and as a result, the IMF issued a declaration of censure against Argentina in connection with its breach of its related obligations to the IMF under the Articles of Agreement, and called on Argentina to adopt remedial measures to address the inaccuracy of inflation and GDP data without further delay.

Any required correction or restatement of the INDEC indexes could result in a significant further decrease in confidence in Argentina’s economy, which could, in turn, have an adverse effect on our ability to access international capital markets to finance our operations and growth, which could, in turn, adversely affect our results of operations and financial condition and cause the market value of our ADSs and Class B common shares to decline.

Given the limited credit available to emerging market nations as a result of the global economic crisis, our ability to access credit in the capital markets could be limited by the uncertainty relating to the inaccuracy of the economic indexes and rates in question which could adversely affect our results of operations and financial conditions and cause the market value of our ADSs and class B common shares to decline.

***Argentina’s ability to obtain financing from international markets is limited, which may impair its ability to implement reforms and foster economic growth, and consequently, may affect our business, results of operations and prospects for growth***

In 2005, Argentina restructured part of its sovereign debt that had been in default since the end of 2001. The Argentine Government announced that as a result of this restructuring, it had approximately U.S.\$129.2 billion in total gross public debt as of December 31, 2005. Holdout creditors that declined to participate in the exchanges commenced numerous lawsuits against Argentina in several countries, including the United States, Italy, Germany, and Japan. These lawsuits generally assert that Argentina has failed to make timely payments of interest and/or principal on their bonds, and seek judgments for the face value of and/or accrued interest on those bonds. Judgments have been issued in several proceedings but to date judgment creditors have not succeeded in having those judgments enforced. In at least one case, plaintiffs have asserted that allowing Argentina to make payments under its newly issued bonds and remain in default on its pre-2002 bonds violates the *pari passu* clause in the original bonds and entitles the plaintiffs to enjoin such payments. The U.S. Court of Appeals for the Second Circuit

has ruled in the case that the ranking clause in bonds issued by Argentina prevents Argentina from making such payments unless it makes *pro rata* payments in respect of defaulted debt that ranks *pari passu* with the performing bonds. The judgment has been appealed, and we cannot predict when or in what form a final appellate decision will be granted.

In September 2008, Argentina announced its intention to cancel its external public debt to Paris Club creditor nations using reserves of the *Banco Central de la República Argentina* (the Argentine Central Bank, or the “Central Bank”) in an amount equal to approximately U.S. \$6.5 billion. However, as of the date of this annual report, the Argentine Government has not yet cancelled such debt. Indeed, negotiations in this respect remain stagnant. If no agreement with the Paris Club creditor nations is reached, financing from multilateral financial institutions may be limited or not available, which could adversely affect economic growth in Argentina and Argentina’s public finances.

Certain groups of holders that did not participate in the 2005 restructuring have filed claims against Argentina and it is possible that new claims will be filed in the future. In addition, foreign shareholders of several Argentine companies have filed claims before the ICSID alleging that certain government measures adopted during the country’s 2001 crisis were inconsistent with the fair and equitable treatment standards set forth in various bilateral investment treaties to which Argentina is a party. Since May 2005, the ICSID tribunals have issued several awards against Argentina. Only the cases “CMS v. Argentina”, “Azurix v. Argentina” and “Vivendi v. Argentina” are currently final and unappealable, which decisions required that the Argentine Government pay U.S. \$133.2 million, U.S. \$165.2 million and U.S. \$105 million, respectively. As of the date of this annual report, Argentina has not yet paid the amounts referred to above.

On April 30, 2010, Argentina launched a new debt exchange to holders of the securities issued in the 2005 debt exchange and to holders of the securities that were eligible to participate in the 2005 debt exchange (other than Brady bonds) to exchange such debt for new securities and, in certain cases, a cash payment. As a result of the 2005 and 2010 exchange offers, Argentina restructured over 91% of the defaulted debt eligible for the 2005 and 2010 exchange offers. The creditors who did not participate in the 2005 or 2010 exchange offers may continue with legal action against Argentina for the recovery of debt, which could adversely affect Argentina’s access to the international capital markets.

Argentina’s past default and its failure to restructure completely its remaining sovereign debt and fully negotiate with the holdout creditors may limit Argentina’s ability to reenter the international capital markets. Litigation initiated by holdout creditors as well as ICSID claims have resulted and may continue to result in judgments and awards against the Argentine Government which, if not paid, could prevent Argentina from obtaining credit from multilateral organizations. Judgment creditors have sought and may continue to seek to attach or enjoin assets of Argentina. A recent example of this is the Libertad Frigate case, in which a commercial court in Accra, Ghana, granted an order (which has been overturned) to detain an Argentine ship which had entered the Accra port on a routine trip. In addition, various creditors have organized themselves into associations to engage in lobbying and public relations concerning Argentina’s default on its public indebtedness. Such groups have over the years unsuccessfully urged passage of federal and New York state legislation directed at Argentina’s defaulted debt and aimed at limiting Argentina’s access to the U.S. capital markets. Although neither the United States Congress nor the New York state legislature has adopted such legislation, we can make no assurance that legislation or other political actions designed to limit Argentina’s access to capital markets will not take effect.

As a result of Argentina’s default and the events that have followed it, the government may not have the financial resources necessary to implement reforms and foster economic growth, which, in turn, could have a material adverse effect on the country’s economy and, consequently, our businesses and results of operations. Furthermore, Argentina’s inability to obtain credit in international markets could have a direct impact on our own ability to access international credit markets to finance our operations and growth, which could adversely affect our results of operations and financial condition and cause the market value of our ADSs and our Class B common shares to decline.

***Significant fluctuations in the value of the Argentine Peso could adversely affect the Argentine economy, which could, in turn adversely affect our results of operations***

The devaluation of the Argentine Peso could have a negative impact on the financial condition of many Argentine businesses including us. Such situation could negatively impact the ability of Argentine businesses to honor their foreign currency-denominated debt, lead to very high inflation and, significantly reduce real wages, jeopardize the stability of businesses whose success is dependent on domestic market demand, including public utilities and the financial industry, and adversely affect the Argentine Government's ability to honor its foreign debt obligations. If the Argentine Peso devalues significantly, the negative effects on the Argentine economy could have adverse consequences to our businesses, our results of operations and the market value of our ADSs, including as measured in U.S. Dollars.

On the other hand, a substantial increase in the value of the Argentine Peso against the U.S. Dollar also presents risks for the Argentine economy, including the possibility of a reduction in exports (as a consequence of the loss of external competitiveness). Any such increase could also have a negative effect on economic growth and employment, reduce the Argentine public sector's revenues from tax collection in real terms, and have a material adverse effect on our business, our results of operations and the market value of our ADSs as a result of the weakening of the Argentine economy in general.

***Certain measures that may be taken by the Argentine Government may adversely affect the Argentine economy and, as a result, our business and results of operations***

In November 2008, the Argentine Government enacted Law No. 26,425 which provided for the nationalization of the *Administradoras de Fondos de Jubilaciones y Pensiones* (the "AFJPs") (See Risk Factors "The nationalization of Argentina's private pension funds caused an adverse effect in the Argentine capital markets and increased the Argentine Government's interest in certain stock exchange listed companies, such that the Argentine Government became a significant shareholder of such companies"). More recently, beginning in April 2012, the Argentine Government provided for the nationalization of YPF S.A. and imposed major changes to the system under which oil companies operate, principally through the enactment of Law No. 26,741 and Decree No. 1277/2012. Additionally, on December 19, 2012, the Argentine Government issued Decree No. 2552/2012 which, in its article 2, ordered the expropriation of the "Predio Rural de Palermo". However, on January 4, 2013, the Federal Civil and Commercial Chamber granted an injunction that has temporarily blocked the application of Decree No. 2552/2012. We cannot assure you that these or other measures that may be adopted by the Argentine Government, such as expropriation, nationalization, forced renegotiation or modification of existing contracts, new taxation policies, changes in laws, regulations and policies affecting foreign trade, investment, etc, will not have a material adverse effect on the Argentine economy and, as a consequence, adversely affect our financial condition, our results of operations and the market value of our shares and ADSs.

***Exchange controls and restrictions on capital inflows and outflows may continue to limit the availability of international credit and could threaten the financial system and lead to renewed political and social tensions, adversely affecting the Argentine economy, and, as a result, our business.***

In 2001 and 2002, Argentina imposed exchange controls and transfer restrictions, substantially limiting the ability of companies to retain foreign currency or make payments abroad. After 2002, these restrictions, including those requiring the Central Bank's prior authorization for the transfer of funds abroad to pay principal and interest on debt obligations, were substantially eased through 2007. Since the last quarter of 2011, however, regulations were issued making foreign exchange transactions subject to the prior approval of the Argentine tax authorities. Through a combination of foreign exchange and tax regulations, the Argentine authorities have significantly curtailed access to foreign exchange by individuals and private sector entities.

Since the enhancement of exchange controls began in late 2011, and upon the introduction of measures that have practically closed the foreign exchange market to retail transactions, it is widely reported that the peso/U.S. dollar exchange rate in the unofficial market substantially differs from the official foreign exchange rate. See "Exchange Rates" and "Item 10. Exchange Controls." In addition to the foreign exchange restrictions, in June 2005

the Argentine Government adopted various rules and regulations that established new restrictive controls on capital inflows into the country, including a requirement that for certain funds remitted into Argentina an amount equal to 30% of the funds must be deposited into an account with a local financial institution as a U.S. Dollar deposit for a one-year period without any accrual of interest, benefit or other use as collateral for any transaction. The Argentine Government could impose new exchange controls or restrictions on the movement of capital and take other measures that could limit our ability to access the international capital markets and impair our ability to make interest or principal payments abroad or payments. Argentina may re-impose exchange controls, transfer restrictions or other measures in the future in response to capital flight or a significant depreciation of the Peso.

The Argentine Government could impose further exchange controls, transfer restrictions or restrictions on the movement of capital, and/or take other measures in response to capital flight or a significant depreciation of the Peso, which could limit our ability to access the international capital markets, and could lead to renewed political and social tensions and undermine the Argentine Government's public finances, which could adversely affect Argentina's economy and prospects for economic growth, which, in turn, could adversely affect our business and results of operations and the market value of our shares and ADSs. In addition, the Argentine Government or the Central Bank may reenact certain restrictions on the transfers of funds abroad, impairing our ability to make dividend payments to holders of the ADSs, which may adversely affect the market value of our ADSs. As of the date of this annual report, however, the transfer of funds abroad to pay dividends is permitted to the extent such dividend payments are made in connection with audited financial statements approved by a shareholders' meeting. Notwithstanding the foregoing, as of the date of this annual report, in light of applicable regulations the financial situation of the Company does not permit the payment of dividends.

***The nationalization of Argentina's private pension funds caused an adverse effect in the Argentine capital markets and increased the Argentine Government's interest in certain stock exchange, such that the Argentine Government became a significant shareholder of such companies***

In recent years a significant portion of the local demand for securities of Argentine companies came from the Argentine private pension funds. In response to the global economic crisis, in December 2008, by means of Argentine Law No. 26,425, the Argentine Congress unified the Argentine pension and retirement system into a system publicly administered by the *Administración Nacional de la Seguridad Social* (the National Social Security Agency, or "ANSES"), eliminating the pension and retirement system previously administered by private managers. In accordance with the new law, private pension managers transferred all of the assets administered by them under the pension and retirement system to the ANSES. With the nationalization of Argentina's private pension funds, the Argentine Government became a significant shareholder in many of the country's public companies. In April 2011, the Argentine Government lifted certain restrictions pursuant to which ANSES was prevented from exercising more than 5% of its voting rights in any stock exchange listed company (regardless of the equity interest held by ANSES in such companies). ANSES has publicly stated that it intends to exercise its voting rights in excess of such 5% limit in order to appoint directors in different stock exchange listed companies in which it holds an interest exceeding 5%. ANSES' interests may differ from those of other investors, and consequently, those investors may understand that ANSES' actions might have an adverse effect on such companies. As of the date of this annual report ANSES, owns shares representing 20.96% of the capital stock of our subsidiary Emdersa and 26.8% of the capital stock of Edenor.

The Argentine Government has stated its intention to exert a stronger influence on the operation of stock exchange listed companies. We cannot assure you that these or other similar actions taken by the Argentine Government will not have an adverse effect on the Argentine economy and consequently on our financial condition and results of operations.

***The Argentine economy could be adversely affected by economic developments in other markets and by more general "contagion" effects***

Argentine financial and securities markets are influenced, to varying degrees, by economic and financial conditions in other markets. Argentina's economy remains vulnerable to external shocks, including those related or similar to the global economic crisis that began in 2008 and the recent uncertainties surrounding European sovereign debt. For example, the recent challenges faced by the European Union to stabilize certain of its member economies, such as Greece, Ireland, Italy, Portugal and Spain, have had international implications affecting the stability of global financial markets, which has hindered economies worldwide. Should measures taken by the European Union

be insufficient to restore confidence and stability to the financial markets, any recovery of the global economy, including the U.S. and European Union economies, could be hindered or reversed, which could negatively affect the Argentine economy, and in turn our business and results of operations. Although economic conditions can vary from country to country, investors' perception of the events occurring in other countries have in the past substantially affected, and may continue to substantially affect capital flows to other countries and the value of securities in other countries, including Argentina. The Argentine economy was adversely impacted by the political and economic events that occurred in several emerging economies in the 1990s, including those in Mexico in 1994, the collapse of several Asian economies between 1997 and 1998, the economic crisis in Russia in 1998 and the Brazilian devaluation of its currency in January 1999.

In addition, international investors' reactions to events occurring in one market sometimes demonstrate a "contagion" effect in which an entire region or class of investment is disfavored by international investors, Argentina could be adversely affected by negative economic or financial developments in other countries, which in turn may have material adverse effect on the Argentine economy and, indirectly, on our business, financial condition and results of operations, and the market value of our ADSs.

***Argentina's economy is vulnerable to external shocks that could be caused by significant economic difficulties of its major regional trading partners.***

Argentina's economy is vulnerable to adverse developments affecting its principal trading partners. A significant decline in the economic growth of any of Argentina's major trading partners, such as Brazil, China or the United States, could have a material adverse impact on Argentina's balance of trade and adversely affect Argentina's economic growth. Recent economic slowdowns, especially in Brazil and China, have led to declines in Argentine exports. Declining demand for Argentine exports, or a decline in the international market prices for those products, could have a material adverse effect on Argentina's economic growth.

***The actions taken by the Argentine Government to reduce imports may affect our ability to purchase significant capital goods.***

The Argentine Government has recently adopted some initiatives designed to limit the import of goods in order to prevent further deterioration of the Argentine balance of trade. The restriction of imports may limit our ability to purchase capital goods that are necessary for our operations, which may, in turn, adversely affect our business, financial condition and results of operations.

## **Risks Relating to the Electricity Distribution Sector**

***The Argentine Government has intervened in the electricity sector in the past, and is likely to continue intervening***

To address the Argentine economic crisis in 2001 and 2002, the Argentine Government adopted the Public Emergency Law and other regulations, which made a number of material changes to the regulatory framework applicable to the electricity sector. These changes severely affected electricity generation, distribution and transmission companies and included the freezing of distribution nominal margins, the revocation of adjustment and inflation indexation mechanisms of tariffs, a limitation on the ability of electricity distribution companies to pass on to the consumer increases in costs due to regulatory charges and the introduction of a new price-setting mechanism in the wholesale electricity market (the "WEM") which had a significant impact on electricity generators and generated substantial price differences within the market. The Argentine Government continues to intervene in this sector, including by granting temporary nominal margin increases, proposing a new social tariff regime for residents of poverty-stricken areas, creating specific charges to raise funds that are transferred to government-managed trust funds that finance investments in generation and distribution infrastructure and mandating investments for the construction of new generation plants and the expansion of existing transmission and distribution networks.

Furthermore, on November 15, 2011, the Secretariat of Energy issued Note 8752, which provided that any approval by the provincial governments of increases to the electricity tariffs applicable to end-users as of November 1, 2011 will trigger a proportionate decrease in the federal subsidy available to that end-user in connection with the purchase of electricity. Since the issuance of Note 8752, certain provincial governments have initiated legal

proceedings to challenge the jurisdiction of the Secretariat of Energy to issue Note 8752, particularly because of the potential chilling effect that this regulation may have on the ability of the provincial governments to increase electricity tariffs. These proceedings have not been resolved as of the date of this annual report. In addition to the foregoing, several provincial governments have recently enacted new regulations in order to charge electricity end-users amounts corresponding to the cuts in the federal subsidy.

On November 27, 2012, the Secretariat of Energy issued Resolution 2016, which approved the seasonal WEM prices – subsidized and not subsidized – for the period of November 2012 through April 2013. The Subsidized WEM Seasonal Reference Price was established at Ps. 320 per MWh. Each local authority is to define the local prices to be included in the local distributor's tariff.

The Argentine Government has also announced an analysis of new measures that would change the current regulatory framework of the energy sector. On March 26, 2013, the Secretariat of Energy issued Resolution 95, which introduced a new scheme for the remuneration for the electricity generation sector and several modifications to the organization of the WEM, including the suspension of the administration of new contracts, or the renewal of existing contracts, in the term market of the WEM.

We cannot assure you that these or other measures that may be adopted by the Argentine Government will not have a material adverse effect on our business and results of operations or on the market value of our shares and ADSs or that the Argentine Government will not adopt emergency legislation similar to the Public Emergency Law, or other similar resolutions, in the future that may further increase our regulatory obligations, including increased taxes, unfavorable alterations to our tariff structures and other regulatory obligations, compliance with which would increase our costs and have a direct negative impact on our results of operations and cause the market value of our ADSs and Class B common shares to decline.

***Electricity distributors were severely affected by the emergency measures adopted during the economic crisis, many of which remain in effect***

Distribution tariffs include a regulated margin that is intended to cover the costs of distribution and provide an adequate return over the distributor's asset base. Under the Convertibility Regime, distribution tariffs were calculated in U.S. Dollars and distribution margins were adjusted periodically to reflect variations in U.S. inflation indexes. Pursuant to the Public Emergency Law, in January 2002 the Argentine government froze all distribution margins, revoked all margin adjustment provisions in distribution concessions and converted distribution tariffs into Pesos at a rate of Ps. 1.00 per U.S. \$ 1.00. These measures, coupled with the effect of high inflation and the devaluation of the Peso, led to a decline in distribution revenues in real terms and an increase of distribution costs in real terms, which could no longer be recovered through adjustments to the distribution margin. This situation, in turn, led many public utility companies, including us and other important distribution companies, to suspend payments on their financial debt (which continued to be denominated in U.S. Dollars despite the pesification of revenues), effectively preventing these companies from obtaining further financing in the domestic or international credit markets and making additional investments. Although the Argentine Government has granted temporary and partial relief to some distribution companies, including a limited increase in distribution margins, a temporary cost adjustment mechanism which was not fully implemented and the ability to apply certain additional charges, distribution companies are currently involved in discussions with the regulatory and government authorities on additional, permanent measures needed to adapt the current tariff scheme to the post-crisis situation of this sector. We cannot assure you that these measures will be adopted or implemented or that, if adopted, they will be sufficient to address the structural problems created for us by the economic crisis and its aftermath. If we become unable to cover the costs of distribution or if we do not receive an adequate return on our asset base, our results of operations may be adversely affected.

***Electricity demand may be affected by tariff increases, which could lead distribution companies, such as us, to record lower revenues***

During the 2001 and 2002 economic crisis, electricity demand in Argentina decreased due to the decline in the overall level of economic activity and the deterioration in the ability of many consumers to pay their electricity bills. In the years following the 2001 and 2002 economic crisis electricity demand experienced significant growth, increasing as an estimated average of approximately 5.0% per annum from 2003 through 2012. This

increase in electricity demand since 2003, reflects the relative low cost, in real terms, of electricity to consumers due to the freezing of distribution margins and the elimination of the inflation adjustment provisions in distribution concessions coupled with the devaluation of the Peso and inflation. The Executive Branch of the Argentine Government granted temporary increases in transmission and distribution margins, and transmission and distribution companies are currently negotiating further increases and adjustments to their tariff schemes with the Argentine Government. Although the increases in electricity transmission and distribution margins, which increased the cost of electricity to residential customers, have not had a significant negative effect on demand, we cannot make any assurances that these increases or any future increases in the relative cost of electricity will not have a material adverse effect on electricity demand or a decline in collections from customers. Further, in November 2011, the Argentine Government announced a cut in subsidies (which had no impact on our value added for distribution (“VAD”)) for electricity granted to certain customers that are presumed to be in a position to afford the cost without such subsidies. In this respect, we cannot assure you that these measures or any future measures (including increases on tariffs for residential users) will not lead electricity companies, like us, to record lower revenues and results of operations than currently anticipated, which may, in turn, have a material adverse effect on the market value of our ADSs.

***If we experience continued energy shortages in the face of growing demand for electricity, our ability to deliver electricity to our customers could be adversely affected, which could result in customer claims, material penalties and decreased results of operations***

In recent years, the condition of the Argentine electricity market has provided little incentive to generators to further invest in increasing their generation capacity, which would require material long-term financial commitments. As a result, Argentine electricity generators are currently operating at near full capacity and may not be able to guarantee the supply of electricity to distribution companies, such as us, which, in turn, could limit the ability of these companies, including us, to provide electricity to customers, and could lead to a decline in growth of such companies. Under Argentine law, distribution companies, such as us, are responsible to their customers for any disruption in the supply of electricity. To date, the Argentine authorities have not been called upon to decide under which conditions energy shortages may constitute *force majeure*. In the past, however, the Argentine authorities have taken a restrictive view of *force majeure* and have recognized the existence of *force majeure* only in limited circumstances, such as internal malfunctions at the customer’s facilities, extraordinary meteorological events (such as major storms) and third-party work in public thoroughfares. As a result, we could face customer claims and fines and penalties for service disruptions caused by energy shortages unless the relevant Argentine authorities determine that energy shortages constitute *force majeure*, which claims, fines and penalties could have a materially adverse effect on our financial condition and results of operations, and cause the market value of our ADSs and Class B common shares to decline.

## **Risks Relating to Our Business**

***Failure or delay to negotiate further improvements to our tariff structure, including increases in our distribution margin, and/or to have our tariff adjusted to reflect increases in our distribution costs in a timely manner, or at all, has affected our capacity to perform our commercial obligations and could also have a material adverse effect on our capacity to perform our financial obligations. As a result, there is substantial doubt with respect to the ability of the Company to continue as a going concern.***

We are currently engaged in RTI with the ENRE, as required by the agreement entered into with the Argentine government in February 2006 relating to the adjustment and renegotiation of the terms of our concession (the “Adjustment Agreement”). However, the timeline for completing this process and the favorability to us of the final resolution are both uncertain.

The Adjustment Agreement currently contemplates a cost adjustment mechanism for the transition period during which the RTI is being conducted. This mechanism, known as the Cost Monitoring Mechanism (CMM), requires the ENRE to review our actual distribution costs every six months (in May and November of each year) and adjust our distribution margins to reflect variations of 5% or more in our distribution cost base. We may also request that the ENRE apply the CMM at any time that the variation in our distribution cost base is at least 10% or more. Any adjustments, however, are subject to the ENRE’s assessment of variations in our costs, and we cannot guarantee that the ENRE will approve adjustments that are sufficient to cover our actual incremental costs. In the

past, even when the ENRE has approved adjustments to our tariffs, there has been a lag between when we actually experience increases in our distribution costs and when we receive increased revenues following the corresponding adjustments to our distribution margins pursuant to the CMM. In addition, we have estimated that the actual distribution costs have been significantly higher than the ones determined with the CMM adjustments that have been requested. Despite the adjustment we were granted under the CMM in October 2007 and July 2008, we cannot assure you that we will receive similar adjustments in the future. As of the date of this annual report we have requested ten additional increases under the CMM beginning in May 2008, which increases are still being reviewed by the ENRE (other than the request submitted in May 2008). Under the terms of the Adjustment Agreement, these ten increases should have been approved in May 2008, November 2008, May 2009, November 2009, May 2010, November 2010, May 2011, November 2011, May 2012 and November 2012.

During the years ended December 31, 2012 and 2011, we recorded a significant decrease in net income and operating income, and our working capital and liquidity levels were negatively affected, primarily as a result of the delay in obtaining a tariff increase and in having our tariff adjusted to reflect increases in our distribution costs, coupled with a constant increase in operating costs to maintain adequate service levels all of which has affected our capacity to perform our commercial obligations. In this context and in light of the situation that affects the electricity sector, the ENRE issued Resolution No. 347/12 in November 2012, which establishes the application of fixed and variable charges that have allowed the Company to obtain additional revenue as from November 2012. However, such additional revenue is insufficient to make up our operating deficit due to the constant increase in operating costs and the estimated salary or third-party costs increases for the year 2013.

If we are not able to recover all of the incremental costs contemplated by the increase requests pursuant to the CMM and all such future cost increases or there is a significant lag time between when we incur the incremental costs and when we receive increased revenues, and/or if we are not successful in achieving a satisfactory renegotiation of our tariff structure, we may be unable to comply with our financial obligations, we may suffer liquidity shortfalls and we may need to restructure our debt to ease our financial condition, any of which, individually or in the aggregate, would have a material adverse effect on our business and results of operations and may cause the value of our ADSs to decline. As a result, there is substantial doubt with respect to the ability of the Company to continue as a going concern.

We have prepared our annual financial statements for the fiscal year ended December 31, 2012 included herein, assuming that we will continue as a going concern. Our independent auditors, PwC, issued a report dated April 30, 2013, on our Consolidated Financial Statements as of and for the years ended December 31, 2012 and 2011, which contains an explanatory paragraph expressing substantial doubt as to our ability to continue as a going concern. As discussed in Note 1 to our Consolidated Financial Statements, the delays in obtaining tariff increases and the cost adjustments recognition requested by the Company in accordance with the terms of the Adjustment Agreement, together with the continuous increase in operating expenses that are necessary to maintain the level of service, significantly affected the economic and financial position of the Company and have raised substantial doubt with respect to our ability to continue as a going concern. Management's plans in response to these matters are also described in Note 1. However, our financial statements as of and for the year ended December 31, 2012 and 2011 do not include any adjustments or reclassifications that might result from the outcome of this uncertainty. See Item 18: "Financial Statements."

The goal of the RTI is to achieve a comprehensive revision of our tariff structure, including further increases in our distribution margins and periodic adjustments based on changes in our cost base, to provide us with an adequate return on our asset base. Although we believe the RTI will result in a new tariff structure, we cannot assure you that the RTI will conclude in a timely manner or at all or that the new tariff structure will effectively cover all of our costs or provide us with an adequate return on our asset base. Moreover, the RTI could result in the adoption of an entirely new regulatory framework for our business, with additional terms and restrictions on our operations and the imposition of mandatory investments. We also cannot predict whether a new regulatory framework will be implemented and what terms or restrictions could be imposed on our operations.

***Our distribution tariffs may be subject to challenge by Argentine consumer and other groups***

In November 2006, two Argentine consumer associations, Asociación Civil por la Igualdad y la Justicia (ACIJ) and Consumidores Libres Cooperativa Limitada de Provisión de Servicios de Acción Comunitaria, brought

an action against us and the Argentine government before a federal administrative court seeking to block the ratification of the Adjustment Agreement on the grounds that the approval mechanism was unconstitutional. In March 2007, the federal administrative court dismissed these claims and ruled in our favor on the grounds that the adoption of Executive Decree No. 1957/06, which ratified the Adjustment Agreement, rendered this action moot. The ACIJ appealed this decision in April 2007, and the appeal was decided in our favor. However, in April 2008, the ACIJ filed another complaint challenging the procedures utilized by the Argentine Congress in approving the Adjustment Agreement, to which we timely replied. In addition, in 2008, the *defensor del pueblo* (Public Ombudsman) filed a claim opposing the resolutions establishing the tariff schedule, effective as of October 1, 2008, and naming us as defendant. On January 27, 2009, the ENRE notified us of a preliminary injunction, as a result of the Ombudsman's claim, pursuant to which we were ordered to refrain from cutting the energy supply to customers challenging the October 2008 tariff increase until a decision is reached with respect to the claim. This injunction has been appealed by us and the Argentine government, the resolution of which is still pending as of the date of this annual report.

In addition, in December 2009, another Argentine consumer association, *Unión de Usuarios y Consumidores*, brought an action against us and the Argentine government seeking to annul certain retroactive tariff increases. In November 2010, the relevant court upheld the claim. We appealed the court's order and requested that it be stayed pending a decision on the appeal. In December 2010, the court stayed its order pending a decision on the appeal. On June 1, 2011, the Administrative Court of Appeals (Cámara Nacional de Apelaciones en lo Contencioso Administrativo Federal – Sala V) overturned the judgment of the lower administrative court. The *Unión de Usuarios y Consumidores* filed an extraordinary federal appeal ("Recurso Extraordinario Federal") against such decision, which was granted on March 11, 2011. The proceedings have been taken to the Supreme Court of Justice.

We cannot make assurances regarding how these complaints will be resolved nor can we make assurances that other actions or requests for injunctive relief will not be brought by these or other groups seeking to reverse the adjustments we have obtained or to block any further adjustments to our distribution tariffs. If these legal challenges are successful and prevent us from implementing tariff adjustments granted by the Argentine government, we could face a decline in collections from our customers, and a decline in our results of operations, which may have a material adverse effect on our financial condition and the market value of our ADSs.

***We have been, and may continue to be, subject to fines and penalties that could have a material adverse effect on our financial condition and results of operations***

We operate in a highly regulated environment and have been and in the future may continue to be subject to significant fines and penalties by regulatory authorities, including for reasons outside our control, such as service disruptions attributable to problems at generation facilities or in the transmission network that result in a lack of electricity supply. After 2001, the amount of fines and penalties imposed on our company has increased significantly, which we believe is mainly due to the economic and political environment in Argentina following the 2001 and 2002 economic crisis. Although the Argentine government has agreed to forgive a significant portion of our accrued fines and penalties pursuant to the Adjustment Agreement and to allow us to repay the remaining balance over time, this forgiveness and repayment plan is subject to a number of conditions, including compliance with quality of service standards, reporting obligations and required capital investments. As of December 31, 2012, December 31, 2011 and January 1, 2011, our consolidated accrued fines and penalties totaled Ps. 662.0 million, Ps. 542.2 million and Ps. 455.4 million, respectively (taking into account our adjustment to fines and penalties following the ratification of the Adjustment Agreement). If we fail to comply with any of these conditions, the Argentine government may seek to obtain payment of these fines and penalties by our company. In addition, we cannot assure you that we will not incur material fines in the future, which could have a material adverse effect on our financial condition, our results of operations and the market value of our ADSs.

***If we are unable to control our energy losses, our results of operations could be adversely affected***

Our concession does not allow us to pass through to our customers the cost of additional energy purchased to cover any energy losses that exceed the loss factor contemplated by our concession, which is, on average, 10%. As a result, if we experience energy losses in excess of those contemplated by our concession, we may record lower operating profits than we anticipate. Prior to the 2001 and 2002 economic crisis, we had been able to reduce the high level of energy losses experienced at the time of the privatization to the levels contemplated (and reimbursed) under

our concession. However, during the last couple of years, our level of energy losses, particularly our non-technical losses, started to grow again, in part as a result of the increase in poverty levels and, with it, the number of delinquent accounts and fraud. Although we continue to make investments to reduce energy losses, these losses continue to exceed the 10% average loss factor in the concession, and based on the current economic turmoil, we do not expect these losses to decrease in the near term. Our energy losses amounted to 13.3% in 2012, 12.6% in 2011 and 12.5% in 2010. We cannot assure you that our energy losses will not increase again in future periods, which may lead us to have lower margins and could adversely affect our financial condition, our results of operations and the market value of our ADSs.

***The Argentine government could foreclose on the pledge of our Class A common shares under certain circumstances, which could have a material adverse effect on our business and financial condition***

Pursuant to our concession and the provisions of the Adjustment Agreement, the Argentine government has the right to foreclose on the pledge of our Class A common shares and sell these shares to a third party buyer if:

- the fines and penalties we incur in any given year exceed 20% of our gross energy sales, net of taxes (which corresponds to our energy sales);
- we repeatedly and materially breach the terms of our concession and do not remedy these breaches upon the request of the ENRE;
- our controlling shareholder, EASA, creates any lien or encumbrance over our Class A common shares (other than the existing pledge in favor of the Argentine government);
- we or EASA obstruct the sale of Class A common shares at the end of any management period under our concession;
- EASA fails to obtain the ENRE's approval in connection with the disposition of our Class A common shares;
- our shareholders amend our articles of incorporation or voting rights in a way that modifies the voting rights of the Class A common shares without the ENRE's approval; or
- We, or any existing shareholders or former shareholders of EASA who have brought a claim against the Argentine government in the ICSID do not desist from such ICSID claims following completion of the RTI and the approval of a new tariff regime.

In 2012, the fines and penalties imposed on Edenor by the ENRE amounted to Ps. 116.9 million, which represented 4.0% of our energy sales. See "Item 4. Information on the Company — Our Concession — Fines and Penalties."

If the Argentine government were to foreclose on the pledge of our Class A common shares, pending the sale of those shares, the Argentine government would also have the right to exercise the voting rights associated with such shares. In addition, the foreclosure by the Argentine government on the pledge of our Class A common shares may be deemed to constitute a change of control under the terms of our Senior Notes due 2017 and due 2022. See "—We may not have the ability to raise the funds necessary to finance a change of control offer as required by the Senior Notes due 2017 and 2022." If the Argentine government forecloses on the pledge of our Class A common shares, our results of operations and financial condition could be significantly affected and the market value of our ADSs could also be affected.

***Default by the Argentine government could lead to termination of our concession, and have a material adverse effect on our business and financial condition***

If the Argentine government breaches its obligations in such a way that we cannot comply with our obligation under our concession or in such a way that our service is materially affected, we can request the termination of our concession, after giving the Argentine government 90 days' prior notice. Upon termination of our concession, all our assets used to provide electricity distribution service would be transferred to a new state-owned company to be created by the Argentine government, whose shares would be sold in an international public bidding procedure. The amount obtained in such bidding would be paid to us, net of the payment of any debt owed by us to

the Argentine government, plus compensation established as a percentage of the bidding price, ranging from 10% to 30% depending on the management period in which the sale occurs. Any such default could have a material adverse effect on our business and financial condition.

***We employ a largely unionized labor force and could be subject to an organized labor action, including work stoppages that could have a material effect on our business***

As of December 31, 2012, approximately 83% and 86% of Edenor and Eden employees, respectively, were union members. Although our relations with unions are currently stable and we have had an agreement in place with the two unions representing our employees since 1995, we cannot assure you that we will not experience work disruptions or stoppages in the future, which could have a material adverse effect on our business and revenues. We cannot assure you that we will be able to negotiate salary agreements on the same terms as those currently in effect, or that we will not be subject to strikes or work stoppages before or during the negotiation process. If we are unable to negotiate salary agreements or if we are subject to strikes or work stoppages, our results of operations, financial condition and the market value of our ADSs could be materially adversely affected.

***We might incur material labor liabilities in connection with our outsourcing that could have an adverse effect on our business and results of operations***

We outsource a number of activities related to our business to third party contractors in order to maintain a flexible cost base. As of December 31, 2012, Edenor had approximately 2,777 third-party employees under contract. Although we have very strict policies regarding compliance with labor and social security obligations by our contractors, we are not in a position to ensure that contractors' employees will not initiate legal actions to seek indemnification from us based upon a number of judicial rulings issued by labor courts in Argentina recognizing joint and several liability between the contractor and the entity to which it is supplying services under certain circumstances. We cannot make any assurances that such proceedings will not be brought against us or that the outcome of such proceedings would be favorable to us. If we were to incur material labor liabilities in connection with our outsourcing, such liability could have an adverse effect on our financial condition, our results of operations and the market value of our ADSs.

***We currently are not able to effectively hedge our currency risk in full and, as a result, a devaluation of the Peso may have a material adverse effect on our results of operations and financial condition***

Our revenues are collected in Pesos pursuant to tariffs that are not indexed to the U.S. Dollar, while a significant portion of our existing financial indebtedness is denominated in U.S. Dollars, which exposes us to the risk of loss from devaluation of the Peso. In the past we used to hedge this risk in part by converting a portion of our excess cash denominated in Pesos into U.S. Dollars and investing those funds outside Argentina, as permitted by applicable Argentine Central Bank regulations at the time and by entering into currency forward contracts; however, pursuant to new regulations of the Argentine Central Bank we can no longer hedge this risk by converting a portion of our excess cash denominated in Pesos into U.S. Dollars and because of that we continue to have substantial exposure to the U.S. Dollar. We cannot assure you whether the Argentine Government will maintain these exchange regulations or whether it will allow us to access the market to acquire U.S. Dollars in the manner that we have done in the past. Although we may also seek to enter into hedging transactions to cover all or a part of our exposure, we have not been able to hedge any of our exposure to the U.S. Dollar on terms we consider viable for our company. If we continue to be unable to effectively hedge all or a significant portion of our currency risk exposure, a devaluation of the Peso may significantly increase our debt service burden, which, in turn, may have a material adverse effect on our financial condition and results of operations.

***In the event of an accident or event not covered by our insurance, we could face significant losses that could materially adversely affect our business and results of operations***

As of December 31, 2012, our physical assets were insured for up to U.S. \$887.7 million. However, we do not carry insurance coverage for losses caused by our network or business interruption, including loss of our concession. See "Item 4. Information on the Company—Our Business—Insurance." Although we believe our insurance coverage is commensurate with standards for the distribution industry, no assurance can be given of the existence or sufficiency of risk coverage for any particular risk or loss. If an accident or other event occurs that is

not covered by our current insurance policies, we may experience material losses or have to disburse significant amounts from our own funds, which may have a material adverse effect on our net profits and our overall financial condition and on the market value of our ADSs.

***A substantial number of our assets are not subject to attachment or foreclosure and the enforcement of judgments obtained against us by our shareholders may be substantially limited***

A substantial number of our assets are essential to the public service we provide. Under Argentine law, as interpreted by the Argentine courts, assets which are essential to the provision of a public service are not subject to attachment or foreclosure, whether as a guarantee for an ongoing legal action or to allow for the enforcement of a legal judgment. Accordingly, the enforcement of judgments obtained against us by our shareholders may be substantially limited to the extent our shareholders seek to attach those assets to obtain payment on their judgment.

***If our controlling shareholder fails to meet its debt service obligations, its creditors may take measures that could have a material adverse effect on our results of operations***

In July 2006, EASA completed a comprehensive restructuring of all of its outstanding financial indebtedness, which had been in default since 2002. In connection with this restructuring, EASA issued approximately U.S. \$85.3 million in U.S. Dollar-denominated notes in exchange for the cancellation of approximately 99.94% of its outstanding financial debt. Since EASA's ability to meet its debt service obligations under these notes depends largely on our ability to pay dividends or make distributions or payments to EASA, our failure to do so could result in EASA becoming subject to actions by its creditors, including the attachment of EASA's assets and petitions for involuntary bankruptcy proceedings. If EASA's creditors were to attach our Class A common shares held by EASA, the Argentine government would have the right under our concession to foreclose on the pledge of our Class A common shares held by the Argentine government, which could trigger a repurchase obligation under the terms of our restructured debt and our Senior Notes due 2017 and due 2022, and have a material adverse effect on our results of operations and financial condition.

***Our exclusive right to distribute electric energy in our service area may be adversely affected by technological or other changes in the energy distribution industry, which would have a material adverse effect on our business***

Although our concession grants us the exclusive right to distribute electric energy within our service area, this exclusivity may be revoked in whole or in part if technological developments would make it possible for the energy distribution industry to evolve from its present condition as a natural monopoly into a competitive business. In no case does the complete or partial revocation of our exclusive distribution rights entitle us to claim or to obtain reimbursement or indemnity. Although, to our knowledge, there are no current projects to introduce new technologies in the medium- or long-term which might reasonably modify the composition of the electricity distribution business, we cannot assure you that future developments will not enable competition in our industry that would adversely affect the exclusivity right granted by our concession. Any total or partial loss of our exclusive right to distribute electricity within our service area would likely lead to increased competition and result in lower revenues, which could have a material adverse effect on our financial condition, our results of operations and the market value of our ADSs.

***Our acquisitions of Emdersa and Aeseba and the subsequent divestitures of Aeseba and the subsidiaries of Emdersa are subject to perfunctory approval by the Argentine Antitrust Commission and, in some cases, by the ENRE***

In March 2011, Edenor acquired EMDERSA and AESEBA and several related companies. Edenor has since then, decided to divest, and is currently divesting, such companies. These acquisitions and divestitures are subject to perfunctory approval by the Argentine Antitrust Commission and, in some cases, by the ENRE. Although we have submitted all required documentation to the Argentine Antitrust Commission and to the ENRE, we cannot assure you that the Argentine Antitrust Commission or the ENRE, as applicable, will authorize such acquisitions and, therefore, the acquisitions may be revoked or the divestitures may never be perfected if the relevant approvals are not granted. If we do not have the regulatory authorization to consummate the acquisitions and divestitures this

could have an adverse effect on our financial condition and consolidated results of operations and the market value of our shares and ADSs.

***A potential nationalization or expropriation of 51% of our capital stock, represented by the Class A shares, may limit the capacity of the Class B common shares to participate in the board of directors***

As of the date of this annual report, the ANSES owns shares representing 26.8% of our capital stock and appointed five Class B directors in our last Shareholders' meeting. The remaining directors were appointed by the Class A shares.

If the Argentine Government were to expropriate 51% of our capital stock, represented by our Class A shares, the Argentine Government would be the sole holder of the Class A shares and the ANSES would hold the majority of the Class B shares. Certain strategic transactions require the approval of the holders of the Class A shares. Consequently, the Argentine Government and the ANSES would be able to determine substantially all matters requiring approval by a majority of our shareholders, including the election of a majority of our directors, and would be able to direct our operations.

If the Argentine Government nationalizes or expropriates 51% of our capital stock, represented by our Class A shares, our results of operations and financial condition could be adversely affected and this could cause the market value of our ADSs and Class B common shares to decline.

***We may not have the ability to raise the funds necessary to finance a change of control offer as required by the Senior Notes due 2017 and 2022***

As of the date of this annual report, approximately U.S.\$324.8 million of our financial debt is represented by the Senior Notes due 2017 and 2022. Under the indentures for the Senior Notes due 2017 and 2022, if a change of control occurs, we must offer to buy back any and all such notes that are outstanding at a purchase price equal to 100% of the aggregate principal amount of such notes, plus any accrued and unpaid interest thereon and additional amounts, if any, through the purchase date. We may not have sufficient funds available to us to make the required repurchases of the Senior Notes due 2017 and 2022 upon a change of control. If we fail to repurchase such notes in these circumstances that may constitute an event of default under the indentures, which may in turn trigger cross-default provisions in other of our debt instruments then outstanding.

***All of our outstanding financial indebtedness contains bankruptcy, reorganization proceedings and expropriation events of default, and we may be required to repay all of our outstanding debt upon the occurrence of any such events***

As of the date of this annual report, approximately U.S.\$ 324.8 million of our financial debt is represented by the Senior Notes due 2017 and 2022. Under the indentures for the Senior Notes due 2017 and due 2022, certain expropriation and condemnation events with respect to us may constitute an event of default, which if declared could trigger acceleration under the notes and require us to immediately repay all such accelerated debt. In addition, all of our outstanding financial indebtedness contains certain bankruptcy-related and reorganization proceedings (concurso preventivo)-related events of default. If we are not able to fulfill certain payment obligations as a result of our current financial situation, and the requirements set forth in the Argentine Bankruptcy Law No. 24,522 are met, any creditor, or even us, could file for our bankruptcy, or we could file for a voluntary reorganization proceeding (concurso preventivo). In addition, all of our outstanding financial indebtedness also contains cross-default provisions and/or cross-acceleration provisions that could cause all of our debt to be accelerated if the debt containing expropriation and/or bankruptcy and/or reorganization proceeding events of default goes into default or is accelerated. In such a case, we would expect to actively pursue formal waivers from the corresponding financial creditors to avoid this potential situation, but in case those waivers are not obtained and immediate repayment will be required, the Company could face short-term liquidity problems, which could adversely affect our results of operations and cause the market value of our ADSs and Class B common shares to decline.

***We are currently required by law to undertake a mandatory capital stock reduction and we may in the future be required to be dissolved and liquidated.***

Our accumulated deficit at the end of 2012 exceeded our reserves plus 50% of our capital stock, and therefore we are required to reduce our capital stock pursuant to Article 206 of the Argentine Corporations Law. Accordingly, on April 25, 2013, Edenor's general ordinary and extraordinary shareholders' meeting resolved to reduce Edenor's capital stock. As a result of the mandatory capital stock reduction, the Company's losses will be offset against the share premium (*prima de emisión*) and capital stock adjustment (*ajuste sobre el capital social*), as well as against 10% of the Company's capital stock.

In addition, if our shareholders' equity becomes negative (that is, if our total liabilities exceed our total assets) at any year-end, we will be required to dissolve and liquidate pursuant to Article 94 of the Argentine Corporations Law unless we receive a capital contribution or expect future revenues or results of operations which would result in our assets exceeding our liabilities. A mandatory capital stock reduction could adversely affect our results of operations and financial conditions and cause the market value of our ADSs and Class B common shares to decline.

***The New York Stock Exchange and/or the Buenos Aires Stock Exchange may suspend trading and/or delist our ADSs and Class B common shares, respectively, if our shareholders' equity becomes negative or if our financial situation further deteriorates***

The New York Stock Exchange and the Buenos Aires Stock Exchange ("BASE") may suspend and/or cancel the listing of our ADSs and Class B common shares, respectively, if our shareholders' equity becomes negative, or upon the occurrence of certain events relating to our financial situation.

The NYSE may in its sole discretion determine on an individual basis the suitability for continued listing of an issue in the light of all pertinent facts. Some of the factors mentioned in the NYSE Listed Company Manual, which may subject a company to suspension and delisting procedures, include: "unsatisfactory financial conditions and/or operating results," "inability to meet current debt obligations or to adequately finance operations," and "any other event or condition which may exist or occur that makes further dealings or listing of the securities on the NYSE inadvisable or unwarranted in the opinion of NYSE."

The BASE will suspend the listing of our Class B common shares if our financial statements or the financial information that we provide indicate that our shareholders' equity becomes negative. Furthermore, The BASE may cancel the listing of our Class B common shares if it determines that our shareholders' equity and our financial and economic situation do not justify our access to the stock market or if the NYSE cancels the listing of our ADSs.

We cannot assure you that the NYSE and/or BASE will not commence any suspension or delisting procedures in light of our current financial situation, including if our shareholders' equity becomes negative. A delisting or suspension of trading of our ADSs or Class B common shares by the New York Stock Exchange and/or BASE, respectively, could adversely affect our results of operations and financial conditions and cause the market value of our ADSs and Class B common shares to decline.

***Adoption of IFRS affects the presentation of our financial information, which has thus far been prepared under Argentine GAAP.***

On January 1, 2012, we began preparing our financial statements in accordance with IFRS. Prior to the year ended December 31, 2012, we prepared our financial statements in accordance with Argentine GAAP. Because IFRS differ in certain significant respects from Argentine GAAP, our financial information prepared and presented in our previous annual reports under Argentine GAAP is not directly comparable to our IFRS financial data. The lack of comparability of our recent and our historical financial data may make it difficult to gain a full and accurate understanding of our operations and financial condition.

***The designation of supervisors (veedores) by the CNV could adversely affect the economic and financial situation of the Company***

The new Capital Markets Law No. 26,831 provides in Article 20 that the CNV may conduct an inspection on persons subject to its control (such as the Company). If after any inspection the CNV considers that a resolution of the board of directors of the Company violated the interests of minority shareholders or any holder of securities subject to the regime of a public offering, it may appoint a supervisor (veedor), who will have veto powers. Additionally, the CNV may suspend the board of directors for a period of 180 days, until the CNV rectifies the situation. This measure may only be appealed before the Ministry of Economy and Finance. If the CNV makes an inspection and considers that any right of a minority shareholder or holder of any security has been breached, it may proceed to suspend the board of directors for the 180-day period, in which case the economic and financial situation of the Company could be negatively affected.

**Risks relating to ADSs and our Class B common shares**

***Restrictions on the movement of capital out of Argentina may impair the ability of holders of ADRs to receive dividends and distributions on, and the proceeds of any sale of, the Class B common shares underlying the ADSs***

The Argentine government may impose restrictions on the conversion of Argentine currency into foreign currencies and on the remittance to foreign investors of proceeds from their investments in Argentina. Argentine law currently permits the Argentine Government to impose these kinds of restrictions temporarily in circumstances where a serious imbalance develops in Argentina's balance of payments or where there are reasons to foresee such an imbalance. Beginning in December 2001, the Argentine Government implemented an unexpected number of monetary and foreign exchange control measures that included restrictions on the free disposition of funds deposited with banks and on the transfer of funds abroad, including dividends, without prior approval by the Central Bank, some of which are still in effect. Among the restrictions that are still in effect are those relating to the payment prior to maturity of the principal amount of loans, bonds or other securities owed to non-Argentine residents, the requirement for Central Bank approval prior to acquiring foreign currency for certain types of investments and the requirement that 30% of certain types of capital inflows into Argentina be deposited in a non-interest-bearing account in an Argentine bank for a period of one year. Although the transfer of funds abroad in order to pay dividends no longer requires Central Bank approval to the extent such dividend payments are made in connection with audited financial statements approved by a shareholders' meeting, restrictions on the movement of capital to and from Argentina such as those that previously existed could, if reinstated, impair or prevent the conversion of dividends, distributions, or the proceeds from any sale of shares, as the case may be, from Pesos into U.S. Dollars and the remittance of such U.S. Dollars abroad. We cannot assure you that the Argentine government will not take similar measures in the future. In such a case, the depository for the ADSs may hold the Pesos it cannot otherwise convert for the account of the ADS holders who have not been paid. Nonetheless, the adoption by the Argentine government of restrictions on the movement of capital out of Argentina may affect the ability of our foreign shareholders and holders of ADSs to obtain the full value of their shares and ADSs and may adversely affect the market value of our ADSs.

***Our ability to pay dividends is limited***

In accordance with Argentine corporate law, we may only pay dividends in Pesos out of our retained earnings, if any, as set forth in our audited consolidated financial statements prepared in accordance with IFRS as issued by the IASB. Our ability to pay dividends, however, is further restricted in accordance with the terms of the Adjustment Agreement, pursuant to which we have agreed not to pay dividends without the ENRE's prior approval until we complete the RTI. We cannot predict with any certainty when this process will be completed.

***Our shareholders' ability to receive cash dividends may be limited***

Our shareholders' ability to receive cash dividends may be limited by the ability of the depository to convert cash dividends paid in Pesos into U.S. Dollars. Under the terms of our deposit agreement with the depository for the ADSs, the depository will convert any cash dividend or other cash distribution we pay on the common shares

underlying the ADSs into U.S. Dollars; if it can do so on a reasonable basis and can transfer the U.S. Dollars to the United States. If this conversion is not possible or if any government approval is needed and cannot be obtained, the deposit agreement allows the depository to distribute the foreign currency only to those ADS holders to whom it is possible to do so. If the exchange rate fluctuates significantly during a time when the depository cannot convert the foreign currency, shareholders may lose some or all of the value of the dividend distribution.

***Under Argentine law, shareholder rights may be fewer or less well defined than in other jurisdictions***

Our corporate affairs are governed by our by-laws and by Argentine corporate law, which differ from the legal principles that would apply if we were incorporated in a jurisdiction in the United States, such as the States of Delaware or New York, or in other jurisdictions outside Argentina. In addition, the rights of holders of the ADSs or the rights of holders of our common shares under Argentine corporate law to protect their interests relative to actions by our board of directors may be fewer and less well-defined than under the laws of those other jurisdictions. Although insider trading and price manipulation are illegal under Argentine law, the Argentine securities markets are not as highly regulated or supervised as the U.S. securities markets or markets in some other jurisdictions. In addition, rules and policies against self-dealing and regarding the preservation of shareholder interests may be less well-defined and enforced in Argentina than in the United States, putting holders of our common shares and ADSs at a potential disadvantage.

***Holders of ADSs may be unable to exercise voting rights with respect to the Class B common shares underlying the ADSs at our shareholders' meetings***

Shares underlying the ADSs are held by the depository in the name of the holder of the ADS. As such, we will not treat holders of ADSs as shareholders and, therefore, holders of ADSs will not have shareholder rights. The depository will be the holder of the common shares underlying the ADSs and holders may exercise voting rights with respect to the Class B common shares represented by the ADSs only in accordance with the deposit agreement relating to the ADSs. There are no provisions under Argentine law or under our by-laws that limit the exercise by ADS holders of their voting rights through the depository with respect to the underlying Class B common shares. However, there are practical limitations on the ability of ADS holders to exercise their voting rights due to the additional procedural steps involved in communicating with these holders. For example, holders of our common shares will receive notice of shareholders' meetings through publication of a notice in an official gazette in Argentina, an Argentine newspaper of general circulation and the daily bulletin of the Buenos Aires Stock Exchange, and will be able to exercise their voting rights by either attending the meeting in person or voting by proxy. ADS holders, by comparison, do not receive notice directly from us. Instead, in accordance with the deposit agreement, we provide the notice to the depository. If we ask it to do so, the depository will mail to holders of ADSs the notice of the meeting and a statement as to the manner in which instructions may be given by holders. To exercise their voting rights, ADS holders must then instruct the depository as to voting the Class B common shares represented by their ADSs. Due to these procedural steps involving the depository, the process for exercising voting rights may take longer for ADS holders than for holders of Class B common shares and Class B common shares represented by ADSs may not be voted as the holders of ADSs desire. Class B common shares represented by ADSs for which the depository fails to receive timely voting instructions may, if requested by us, be voted at the corresponding meeting either in favor of the proposal of the board of directors or, in the absence of such a proposal, in accordance with the majority.

***Our shareholders may be subject to liability for certain votes of their securities***

Because we are a limited liability corporation, our shareholders are not liable for our obligations. Shareholders are generally liable only for the payment of the shares they subscribe. However, shareholders who have a conflict of interest with us and who do not abstain from voting at the respective shareholders' meeting may be liable for damages to us, but only if the transaction would not have been approved without such shareholders' votes. Furthermore, shareholders who willfully or negligently vote in favor of a resolution that is subsequently declared void by a court as contrary to the law or our by-laws may be held jointly and severally liable for damages to us or to other third parties, including other shareholders.

#### **Item 4. Information on the Company**

##### **HISTORY AND DEVELOPMENT OF THE COMPANY**

Empresa Distribuidora y Comercializadora Norte S.A., or Edenor, is a public service company incorporated as a *sociedad anónima* (stock corporation) under the laws of Argentina. Our principal executive offices are located at Avenida del Libertador 6363, Ciudad de Buenos Aires, C1428ARG, Argentina, and our general telephone number at this location is +54 11 4346 5000.

We were incorporated on July 21, 1992, under the name Empresa Distribuidora Norte Sociedad Anónima, as part of the privatization of the Argentine state-owned electricity utility, Servicios Eléctricos del Gran Buenos Aires S.A. (SEGBA). In anticipation of its privatization, SEGBA was divided into three electricity distribution companies, including our company, and four electricity generation companies, and on May 14, 1992, the Argentine Ministry of Economy and Public Works and Utilities (currently the Ministry of Economy and Public Finance) approved the public sale of all of our company's Class A common shares, representing 51% of the capital stock of our company.

A group of international investors, which included EDF International S.A. (a wholly owned subsidiary of Électricité de France S.A.), presented a bid for our Class A common shares through Electricidad Argentina S.A. (EASA), an Argentine company. EASA was awarded the bid and, in August 1992, EASA and the Argentine government entered into a stock purchase agreement relating to the purchase of our Class A common shares. In addition, on August 5, 1992, the Argentine government granted us a concession to distribute electricity on an exclusive basis within our concession area for a period of 95 years. On September 1, 1992, EASA acquired our Class A common shares and became our controlling shareholder.

In June 1996, our shareholders approved the change of our name to Empresa Distribuidora y Comercializadora Norte S.A. (EDENOR S.A.) to more accurately reflect the description of our core business. The amendment to our by-laws related to our name change was approved by the ENRE and registered with the Public Registry of Commerce in 1997.

In 2001, EDF International S.A. (EDFI) acquired, in a series of transactions, all of the shares of EASA held by EASA's other shareholders, ENDESA Internacional, YPF S.A., which was the surviving company of Astra, and SAUR. As a result, EASA became a wholly-owned subsidiary of EDFI. In addition, EDFI purchased all of our Class B common shares held by these shareholders, increasing its direct and indirect interest in us to 90%.

On January 6, 2002, the Argentine congress enacted the Public Emergency Law, which authorized the Argentine government to implement certain measures to overcome the country's economic crisis. Under the Public Emergency Law, the Argentine government altered the terms of our concession and the concessions of other public utility services by renegotiating tariffs, freezing distribution margins and revoking price adjustment mechanisms, among other measures.

In September 2005, Dolphin Energía and IEASA acquired an indirect controlling stake in our company from EDFI. Dolphin Energía and IEASA were at the time of such acquisition controlled by the principals of Grupo Dolphin, an Argentine advisory and consulting firm that carries out private equity activities. On September 28, 2007, Pampa Energía S.A. ("Pampa Energía" or "Pampa") acquired all the outstanding capital stock of Dolphin Energía and IEASA from the then current shareholders of these companies, in exchange for common stock of Pampa Energía. Pampa Energía, which is managed by Grupo Dolphin's former principals, owns a 50% interest in the company that co-controls the principal electricity transmission company in Argentina, Compañía de Transporte de Energía Eléctrica en Alta Tensión S.A. (Transener). In addition, Pampa Energía has controlling stakes in five generation plants located in the Salta, Mendoza, Neuquén and Buenos Aires provinces (Hidroeléctrica Nihules, Hidroeléctrica Diamante, Central Térmica Güemes, Central Térmica Loma de la Lata and Central Piedra Buena). See "Item 7. Major Shareholders and Related Party Transactions."

In April 2007, we completed the initial public offering of our Class B common shares, in the form of shares and American depositary shares, or ADSs. We and certain of our shareholders sold 18,050,097 ADSs, representing

361,001,940 Class B common shares, in an offering in the United States and elsewhere outside Argentina, and our Employee Stock Participation Program sold 81,208,416 Class B common shares in a concurrent offering in Argentina. Our ADSs are listed in The New York Stock Exchange under the symbol “EDN,” and our Class B common shares are listed on the Buenos Aires Stock Exchange under the same symbol. We received approximately U.S. \$61.4 million in proceeds from the initial public offering, before expenses, which we used to repurchase a part of our then outstanding debt. Following the initial public offering, EASA continues to hold 51% of our common shares, and approximately 49% are held by the public. See “Item 7. Major Shareholders and Related Party Transactions.”

On November 20, 2008, the Argentine congress passed a law unifying the Argentine pension and retirement system into a system publicly administered by the ANSES and eliminating the retirement savings system previously administered by private pension funds under the supervision of a governmental agency. In accordance with the new law, private pension funds transferred all of the assets administered by them under the retirement savings system to the ANSES. As of the date of this annual report, ANSES held 242,999,553 of our Class B common shares, representing 26.8% of our capital stock.

### ***Business Combinations***

#### ***Acquisition of EMDERSA and AESEBA***

On March 4, 2011, our Board of Directors approved an offer from its indirect controlling company Pampa Energía. As a consequence, Edenor was appointed by Pampa as the acquiring party under the Pampa-AEI Agreement. Therefore, on March 4, 2011, we acquired from AEI Utilities, S.L. (“AEIU”) (i) 182,224,095 common shares of Emdersa representing 77.19% of Emdersa’s capital stock and votes (“Emdersa’s Shares”), (ii) 2 common shares of Empresa Distribuidora de San Luis S.A. (“Edesal”) representing 0.01% of Edesal’s capital stock and votes, (iii) 600 common shares of Emdersa Generación Salta S.A. (“EGSSA”) representing 0.02% of EGGSA’s capital stock and votes, (iv) 1 common share of Empresa Distribuidora de Electricidad de la Rioja S.A. (“EDELAR”) representing 0.01% of EDELAR’s capital stock and votes, (v) 1 common share of Empresa de Sistemas Eléctricos Abiertos S.A. (“ESED”) representing 0.01% of ESED’s capital stock and votes, (all the shares mentioned in items (ii) through (v) hereinafter referred to as the “Residual Shares”) and (vi) 29,118,127 common shares of AESEBA S.A. representing 99.99% of AESEBA’s capital stock and votes (“AESEBA’s Shares”). The price paid by us for the aforementioned assets amounted to USD 90 million for Emdersa’s Shares and the Residual Shares acquired from AEIU and to USD 50 million for AESEBA’s Shares acquired from AEIU.

Within the framework of the offer made by Pampa and accepted by us, the parties additionally agreed that if within 3 years following acquisition date of Emdersa’s Shares, the Residual Shares and AESEBA’s Shares, we sold either totally or partially any of such shares, Pampa would be entitled to receive from the Company a payment equivalent to 50% of the amount received for the sale thereof in excess of the amount paid to AEIU for any of such Shares (Emdersa’s Shares and/or Residual Shares and/or AESEBA’s Shares).

In compliance with current regulations, we formally consulted the CNV about the steps to be followed with regards to the public offering for the acquisition of Emdersa’s shares that we are required to make to Emdersa’s minority shareholders due to the change in Emdersa’s control and in accordance with the provisions of the Capital Markets Law and the CNV’s regulations.

#### ***Spin-off Process – EMDERSA***

On August 23, 2011, Emdersa’s Board of Directors decided to convene an extraordinary general shareholders’ meeting, which was held on December 16, 2011, to consider (subject to approval by the relevant administrative authorities) the spin-off of certain assets and liabilities of Emdersa and the incorporation of three new companies, whose main assets would be the shares owned by Emdersa in each of Edesal, EDESA and EGGSA, respectively. Emdersa’s shareholders’ meeting held on December 16, 2011, which was resumed on January 13, 2012 after a recess, approved the special spin-off financial statements for the period ended September 30, 2011, the spin-off of the assets and the incorporation of the three companies referred to above, the share exchange relationship, the

amount of shares of the three holding companies to be incorporated, which had to be delivered to Emdersa's shareholders in exchange for the tendering of their shares in Emdersa, and the spin-off prospectus. Further, Emdersa's shareholders approved the by-laws of the abovementioned new holding companies and the corresponding capital reduction of Emdersa from Ps. 236,066,302 to Ps. 60,975,926.

The Spin-off process was approved by the CNV on August 16, 2012 and registered with the Public Registry of Commerce on October 10, 2012, together with the registration of the three new companies, namely, EDESAL Holding S.A. ("EDESALH"), EDESA Holding S.A. ("EDESAH") and EGSSA Holding S.A. ("EGSSAH"). On November 8, 2012, the new companies were authorized by the CNV to go public and obtained admission to the Buenos Aires Stock Exchange listing.

### ***Company sale agreements - Disposal group classified as "held for sale"***

#### *Offers for the acquisition of EMDERSA subsidiaries.*

The Company's Board of Directors approved the following offer letters:

- i. From Rovella Carranza S.A., on September 16, 2011, for the acquisition of the Company's direct and indirect stake in Edesal ("EDESAL Sale").
- ii. From Pampa Energía S.A., on October 11, 2011, for the acquisition of the company's direct and indirect stake in EGSSA ("EGSSA Sale").
- iii. From Salta Inversiones Eléctricas S.A. (SIESA), on April 23, 2012 for the acquisition of the company's direct and indirect stake in Edesa ("EDESA Sale")
- iv. From Andes Energía Argentina S.A., on September 16, 2011 and December 15, 2011 to buy a purchase option for the acquisition of the company's direct and indirect stake in Edelar ("EDELAR Offer").

Additionally, in order for these transactions to be carried out, the Company was required to cause Emdersa to complete its partial spin-off process, which resulted in the creation of three new investment companies, EDESALH (holder of 99.99% of EDESAL's capital stock and votes), EDESAH (holder of 90% of EDESA's capital stock and votes) and EGSSAH (holder of 99.99% of EGSSA's capital stock and votes).

#### *EDESAL Sale*

On September 16, 2011, the Board of Directors of the Company approved the offer for the acquisition of Edesal by Rovella Carranza S.A. for a total and final price of U.S. \$ 26.7 million that was paid in two installments, the first of them, for U.S. \$4.0 million was made within the three days of the acceptance of the offer, and the remaining balance was collected by Edenor on October 25, 2011.

Furthermore, as stipulated in the offer letter, on that date EDESAL repaid the financial loan granted by the company to EDESAL for an amount of Ps.37.5 million, plus interest accrued through the settlement date.

At that time the Company transferred 24.80% of Emdersa's shares and 0.01% of EDESAL's shares to Rovella Carranza S.A. which set up a collateral trust, comprised by the parties and Deutsche Bank S.A. to ensure compliance with the parties' obligations.

From the date of final payment and during the term of the trust, EDESAL's management was in charge of a board of directors appointed by Emdersa, in accordance with the buyer's proposal, which is comprised of five directors, four of whom were elected by the buyer and one of whom was elected by the seller, and equal number of alternate directors, four of whom were elected by the buyer and one of whom was elected by the seller.

As security for the compliance with the obligations undertaken, the company provided a performance bond in favour of Banco Itaú Argentina S.A. and Standard Bank Argentina S.A. for the total amount of Ps. 60 million as principal plus compensatory interest at an annual nominal rate of up to 16% as collateral for EDESAL's payment obligations with respect to these banks. The performance bond was not enforced.

As a consequence of this transaction, Edenor holds 0.13% interest in EDESALH.

#### *EGSSA sale*

On October 11, 2011, Edenor's Board of Directors approved the offer received from its controlling shareholder Pampa Energía for the acquisition through a conditioned purchase and sale transaction of 78.44% of the shares and votes of an investment company to be organized, which will be the holder of 99.99% of the shares and votes of EGSSA together with 0.01% of EGSSA's capital stock held by Edenor.

The condition precedent for the purchase and sale transaction was the carrying out of Emdersa's spin-off within the maximum term of 24 months as from the date of acceptance of the offer, which condition was complied with in November 2012.

The total and final agreed-upon price for this transaction amounts to U.S. \$10.8 million payable in two installments. The first installment, for an amount of U.S. \$2.2 million, was paid on October 31, 2011, and the remaining balance will be paid in October 2013. The second installment accrues interest at an annual rate of 9.75%, payable semi-annually.

Furthermore, the offer implied the repayment by Pampa Energía of the financial loan granted by Edenor to EGSSA for an amount of U.S. \$4.27 million, plus interest accrued through the settlement date, which was entered into on October 31, 2011.

As Emdersa's spin-off process was concluded on November 22, 2012, shares representing 78.44% of the capital stock and votes of EGSSAH have been transferred in favor of Pampa Energía.

#### *EDESA Sale*

On April 23, 2012, the Company's Board of Directors accepted the offer made by Salta Inversiones Eléctricas S.A. ("SIESA") to Edenor and its subsidiary Emdersa Holding, for the acquisition of shares representing (i) 78.44% of the capital stock and voting rights of EDESAH and (ii) the remaining 0.01% of ESED.

The transaction was carried out on May 10, 2012 at the offered price payable through the delivery of Argentina's sovereign debt bonds (Boden 2012) for a value equivalent to Ps. 100.5 million. Such price was partially cancelled through the payment of Ps. 83.8 million, with a sixth of the agreed-upon price remaining outstanding, whose payment SIESA is required to make in five annual and consecutive installments in US dollars, with the first of them falling due on May 5, 2013, at an interest rate of LIBOR + 2%. Payments relating to the price will be made (i) in immediately and freely available US dollars through transfer to a bank account specified by the seller, or, alternatively and at the seller's exclusive option (that may be exercised in respect of each of the payments), (ii) through the delivery to the seller of an amount of Argentina's sovereign debt bonds.

As part of the aforementioned transaction, EDESA fully repaid the loan granted by Edenor for a total principal amount of Ps.131.3 million, plus interest accrued, and the buyer released Emdersa from any liability related to the collateral granted by the latter to EDESA in connection with the syndicated loan held by EDESA with various banks. By virtue of this transaction, Emdersa Holding, a directly controlled company of Edenor S.A., transferred to SIESA the shares representing 28.93% of Emdersa's capital stock and votes, while Edenor transferred to that company 0.01% of ESED's capital stock and votes.

As agreed in the EDESA sale agreement, SIESA and Emdersa Holding, as trustors and beneficiaries, and Deutsche Bank S.A. ("DB") as trustee, set up a collateral trust to which they transferred their shareholdings representing Emdersa's capital stock and votes, with SIESA transferring the shares representing 28.93% of

Emdersa's capital stock and votes (which were received at the closing of the transaction), and Emdersa Holding transferring the remaining 24.84% of the shares.

Upon the conclusion of EMDERSA's spin-off process, the shares representing 78.44% of the capital stock and votes of EDESAH, holder of 90% of EDESA's shares and votes, were issued, and DB, as trustee, transferred to EHSA the totality of EMDERSA's shares that had been transferred by SIESA and EHSA to the trust, resulting in SIESA holding 78.44% of EDESAH's capital stock and votes.

As a consequence of this transaction, Edenor holds 0.13% interest in EDESA.

#### *EDELAR Offer*

The offer from Andes Energía Argentina S.A. ("Andes Energía"), which was accepted by the Company's Board of Directors on September 16, 2011, consisted of a proposal to buy a purchase option for a price of U.S. \$1.5 million to buy, if Emdersa's spin-off was completed within a term of 2 years, 78.44% of the Company's direct and indirect stake in EDELAR for U.S. \$20.29 million, to be paid in two installments. The purchase option was paid by the buyer on September 16, 2011.

Subsequently, the Company's Board of Directors approved proposals from Andes Energía to extend the term during which the buyer could exercise the option, with the Company retaining the right to freely sell or assign to any third party or cause the sale or assignment of some or all the shares that are the object of the transaction and/or the rights over such shares. In the event that a sale to a third party is made, Andes Energía's option may not be exercised, there being no outstanding payment or any responsibility of any kind for the Company or Andes Energía.

On December 31, 2012, Andes Energía's purchase option expired. As of the date of this annual report, the Company is currently negotiating with Andes Energía new terms and conditions. At the same time, the Company has received other expressions of interests in connection with such assets from third parties, which are currently being analyzed, although no specific offers have been received yet.

Taking into consideration that the Company maintains its decision to sell these assets and that it has received other expressions of interests in connection thereto, such assets continue to be classified as assets available for sale.

#### *Offer for the acquisition of EDEN*

In 2013, the Company received offers from two investment groups for the acquisition of all of the shares of AESEBA, the controlling company of EDEN. On February 27, 2013, the Company's Board of Directors unanimously approved the acceptance of the offer letter sent by Servicios Eléctricos Norte BA S.L. (the "Purchaser") for the acquisition of AESEBA's shares representing 100% of its capital stock and voting rights. The price offered by the Purchaser is payable through the delivery of Edenor's debt securities for an amount equivalent, at the closing date of the transaction, to approximately U.S. \$80 million of face value of such securities. Such delivery is secured by the Purchaser's contribution to a trust (the "Management Trust") of Ps. 326 million in Argentina's public debt securities, valued at the closing date of the transaction.

Furthermore, in order to implement this transaction, on March 19, 2013, the aforementioned Management Trust was set up by and among Purchaser (as settlor), Equity Trust Company (Uruguay) S.A. (as trustee) and the Company.

At the closing date of the transaction (April 5, 2013), the Trust received as contributions Argentina's public debt securities for a face value amount equivalent to Ps.262 million considering the market value of each bond at the closing date, and including the guarantee the Company had received at the time of the acceptance of the offer. Moreover, the Purchaser is required to complete contributions on or prior to December 31, 2013, of Argentina's sovereign bonds for an amount equivalent to approximately Ps. 64 million, taking into account the market value at the closing date. As a result of the liquidation of said securities that are contributed to the Management Trust, the Company's Class 7 and/or Class 9 Corporate Notes, maturing in 2022 and 2017, respectively, will be purchased.

At the closing date of this transaction, the Company divested the AESEBA segment which will result in a loss in Edenor's Financial Statements for 2013 of about Ps. 194.3 million (a Ps. 104.9 million loss after income tax effect). The repurchase of the Edenor's Corporate Bonds will be recognized at the time the purchase transactions are executed.

At December 31, 2012, the recording in the accounting of the Company's interest in AESEBA remained unchanged, given that at the end of the year such interest did not meet the criteria necessary to be classified and valued as "assets held for sale" in accordance with the international financial reporting standards for discontinued operations.

As of the date of this annual report, the Trust purchased U.S.\$ 17.3 million of face value of our Notes due 2022 in the open market.

### *Discontinued Operations*

Emdersa, through Edelar, supplies electricity to a service area with a population of approximately 290,000 that encompasses approximately 89,680 square miles in the Province of La Rioja. As of December 31, 2012, Edelar had approximately 118,068 customers and sold approximately 1,125 GWh of electricity in 2012. Emdersa is a public company, whose shares are traded on the Buenos Aires Stock Exchange under the symbol "Emdehr". Emdersa owns 99.9% of the capital stock of Edelar, and Edelar holds an exclusive long-term renewable concession granted by the regulator of the Province of La Rioja.

Edelar's concession is divided into an initial period of 15 years (which expired in 2010) followed by eight successive ten-year periods. At the end of each such period a competitive bidding process for the sale of a minimum of 51% of the share capital of Edelar will take place. We can participate in the bidding and will only be required to sell and transfer control of our interest in Edelar if there is a higher bid, in which case we will receive the amount bid by such bidder. Following such auction, a new ten-year concession will be granted to Edelar at the end of which the auction process would be held again. As of the date of this annual report, the competitive bidding process with respect to Edelar has not yet taken place.

Tariffs for Argentine electricity distribution companies are periodically reviewed by the regulators within the service area in which the concession is located. Edelar generally has RTIs every five years. Edelar's tariffs were last reviewed in an RTI in 2008. Under their current tariff schemes, the tariffs are designed to provide for a pass-through to customers of the main variable cost items (mainly power purchase costs and transmission charges), recovery of reasonable operating and administrative costs, incentives to reduce costs and make required capital investments and a regulated rate of return on their regulated asset base. Tariffs are also adjusted every 6 or 12 months for inflation of fixed costs and to pass-through adjustments to variable costs. Edelar has been granted adjustments to its tariffs periodically to reflect increases in costs.

The table below summarizes energy sales information regarding Edelar, solely on the basis of public information filed by Emdersa in Argentina.

### *EDELAR's Energy Sales*

	Year Ended December 31,					
	2012	2011		2010		
	(in MWh, except percentages)					
Residential .....	412,516	36.6%	363,278	34.7%	353,009	33.9%
Commercial.....	96,102	8.5%	90,577	8.6%	88,646	8.5%
Public lighting.....	38,567	3.4%	37,926	3.6%	36,758	3.5%
Large users.....	376,162	33.4%	359,627	34.3%	350,723	33.7%
Industrial .....	202,834	18.0%	196,841	18.8%	219,994	20.4%
<b>Total.....</b>	<b>1,126,181</b>	<b>100.0%</b>	<b>1,048,249</b>	<b>100.0%</b>	<b>1,042,130</b>	<b>100.0%</b>

### *Aeseba and its Subsidiaries*

Aeseba is a holding company that owns 90% of the outstanding capital stock of Eden, an electricity distribution company that supplies electricity to a service area with a population of approximately 1.0 million that encompasses approximately 42,000 square miles in the northern part of the Province of Buenos Aires. As of December 31, 2012, Eden had approximately 344,065 customers and sold approximately 2,863 GWh of electricity in 2012. The remaining ownership interest in Eden is owned by its employees. Our acquisition of Eden is still pending antitrust approval.

Eden holds an exclusive long-term renewable concession from the relevant regulator of the Province of Buenos Aires. Eden's concession agreement is divided into nine administrative periods, the first of which lasted 15 years and expired on June 2, 2012, followed by eight ten-year periods thereafter. At the end of the current term a competitive bid process which follows the same process described for Edelar above will take place.

Tariffs for Argentine electricity distribution companies are reviewed periodically by the regulators within the service area in which the concession is located (in the case of Eden, the Buenos Aires Province). Eden periodically has RTIs, and as of the date of this annual report, Eden's tariffs are currently under an RTI process. Under its current tariff scheme, the tariffs are designed to provide for a pass-through to customers of the main variable cost items (mainly power purchase costs and transmission charges), recovery of reasonable operating and administrative costs, incentives to reduce costs and make required capital investments and a regulated rate of return on its regulated asset base. Tariffs are also adjusted for inflation of fixed costs and to pass-through adjustments to variable costs. Eden has been granted adjustments to its tariff periodically to reflect increases in costs. See "Item 3. Key Information—Risk factors—Risks Relating to the Electricity Distribution Sector—The Argentine government has intervened in the electricity sector in the past, and is likely to continue intervening."

The table below summarizes energy sales information regarding Eden for the years ended December 31, 2012, 2011 and 2010, respectively.

#### *EDEN's Energy Sales*

	Year Ended December 31,					
	2012		2011		2010	
	<i>(in MWh, except percentages)</i>					
Residential.....	652,805	22.80%	619,224	22.2%	598,619	22.6%
Commercial.....	346,821	12.11%	331,086	11.9%	308,304	11.7%
Public lighting.....	80,783	2.82%	79,716	2.9%	77,319	2.9%
Large users.....	1,488,579	51.99%	1,462,983	52.5%	1,359,219	51.4%
Industrial (Grandes usuarios del MEM)	294,126	10.27%	291,400	10.5%	299,936	11.3%
<b>Total.....</b>	<b>2,863,114</b>	<b>100%</b>	<b>2,784,409</b>	<b>100.0%</b>	<b>2,643,397</b>	<b>100.0%</b>

The tables below summarize certain key financial information regarding Eden, solely on the basis of Eden's statutory financial statements.

**Income Statement:**

	<b>Year ended December 31,</b>		
	<b>2012</b>	<b>2011</b>	
	<i>(figures in millions)</i>		
Net sales .....	U.S.\$ 174.4	Ps. 857.9	Ps. 704.4
Cost of sales .....	(132.4)	(651.0)	(493.5)
<b>Gross profit</b> .....	<b>42.1</b>	<b>206.9</b>	<b>210.9</b>
Administrative and selling expenses.....	(25.7)	(126.3)	(88.5)
<b>Operating income</b> .....	<b>16.4</b>	<b>80.6</b>	<b>122.4</b>
Financial results .....	(5.2)	(25.8)	(27.1)
Other income or costs, net .....	(1.6)	(8.1)	1.6
<b>Income before income taxes</b> .....	<b>9.5</b>	<b>46.7</b>	<b>96.9</b>
Income Tax Expenses.....	(3.3)	(16.2)	(34.3)
<b>Income for the Year</b> .....	<b>U.S \$ 6.2</b>	<b>Ps. 30.5</b>	<b>Ps. 62.6</b>

<b>Balance Sheet:</b>	<b>Year ended December 31,</b>		
	<b>2012</b>	<b>2011</b>	
	<i>(figures in millions)</i>		
Current assets .....	U.S \$ 67.0	Ps. 329.7	Ps. 246.4
Non-Current assets .....	179.0	880.3	828.9
<b>Total assets</b> .....	<b>246.0</b>	<b>1210.0</b>	<b>1075.4</b>
Current liabilities.....	111.9	550.4	423.6
Non-Current liabilities.....	37.9	186.6	138.6
<b>Total liabilities *</b> .....	<b>149.9</b>	<b>737.0</b>	<b>562.2</b>
Total shareholders' equity .....	96.2	473.0	513.2
<b>Total liabilities and shareholders' equity</b> .....	<b>U.S. \$ 246.0</b>	<b>Ps. 1210.0</b>	<b>Ps. 1075.4</b>

\* On March 4, 2011, as a result of the change of control in Eden triggered by our acquisition of Aeseba, Eden prepaid the loan it had with Standard Bank Argentina S.A. and HSBC Argentina S.A. Such repayment was made with Eden's funds and with the proceeds from a loan that we granted to Eden in an aggregate amount equal to Ps. 80.0 million. See "Item 5. Operating and Financial Review and Prospects—Liquidity and Capital Resources—Debt."

## BUSINESS OVERVIEW

We believe we are the largest electricity distribution company in Argentina and one of the largest in Latin America in terms of number of customers and electricity sold (both in GWh and in Pesos) in 2012. We hold a concession to distribute electricity on an exclusive basis to the northwestern part of the greater Buenos Aires metropolitan area and in the northern part of the City of Buenos Aires. As of December 31, 2012, Edenor and Eden served 2,726,422 customers and 343,951 customers, respectively. The following table shows the percentage of the electricity produced and sold by generating companies that was purchased by us in the periods indicated:

	Demand (GWh)				
	Wholesale Electricity Market <sup>(1)</sup>	Edenor Demand <sup>(2)</sup>	Eden's Demand	Edenor Demand as a % of the Wholesale Electricity Market	Eden's demand as % of Wholesale Electricity Market
2012	131,944	23,934	3,210	17.7%	2.4%
2011	116,418	23,004	3,116	19.9%	2.7%
2010	110,767	22,053	-	19.8%	-

Source: Compañía Administradora del Mercado Mayorista Eléctrico, S.A. (CAMMESA)

<sup>(1)</sup> Demand in the Mercado Eléctrico Mayorista Sistema Patagónico (Patagonia wholesale electricity market, or MEMSP).

<sup>(2)</sup> Calculated as electricity purchased by us and our wheeling system customers.

### Our Strengths

We believe our main strengths are the following:

- *We believe we are the largest electricity distributor in Argentina in terms of number of customers and electricity sold (both in GWh and in Pesos) in 2012. We serve the largest number of electricity customers in Argentina, which at December 31, 2012 amounted to 2,726,422 customers. Our electricity purchases, used to meet customer demand in our service area, accounted for approximately 17.7 % of total electricity demand in the country in 2012. As a result of being the largest electricity distributor in Argentina in terms of volume and customers, we have strong bargaining power with respect to many of our operating expenses, including salaries, and benefit from economies of scale. We also actively participate in industry decision making bodies and are working closely with the Argentine government to address Argentina's current energy challenges.*
- *We distribute electricity to an attractive and diversified client base in a highly developed area of Argentina. We operate on an exclusive basis in the northwestern part of the greater Buenos Aires metropolitan area and in the northern part of the City of Buenos Aires, which are two of Argentina's largest industrial and commercial centers and in the northern part of the province of Buenos Aires. We have a highly concentrated, urban client base characterized by high purchasing power and low delinquency in payments of electricity bills. Our geographically concentrated and urban client base also allows us to operate more efficiently with relatively lower distribution costs. Finally, we have a balanced distribution of clients (residential, commercial and industrial) and operate in other provinces of Argentina through its subsidiaries.*
- *We have substantial experience in the operation of electricity distribution systems with strong operating performance and efficiency for the characteristics of our concession area. We have substantial experience in the operation of electricity distribution systems and have received multiple ISO certifications on our commercial, technical and administrative processes, including on the quality of our services and safety and environmental standards. We were declared by the ENRE as a self-operating business in 1997, which means that we are not required to have a strategic operator conduct our business and are allowed to act as an operator in other electricity businesses. We believe that our energy losses are low compared to other electricity distribution companies in Latin America. In addition, we have maintained what we believe are optimal levels of operating efficiency, with 931 customers per employee and 7,088.1 MWh sold per employee in 2012.*

- *We have a well-balanced debt profile.* As of December 31, 2012, Edenor's financial debt amounted to U.S. \$283.3 million on a standalone basis. We have continued to strengthen our capital structure during 2011 by repurchasing and cancelling U.S. \$12.7 million principal amount of our Senior Notes due 2019 and U.S.\$41.5 million principal amount of our Senior Notes due 2022, which repurchased notes were held by the Company as of December 31, 2011.

### ***Our Strategy***

Our goal is to continue to serve the strong demand in our concession area, while maximizing profitability and shareholder value. We are seeking to realize this goal through the following key business strategies:

- *Complete our tariff renegotiation process.* On November 12, 2009, we submitted our tariff proposal to ENRE's Board of Directors in response to the ENRE's request as part of the RTI process. Our integral tariff proposal includes, among other factors, a recalculation of the compensation we receive for our distribution services based on a revision of our asset base and rate of return. Furthermore, our proposal presented the ENRE with three options for the revised tariff scheme based on three different scenarios and each of which implementation of the tariff increase in three equal semiannual installments. During 2010, Edenor, upon ENRE's request, submitted additional information in relation to the tariff scheme presented in 2009. During 2011, the parties have not made any progress in respect of this issue. See "Risks Relating to Our Business—Failure or delay to negotiate further improvements to our tariff structure, including increases in our distribution margin, and/or to have our tariff adjusted to reflect increases in our distribution costs in a timely manner, could have a material adverse effect on our capacity to perform our financial and commercial obligations. As a result, there is substantial doubt with respect to the ability of the Company to continue as a going concern" On November 23, 2012, the ENRE issued Resolution 347/12 pursuant to which distribution companies were authorized, as from the issuance thereof, to include in their bills a fixed amount for small-demand (T1) customers and a variable amount for medium and large-demand (T2 and T3) customers, to be calculated as a percentage of their respective power charges. Such amounts, which will be clearly indicated in the bills sent to customers, will constitute a special account, which will be managed by a trust, and will be exclusively used for the execution of distribution infrastructure works and corrective maintenance of each distribution company's facilities. On November 29, 2012, we, in our capacity as trustor, and Nación Fideicomisos S.A., as trustee, entered into a private Financial and Management Trust Agreement, whereby the Company, as settlor of the trust, agreed to assign and transfer to the trustee the fixed amounts set forth by Resolution 347/12 that are effectively collected, which will constitute the trust assets. On December 18, 2012, we and Nación Fideicomisos S.A., signed the respective Operating Manual, in order to implement, standardize, and enable the collection and management of the trust assets.
- *Continue to serve our concession area with a high quality of service.* We aim to continue serving our clients in accordance with the terms of our concession, distributing electricity within our area and meeting or exceeding the required quality standards. We intend to continue to dedicate a significant portion of our capital expenditures to the maintenance, enhancement and expansion of our network in order to achieve this goal.
- *Undertake a reclassification of our smaller customers by economic activity rather than level of demand to optimize our tariff base.* We intend to reclassify our client base based on type of economic activity and purchasing power rather than only on levels of electricity demand. We believe this will allow us to shift clients who currently fall within our lowest tariff categories, to other, more appropriate categories, including professionals and small businesses which, due to their low demand, are currently classified as residential customers, and to charge them accordingly.
- *Focus on increasing our operating efficiency and optimizing our level of energy losses.* We are committing significant resources to improving the quality of our technical services and the safety of our public infrastructure, which allows us to reduce the amount of fines imposed by Argentine regulatory authorities in the ordinary course of our operations.

### *Edenor Concession*

By a concession dated August 5, 1992, the Argentine government granted Edenor the exclusive right to distribute electricity within our concession area for a period of 95 years. Our concession will expire on August 31, 2087 and can be extended for one additional 10-year period if we request the extension at least 15 months before expiration. The Argentine government may choose, however, to grant us the extension on a non-exclusive basis. The concession period was initially divided into an initial management period of 15 years expiring on August 31, 2007, followed by eight 10-year periods. However, pursuant to the terms of the concession we could request, at our option, the extension of the initial management period for an additional 5-year period from the entry into force of the new tariff structure to be adopted under the RTI process, subject to the ENRE's approval. We presented a request for such extension in May 2007 and on July 5, 2007, and the ENRE, pursuant to ENRE resolution No. 467/2007, agreed to extend the initial management period for an additional five years from the date that the new tariff structure is adopted under the RTI. The remaining 10-year periods will run from the expiration of the extension of the initial management period.

On January 6, 2002, the Argentine congress enacted the Public Emergency Law (Law No. 25,561), which empowered the Argentine government to implement, among other things, monetary, financial and foreign exchange measures to overcome the economic crisis. These measures, combined with the devaluation of the Peso and high rates of inflation, had a severe effect on public utility companies in Argentina, including us. Under the Public Emergency Law, the Argentine government converted public utility tariffs from their original U.S. Dollar values to Pesos at an exchange rate of Ps. 1.00 per U.S. \$1.00, froze all regulated distribution margins relating to the provision of public utility services (including electricity distribution services), revoked all price adjustment provisions and inflation indexation mechanisms in public utility concessions (including our concession) and empowered the Executive Branch to conduct a renegotiation of public utility contracts (including our concession) and the tariffs set therein (including our tariffs).

In September 2005 we and the Argentine government entered into the Adjustment Agreement, which was ratified by the Argentine Executive Branch in January 2007. Because a new Argentine Minister of Economy took office thereafter, we formally re-executed the Adjustment Agreement with the Argentine government on February 13, 2007 under the same terms and conditions originally agreed.

Pursuant to the Adjustment Agreement, the Argentine government granted us an increase of 28% in our distribution margin as a result of the implementation of a Temporary Tariff Structure (RTT), which is effective retroactively as from November 1, 2005. The Adjustment Agreement is intended to apply transitionally until we complete the RTI with the ENRE in accordance with the terms of the Adjustment Agreement. See "Item 5. Operating and Financial Review and Prospects—Factors Affecting Our Results of Operations—Tariffs." In addition, because the Adjustment Agreement is effective retroactively as of November 1, 2005, the ENRE applied the CMM retroactively in each of May and November 2006, the dates in each year on which the ENRE is required to apply the CMM. In the May 2006 CMM, the ENRE determined that our distribution cost base increased by 8.032% (compared to the distribution cost base recognized in the Adjustment Agreement), and, accordingly, approved an equivalent increase in our distribution margin effective May 1, 2006. This increase, when compounded with the 28% VAD increase granted under the Adjustment Agreement, results in an overall 38.3% increase in our distribution margins charged to our non-residential customers. Also on February 13, 2007, the ENRE authorized us to bill our clients (excluding residential clients) the retroactive portion of the 38.3% increase (corresponding to the period from November 2005 to January 2007), which amounted to Ps. 218.6 million and has been invoiced in 55 monthly installments since February 2007.

In October 2007, the Argentine Secretary of Energy issued Resolution No 1037/2007, which granted us an increase of 9.63% in our distribution margins to reflect an increase in our distribution cost base for the period from May 1, 2006 to April 30, 2007, compared to the recognized distribution cost base as adjusted by the May 2006 CMM. However, this increase was not incorporated into our tariff structure until 2008, and, instead, we were allowed to retain the funds that we are required to collect and transfer to the fund established by the PUREE, a program established by the Argentine government in 2003 in an attempt to curb increases in energy demand, to cover such CMM increase and future CMM increases.

In July 2008, we obtained an increase of approximately 17.9% in our distribution margin, which we incorporated into our tariff structure. This increase represented the 9.63% CMM increase corresponding to the period from May 2006 to April 2007 and the 7.56% CMM increase corresponding to the period from May 2007 to October 2007. These CMM adjustments were included in our tariff structure as of July 1, 2008 and resulted in an average increase of 10% for customers in the small commercial, medium commercial, industrial and wheeling system categories and in an average increase of 21% for residential customers with bimonthly consumption levels over 650 kWh. In addition, by Note No. 83,818, the ENRE authorized us to be reimbursed for the retroactive portion of the 7.56% CMM increase amounting to 45.5 million for the period between November 2007 and June 2008, from the PUREE funds.

Furthermore, we requested an additional increase in our distribution margins under the CMM to account for fluctuations in the distribution cost base for the period from November 2007 to April 2008, in comparison to the distribution cost base recognized by the CMM in November 2007. In 2008, the ENRE adopted Note No 81,399, which authorized a 5.791% increase under the CMM for the November 2007 – April 2008 period. As of the date of this annual report, the ENRE has not approved a new tariff scheme including this tariff increase nor has it authorized us to collect such increase by other means (for example through an off-setting mechanism against contributions made to the PUREE, as was the case in the past).

As of December 31, 2012, we had submitted to the ENRE ten requests for CMM adjustments as described in the table below, since May 2008:

<b>Assessment Period</b>	<b>Application Date</b>	<b>CMM Adjustment Requested</b>
November 2007 – April 2008	May 2008	5.791%
May 2008 – October 2008	November 2008	5.684%
November 2008 – April 2009	May 2009	5.068%
May 2009 – October 2009	November 2009	5.041%
November 2009 – April 2010	May 2010	7.103%
May 2010 – October 2010	November 2010	7.240%
November 2010 – April 2011	May 2011	6.104%
May 2011 – October 2011	November 2011	7.721 %
November 2011 – April 2012	May 2012	8.529%
May 2012 – October 2012	November 2012	7.316%
<b>Cumulative:</b>		<b>88.664%</b>

As of the date of this annual report, the ENRE has not yet responded to these requests (other than the request submitted in May 2008, as explained above).

However, the Company has become aware of certain communications of the ENRE to the Under-Secretariat of Management Control and Coordination of the Ministry of Federal Planning, according to which the analysis made by them shows percentages similar to those calculated by the Company with regard to CMM ratios.

Based on this information, the Company has estimated that the claims effectively made for CMM adjustments, which were not transferred to tariffs nor authorized to be collected by other means, amount to approximately Ps. 1,999 million. In accordance with the Company's estimations, the real major costs are significantly higher than the ones determined with the CMM adjustments that have been requested. These adjustments and any further adjustments granted under the CMM will remain in force until the approval of a new tariff structure under the RTI.

As of December 31, 2012 and 2011 the amounts collected by Edenor through the PUREE, amounted to Ps. 1,277.8 million and Ps. 867.1 million, respectively, and have been disclosed under other non-current liabilities. Until such time as the CMM adjustments are effectively transferred to the tariff, Edenor is entitled to use PUREE excess funds that it would otherwise be required to transfer to CAMMESA, as established in Resolution of the Secretary of Energy No. 1037/07, in order to reimburse Edenor for the amounts it is owed for CMM increases not yet reflected in Edenor's distribution margin. As of the date of this annual report, the Company has neither recognized nor accrued any amount receivable for this concept in the Consolidated Financial Statements.

Following are the key provisions of the Adjustment Agreement, which are described elsewhere in this annual report:

- a cost adjustment mechanism (CMM), pursuant to which our distribution costs are reviewed semiannually (or, under certain circumstances, more often) and adjusted if deemed appropriate by the ENRE to cover increases in our distribution costs;
- an obligation to make capital expenditures of approximately Ps. 204 million for specified projects in 2006, which we complied with although we were not required to given that the Adjustment Agreement was not ratified in 2006;
- our obligation to meet specified more stringent service quality standards than as originally contemplated in our concession;
- a restriction on our ability to pay dividends without prior ENRE approval during the period in which we are conducting the RTI;
- forgiveness of approximately one-third of our accrued and unpaid fines, subject to meeting certain conditions relating to capital expenditures obligations and service quality standards, and a 7-year payment plan for the balance, commencing 180 days after the date on which the RTI comes into effect;
- our obligation to apply a social tariff regime for low-income customers, which regime will be defined in the context of the RTI; and
- our obligation to extend our network to provide service to certain rural areas.

Furthermore, the necessary steps to regularize the situation and restore the economic and financial equation of our business are being implemented, taking into consideration the increases recorded in operating costs. At the same time, administrative and judicial actions have been brought aimed at obtaining both CMM recognition and that the overall electricity rate review stipulated in the Adjustment Agreement be carried out by the ENRE. We cannot predict when or how the RTI will be implemented.

On November 23, 2012, the ENRE issued Resolution No. 347/2012, pursuant to which it established fixed and variable charges differentiated by category of customers, which the distribution companies will collect on account of the CMM adjustments stipulated in clause 4.2 of the Adjustment Agreement and will use exclusively to finance infrastructure and corrective maintenance of their facilities. Such charges, which will be clearly identified in the bills sent to customers, will be deposited in a special account to be managed by the trustee. Although in the whereas clauses of Resolution No. 347/2012 the ENRE recognizes the existence of CMM adjustment requests and it is indicated that the authorized charges are on account of CMM adjustments, nothing is said about what provisions will apply concerning the effect thereof for the period elapsed between the date such requests were made and the date of their application to the customer's bill.

On December 28, 2012, the Company filed a judicial remedy (acción de amparo) against ENRE seeking to protect the Company's constitutional rights relating to the provision of a secure and continuing public service of distribution of energy. To file the amparo the Company has considered that the ENRE's omission to implement the necessary measures to guarantee the provision of the public service of distribution of energy, such as failure to recognize the CMM adjustments that the Company has requested and the delay to implement the new tariff structure under the RTI, have led to an unstable situation which threatens the regular provision of the public service. As a consequence, the Company is seeking to obtain the necessary funds to provide the public service of distribution of energy as contemplated in its concession agreement. On February 19, 2013, the National Court of First Instance in Federal Administrative Claims Tribunal No. 12 (Juzgado Nacional de Primera Instancia en lo Contencioso Administrativo Federal No 12) served summons to ENRE and at the same time denied the preliminary injunction requested by the Company. This resolution has been timely appealed by the Company.

### ***Eden Concession***

EDEN is a company created by the Government of the Province of Buenos Aires who privatized 100% of its capital stock under the Decree No. 106/97 of the Provincial Executive. The Banco de la Provincia de Buenos Aires ("BAPRO") was established as the Trust of 10% of the social capital until the Programa de Participación Accionaria del Personal (the "PPAP") is implemented. The privatization was carried out through the adjudication of the exclusive right to provide distribution services of electricity for a period of ninety-five years from the date of taking possession (the "Eden Concession"). The concession period is divided into management periods, the first of fifteen years and the remaining ten years each. The grantor may extend the concession for a maximum period of ten years. The capital stock of Eseba Distribución was transferred on June 2, 1997 to three private companies in which it was divided: Empresa Distribuidora de Energía Norte S.A. (EDEN S.A.), Empresa Distribuidora de Energía Sur S.A. (EDES S.A.) y Empresa Distribuidora de Energía Atlántica S.A. (EDEA S.A.).

Pursuant to the Public Emergency Law enacted to address the crisis, the Argentine government, among other measures, converted public utility tariffs from their original U.S. Dollar values to Pesos at a rate of Ps. 1.00 per U.S. \$1.00.

On September 2, 2004, the *Ministerio de Infraestructura, Vivienda y Servicios Públicos de la Provincia* (Ministry of Infrastructure, Housing and Utilities of the Province, or MIVySP) issued the Res. No. 489/04, which required to the power distribution dealers of provincial jurisdiction, the presentation of an economic model to represent the operating and maintenance costs associated with the provision of electric service, as well as the valuation of the assets available to the service.

Subsequently, by Res. No. 59/05 and 632/05, the MIVySP approved the valuation of assets associated with the distribution and selling of electricity, which has been used as a basis for determining the revenue in the period 2004-2007. This mechanism allowed Eden to reach a balance objective through partial adjustment of rates based on increases in operating costs incurred. It was also decided that 2007 would be the year in which they conduct the *Revisión Tarifaria Integral* (Integral Tariff Revision, or RTI).

On October 25, 2005, Eden and the MIVySP signed the *Protocolo de Entendimiento* (Protocol of Understanding) by which they established guidelines for the end of the Public Emergency Law. In particular, it defined a plan to recover the revenue of the concession and the need to conduct an RTI, planned for October 2007. The *Protocolo de Entendimiento* was approved by Decree No. 2862/05 and ratified by the budget law of 2006.

The *Protocolo de Entendimiento* contemplated a delay between the subscription and execution of the Eden RTI and it was necessary to establish an adjustment mechanism that would reflect costs changes that Eden could not control, to ensure the continuity and stability of the technical relations of Eden Concession.

As of the date of this Annual Report, EDEN RTI has not yet been completed and although we are currently in discussions regarding the EDEN RTI, we cannot predict when or how the EDEN RTI will be implemented.

In accordance with the application of the revenue adjustment mechanism contemplated in the Protocol of Understanding, electricity rate increases have been granted to Eden since 2005 as detailed below:

- a. By Resolution No. 508/2005 dated September 12, 2005 issued by the Ministry of Infrastructure, Housing and Utilities of the Province, or MIVySP, it was authorized an adjustment to Eden's average rate of sale of 8.48%.
- b. By Resolution No. 17/2007 dated January 17, 2007, MIVySP authorized an adjustment in EDEN's average rate of sales of 3.10%.
- c. On August 8, 2008, the Governor of the Province of Buenos Aires issued Decree No. 1578/08 whereby, in response to the request to update the costs of electric distribution service presented by Eden, he authorized an adjustment in the average selling rate of 21.56% of Eden, distributable among

end users thereof, applicable to consumption after the publication of those regulations mentioned in the Official Gazette of the Province of Buenos Aires, which occurred on August 25, 2008.

- d. On March 22, 2010, the MIVySP issued Resolution No. 141/2010 whereby, in response to the request to update the costs of electric distribution service presented by Eden, they authorized an adjustment in the average rate of sale of 24% of Eden applicable during 2010 in the form of three staggered stages in April, June and November.
- e. On June 1, 2011, the MIVySP issued Resolution No. 415/2011 whereby, in response to the request for updated service cost of electrical distribution presented by Eden, they authorized an adjustment in the average rate of sale of 9% of Eden, distributable among end users as of June 1, 2011.
- f. On November 9, 2011, Eden presented a new filing with the MIVySP requesting a rate adjustment based on increases in operating costs as well as the change in the valuation of assets made available by the provision of service in June 2011.
- g. On July 20, 2012, the Infrastructure Ministry of the Province of Buenos Aires issued Resolution No. 243/2012, which established the new electricity rate schedules applicable to the July 1-July 31, 2012 and August 1-September 30, 2012 periods, and from October 1, 2012, totalizing an increase of 9%, representing a 15% increase in VAD, thereby restoring electricity rates in the concession area of Eden S.A. These electricity rate schedules were resolved with the aim of covering the increase in prices of the resources necessary to provide the service (labor, supplies and services), which have recorded a significant increase in prices.

**Secretary of Energy – Note 8752**

The ability of each Edenor and Eden to increase their tariffs may also be affected by Note 8752 of the Secretary of Energy, which is currently subject to legal proceedings in various provinces of Argentina. See “Item 3. Key Information—Risk factors—Risks Relating to the Electricity Distribution Sector—The Argentine government has intervened in the electricity sector in the past, and is likely to continue intervening.”

**Geographic Exclusivity**

Our concession gives us the exclusive right to distribute electricity within our concession area during the term of our concession. Under our concession, neither the national nor the provincial or local governments may grant further concessions to operate electricity distribution services within our concession area. In that respect, we are obligated to satisfy all of the demand for electricity originated in our concession area, maintaining at all times a service quality standard that has been established in our concession. This geographic exclusivity may be terminated in whole or in part by the Executive Branch if technological changes make it possible for the energy distribution industry to evolve from its present condition as a natural monopoly into a competitive business. However, the National or the Provincial government may only exercise its right to alter or suppress our geographical exclusivity at the end of each management period under our concession, by prior written notice at least six months before the expiration of the then current management period.

Edenor’s concession area is divided into the following operating territories:

<u>Operating territory</u>	<u>Districts</u>
Morón .....	Morón, Ituzaingó, Hurlingham, Merlo, Marcos Paz, Las Heras and La Matanza
Norte .....	Ciudad de Buenos Aires, San Martín and Tres de Febrero
Olivos.....	Vicente López, San Isidro, San Fernando, Tigre and Escobar
Pilar.....	Moreno, Gral. Rodríguez, Pilar, Malvinas Argentinas, J.C. Paz and San Miguel

Eden’s concession area is divided into the following operating territories:

<u>Operating territory</u>	<u>Districts</u>
Arrecifes .....	Arrecifes, Capitán Sarmiento, Pérez Millán,

Campana .....	Ramallo Campana, Baradero, Capilla del Señor, Los Cardales
Carlos Casares .....	Carlos Casares, Daireaux, Henderson, Pellegrini, Salliqueló, Tres Lomas
Chivilcoy.....	Chivilcoy, 25 de Mayo, Alberti, Bragado
Junín.....	Junín, Alberdi, Arribeños, Ascensión, General Arenales, L.N. Alem, Vedia
Lincoln.....	Lincoln, Blaquier, General Pinto, General Villegas
Mercedes.....	Mercedes, Lobos, Roque Pérez, San Andrés de Giles, Suipacha
San Nicolás .....	San Nicolás, Conesa

The table below sets forth certain information relating to operating territories of Edenor as of and for the year ended December 31, 2012:

Operating territory	Area (km <sup>2</sup> )	Customers (in thousands)		% of Sales
<b>Morón</b>	1,761	873.8	32.0%	27.1%
<b>Norte</b>	164	845.8	31.0%	27.9%
<b>Olivos</b>	1,624	505.6	18.5%	23.0%
<b>Pilar</b>	1,088	501.6	18.4%	22.0%
<b>Total</b>	4,637	2,726.4	100.0%	100.0%

The table below sets forth certain information relating to operating territories of Eden as of and for the year ended December 31, 2012:

Operating territory	Lines (km) <sup>(1)</sup>	Customers (in thousands)		% of Sales
<b>Arrecifes</b>	1,219	23.3	6.8%	8.8%
<b>Campana</b>	2,098	51.8	15.1%	20.3%
<b>Carlos Casares</b>	2,309	29.2	8.5%	9.5%
<b>Chivilcoy</b>	2,066	59.2	17.2%	14.1%
<b>Junín</b>	2,111	52.0	15.1%	11.1%
<b>Lincoln</b>	1,558	25.3	7.4%	8.2%
<b>Mercedes</b>	2,307	53.3	15.5%	16.1%
<b>San Nicolás</b>	1,384	49.9	14.5%	11.7%
<b>Total</b>	15,052	344.1	100.0%	100.0%

<sup>(1)</sup> This figure does not include 3,226 km belonging to Transmission Lines between Operating Territories. Therefore, total length of lines is 18,278km.

### *Our Obligations*

We are obligated to supply electricity upon request by the owner or occupant of any premises in our concession area. We are entitled to charge for the electricity supplied at rates that are established by tariffs set with the prior approval of the ENRE under applicable regulations. Pursuant to our concession, we must also meet specified service quality standards relating to:

- the time required to connect new users;
- voltage fluctuations;
- interruptions or reductions in service; and
- the supply of electricity for public lighting and to certain municipalities.

Our concession requires us to make the necessary investments to establish and maintain quality of service standards and to comply with stringent minimum public safety standards as specified in our concession. We are also required to furnish the ENRE with all information requested by it and must obtain the ENRE's prior consent for the disposition of assets that are assigned to the provision of our electricity distribution services. The ENRE also requires us to compile and submit various types of reports regarding the quality of our service and other technical and commercial data, which we must periodically report to the ENRE.

Under our concession, we may also be required to continue rendering services after the termination of the concession term upon the request of the Argentine government, but for a period not to exceed 12 months.

We are obligated to allow certain third parties (namely, other agents and large users) to access any available transportation capacity within our distribution system upon payment of a wheeling fee. Consequently, we must render the distribution service on an uninterrupted basis to satisfy any reasonable demand. We are prohibited from engaging in practices that limit competition or result in monopolistic abuses.

In addition, the Adjustment Agreement requires us and our shareholders and former shareholders to suspend all claims and legal proceedings (including arbitration actions) in administrative, state or federal courts located in Argentina or abroad, that are related to measures adopted since the Public Emergency Law was enacted. After the completion of the RTI, we and our shareholders and former shareholders must completely waive and desist from all of the above mentioned claims and legal proceedings. If our shareholders or former shareholders do not desist from these claims, the Argentine government will have the right to foreclose on the pledge of our Class A common shares and sell these shares to a third party buyer. If the company or any shareholder or former shareholder re-establishes or initiates a new claim, we must hold harmless the Argentine government in respect of amounts it is required to pay pursuant to such claims. EDFI and EASA have suspended all such claims against the Argentine government as part of the Adjustment Agreement and, in connection with its sale of its controlling stake in Edenor, EDFI has agreed to withdraw its claims against the Argentine government before the ICSID at the request of Dolphin Energía S.A.

In accordance with our concession, our controlling shareholder, EASA, has pledged its 51% stake in our company to the Argentine government to secure obligations under our concession. The Adjustment Agreement requires the pledge to be extended to secure our obligations under such agreement.

In the case of Eden, and in accordance with the obligations of Eden under the terms of its concession, Eden Class A shares are pledged to the Provincial Government until the end of Eden's concession.

***Quality Standards – Edenor’s Concession***

Pursuant to Edenor's concession, we are required to meet specified quality standards with respect to the quality of the product (electricity) and the delivery of the product. The quality standards relating to the product quality refer to the electricity's voltage levels. A disturbance occurs when there is a change in the voltage level. Edenor's concession requires that the voltage level that we deliver must be 3x380/220 V; 13.2 kV; 33kV; 132 kV; 220 kV. Edenor's concession provides that disturbances in the voltage level may not exceed the following (in accordance with international standards):

High voltage .....	-5.0% to +5.0%
Overhead network (medium or low voltage) .....	-8.0% to +8.0%
Buried network (medium or low voltage) .....	-5.0% to +5.0%
Rural .....	-10.0% to +10.0%

A fine is imposed under Edenor's concession for disturbances that exceed the above-mentioned limits for 3.0% or more of the total amount of time that electricity is provided. The amount of the fine depends on the magnitude of the disturbance. As the disturbance's percentage increases (or decreases) from the contracted tension level, the rate of the fine per kWh increases. These fines are credited to the affected user's next bill.

The standards for delivery of the product set forth in Edenor’s concession refer to the frequency and duration of the interruptions. The following table sets forth the standards set forth in our concession with respect to the frequency and duration of interruptions per customer during the current management period:

Category of user	Frequency of interruptions (maximum number of interruptions per semester)	Duration of interruption (maximum amount of time per interruption) <sup>(1)</sup>
High voltage .....	3	2 hours
Medium voltage.....	4	3 hours
Low voltage: (small and medium demand) .....	6	10 hours
Large demand .....	6	6 hours

<sup>(1)</sup> Interruptions of less than three minutes are not recorded.

These standards may be subject to change during subsequent management periods and/or pursuant to the outcome of the RTI.

In addition, pursuant to the Adjustment Agreement, we have agreed to comply with a medium delivery standard that reflects our actual average delivery standards during the period from 2001 through 2003. This medium delivery standard requires us to comply with a maximum number of interruptions per semester, on average, of 2.761 and a maximum duration of interruption, on average, of 5.386 hours. If we do not meet the delivery standards required by our concession, as set forth in the table above, but are otherwise in compliance with the medium delivery standard under the Adjustment Agreement, we may withhold payment of any fines that may be imposed under our concession for this failure and use this amount of unpaid fines for our capital expenditures. If we fail to comply with this measure, we will be required to pay the fines.

Pursuant to our concession, the ENRE may fine us if one of our customers suffers more than the maximum number of interruptions specified for its category (excluding interruptions of less than 3 minutes) or suffers interruptions for a longer period than as specified for its category. We pay these fines by granting credits to the affected customers in their electricity bills. Fines are calculated at a rate per kWh that varies depending on the particular tariff or price schedule that is applicable to the customer.

The following table sets forth the frequency and duration of interruptions of our service in the periods indicated:

	Year ended December 31,		
	2012	2011	2010
Average frequency of interruptions .....	6.31	4.50	5.13
Average duration of interruption (in hours).....	17.53	11.00	10.62

The year 2012 was characterized by the occurrence of significant climatic adverse impacts on the area of concession such as high temperatures and strong storms with heavy rains that surpassed historic registrations by their concentration and frequency causing floods that obliged service cuts for security reasons of the public way. On the other hand, on April 4, 2012, a phenomenon without any precedent occurred, consisting of a tornado with hurricane force winds, which had surpassed the 200 km/hour, and affected the areas between the city of Gral. Rodriguez and Marcos Paz, from the West to the East. The main cities affected were Ituzaingó, Morón, La Matanza, Merlo and Moreno, among others. Approximately five 500 CT (Transformation Centers) MV/LV remained out of service, there were many material destructions as a consequence of the strong winds, such as damages to the wirings, private constructions, woods, signs and in general on the networks facilities.

Additionally, in order to satisfy quality standards, we must meet certain operating requirements relating to commercial service, including maintenance of the distribution network so as to minimize failures and to maximize the useful life of fixed assets and billings on actual meter readings to generate customer bills. We may bill customers using estimates in cases of *force majeure*, but we may not send a customer more than two successive estimated bills,

if billed bimonthly, or, in other cases, more than three successive estimated bills. Furthermore, estimated bills cannot exceed 8% of total billings in each category of customers.

**Quality Standards – Eden’s Concession**

Pursuant to Eden’s concession, we are required to meet specified quality standards with respect to the quality of the product (electricity) and the delivery of the product. The quality standards relating to the product quality refer to the electricity’s voltage levels. A disturbance occurs when there is a change in the voltage level. Eden’s concession requires that the voltage level that we deliver must be 3x380/220 V; 13.2 kV; 33kV; 132 kV; 220 kV. Eden’s concession provides that disturbances in the voltage level may not exceed the following (in accordance with international standards):

High voltage .....	-7.0% to +7.0%
Medium or low voltage .....	-8.0% to +8.0%
Rural .....	-12.0% to +12.0%

A fine is imposed under Eden’s concession for disturbances that exceed the above-mentioned limits for 3.0% or more of the total amount of time that electricity is provided. The amount of the fine depends on the magnitude of the disturbance. As the disturbance’s percentage increases (or decreases) from the contracted tension level, the rate of the fine per kWh increases. Fines for quality will go into a fund for works, being the regulator who determines the work to be done.

The standards for delivery of the product set forth in Eden’s concession refer to the frequency and duration of the interruptions. The following table sets forth the standards set forth in our concession with respect to the frequency and duration of interruptions per customer during the current management period:

A) User supplied from Provincial Carrier

<u>Category of user</u>	<u>Frequency of interruptions (maximum number of interruptions per semester)</u>	<u>Duration of interruption (maximum amount of time per interruption)<sup>(1)</sup></u>
High voltage .....	3	1 hours
Medium voltage.....	4	2 hours
Low voltage: (small and medium demand) .....	5	3 hours

<sup>(1)</sup> Interruptions of less than three minutes are not recorded.

B) User supplied from suburban distribution systems and substations Distributor

<u>Category of user</u>	<u>Frequency of interruptions (maximum number of interruptions per semester)</u>	<u>Duration of interruption (maximum amount of time per interruption)<sup>(1)</sup></u>
High voltage .....	-	- hours
Medium voltage.....	5	2 hours
Low voltage: (small and medium demand) .....	6	3 hours

<sup>(1)</sup> Interruptions of less than three minutes are not recorded.

The following tables show the frequency and duration of interruptions of service distributor in the periods indicated:

- SAIFI number of interruptions

	<b>Year ended December 31,</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
First Half .....	5.40	4.00	4.72
Second Half.....	5.33	2.00	4.43
<b>Full Year</b> .....	<b>10.73</b>	<b>6.00</b>	<b>9.15</b>

- SAIDI Hours / Client

	<b>Year ended December 31,</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
First Half .....	12.17	7.09	10.07
Second Half.....	11.98	10.52	8.08
<b>Full Year</b> .....	<b>24.14</b>	<b>17.61</b>	<b>18.15</b>

*Note:* Not recorded interruptions of less than three minutes.

#### ***Fines and Penalties***

Pursuant to our concession, the ENRE may impose various fines and penalties on us if we fail to comply with our obligations under our concession.

Fines relating to our failure to meet any of the quality and delivery standards described above are payable by granting credits or bonuses to our customers to offset a portion of their electricity charges. Since 1996 we have operated a central information system that allows us to directly credit customers who are affected by these quality or delivery deficiencies in the amount of the applicable fines.

Fines and penalties that are not directly related to our customers are paid directly to the ENRE. These include fines imposed on us by the ENRE for any network installations that it determines to pose a safety or security hazard in a public space, including streets and sidewalks. In addition, the ENRE may fine us for inconsistency in technical information that we are required to furnish to the ENRE. Fines paid to the ENRE are deposited in the *Reserva de Fondos de Terceros del ENRE* (Third Party Reserve Fund of the ENRE) in an account at *Banco Nación*. Payments accrue in that account until the account reaches Ps. 3 million and then, with the ENRE's authorization, the amount is proportionally distributed among our customers.

When we entered into the Adjustment Agreement in September 2005, the ENRE granted us a payment plan in respect of approximately Ps. 116 million of our accrued fines and penalties and agreed, subject to the condition that we meet the quality standards and capital expenditure requirements specified in the Adjustment Agreement, to forgive approximately Ps. 58 million of our accrued fines and penalties. According to the terms of the payment plan, we will repay our fines and penalties in fourteen semiannual installments, with the first installment due upon the termination of a 180-day grace period beginning on the date the RTI comes into effect.

Because the Adjustment Agreement was not ratified until January 2007, we have recalculated the amounts of accrued fines and penalties subject to the payment plan under the terms of the Adjustment Agreement as well as the amounts subject to forgiveness. In addition, we are required to make adjustments to our accrued fines and penalties under the payment plan in order to reflect increases in our distribution margins, including the CMM adjustments. For the year ended on December 31, 2008, we recorded adjustments of Ps. 17.2 million, to reflect CMM adjustments. We have not recorded any adjustments since 2009. In 2012, the fines and penalties imposed on Edenor by the ENRE amounted to Ps. 116.9 million, which represented 4% of our energy sales. As of December 31, 2012 our consolidated fines and penalties amounted to Ps. 662.0 million as compared to Ps. 542.2 million as of

December 31, 2011. We estimate that the ENRE will forgive approximately Ps. 71.4 million of our accrued fines and penalties upon the completion of the RTI, and that we will be required to pay the remaining balance in accordance with the payment plan provided for in the Adjustment Agreement, although we cannot be certain of the amount, if any, that will ultimately be forgiven.

The following table shows the adjustments to Edenor's standalone accruals for potential ENRE fines and penalties, including current fines and penalties and adjustments to past fines due to increases in our tariffs pursuant to the Adjustment Agreement, for the periods specified:

	<b>Year ended December 31,</b>											
	(in millions of Pesos)											
	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>
Accruals at beginning of year	531.9	455.4	377.5	331.6	281.4	241.1	169.7	99.2	63.4	49.0	19.0	13.6
ENRE Fines and Penalties	116.9	81.1	80.0	58.5	34.8	23.9	25.2	72.7	36.0	14.6	31.7	16.4
Accrued interests	5.1	—	—	—	—	—	—	—	—	—	—	—
Quality of Technical Service	75.7	47.0	46.0	15.0	15.2	7.0	10.4	4.9	4.7	3.2	5.6	5.2
Quality of Technical Product	12.4	3.2	3.4	3.1	3.0	0.9	0.6	1.1	6.9	6.5	5.5	2.9
Quality of Commercial Service	6.8	5.1	3.0	2.4	1.6	1.1	1.2	—	1.2	0.5	1.5	1.7
Public Safety .....	17.7	19.8	19.4	34.0	11.6	10.3	6.7	25.4	10.9	2.0	4.9	4.2
Transport Technical Function	0.2	0.6	0.4	0.3	0.3	0.2	0.4	—	0.2	0.2	0.2	—
Reporting Violations .....	3.4	4.2	6.6	3.7	2.9	4.4	5.6	33.7	12.2	1.7	4.9	1.9
Others .....	0.9	1.3	1.3	—	—	—	0.2	7.5	—	0.4	9.0	0.5
Less: Paid during period:												
Quality of Technical Service	—	—	—	—	—	—	—	1.6	—	—	0.9	3.3
Quality of Technical Product	—	—	—	—	—	—	—	—	—	—	—	2.3
Quality of Commercial Service	6.5	4.5	1.9	3.7	—	1.5	0.4	0.1	0.1	0.1	0.3	1.4
Public Safety .....	--	—	0.1	8.9	1.6	—	—	—	—	—	—	2.1
Transport Technical Function	--	—	—	—	—	0.2	0.3	—	—	0.1	0.4	0.2
Others .....	—	—	—	—	—	—	—	0.6	—	—	—	1.7
Total paid during period....	6.5	4.5	2.0	12.6	1.6	1.7	0.7	2.3	0.1	0.2	1.6	11.0
Plus: Adjustment to fines and penalties pursuant to the ratification of the Adjustment Agreement .....	—	—	—	—	17.2	18.1	47.0	—	—	—	—	—
Accruals at year-end.....	<b>647.4</b>	<b>531.9</b>	<b>455.4</b>	<b>377.5</b>	<b>331.6</b>	<b>281.4</b>	<b>241.1</b>	<b>169.7</b>	<b>99.2</b>	<b>63.4</b>	<b>49.0</b>	<b>19.0</b>

Note: The facts or events that generated the amounts charged in each period may have occurred in prior periods and not necessarily in the period in which the charge is made.

Due to the disruption in service resulting from a power outage during a heat- wave that occurred between December 20 and December 31, 2010 in our concession area, the ENRE issued Resolution No. 32/11 in February 2011 whereby we were fined in the amount of Ps.1.1 million and ordered to compensate those customers who had been affected by the power cuts for approximately Ps.21.2 million. We have filed a direct appeal with the Appellate Court in Contentious and Administrative Federal Matters No. 1, requesting that such resolution be declared null and void.

Additionally, we filed a petition for the granting of a precautionary measure which aimed at suspending the application of the fine imposed until a decision on the direct appeal is issued. On April 28, 2011, the court rejected the precautionary measure petition. As a consequence, we filed an extraordinary federal appeal (“*Recurso Extraordinario Federal*”) which was dismissed. We then filed an appeal (“*Recurso de Queja por apelación denegada*”) with the Supreme Court requesting that the rejected extraordinary federal appeal be sustained, which as of the date of this annual report has not been resolved. Furthermore, on July 8, 2011, we requested that notice of the substance of the case be served on the ENRE. Having this procedural step been carried out and the service of notice been answered, the proceedings are awaiting resolution. As of December 31, 2012, Edenor estimated a potential obligation of Ps. 30.4 million as a result of ENRE Resolution No. 32/2011 and registered an accrual for this amount in its financial statements for the year ended December 31, 2012.

On April 24, 2013, the Company was notified that such direct appeal had been denied by the Appellate Court in Contentious and Administrative Federal Matters No. 1. As of the date of this annual report, the Company,

together with its legal counsel, is assessing the situation, which involves the precautionary measure and the appeal of this last resolution.

On a separate note, on November 15, 2012, the Company was notified by the Regulatory Authorities of ENRE's Resolution No.336/2012, pursuant to which the area in charge of applying and managing the ENRE's Regulations was instructed to immediately initiate the corresponding penalty procedure in order for the distribution companies EDENOR and EDESUR S.A. ("Edesur") to: (a) determine the customers affected by the power cuts occurred as a consequence of failures between October 29 and November 14, 2012; (b) determine the discounts to be recognized to each of the affected customers; and (c) credit them on account of the final discounts that will result from the evaluation of the Technical Service Quality relating to the six-month control period.

In addition, it was resolved that the Company and Edesur shall compensate each small demand residential customer (T1R) who had been affected by the power cuts occurred during the aforementioned period. The amount of the compensation will depend on the length of the power cut, provided, however, that such power cut lasted more than 12 continuous hours. As of December 31, 2012, the provision recorded by the Company for penalties and compensations amounts to Ps.16.7 million.

### ***Foreclosure on the Pledge of Our Class A common shares or Revocation of Our Concession***

Pursuant to the terms of the Adjustment Agreement, the Argentine government may foreclose on the pledge of Edenor Class A common shares and sell them in a public bidding process if any of the following occur:

- Edenor incur penalties in excess of 20% of our gross energy sales, net of taxes (which corresponds to our energy sales) in any given year;
- EASA, fails to obtain the ENRE's approval in connection with the disposition of our Class A common shares;
- material and repeated breaches of the Concession that are not remedied upon request of the ENRE;
- EASA creates any lien or encumbrances on our Class A common shares (other than the existing pledge to the Argentine government);
- EASA or Edenor obstruct the sale of the Class A common shares at the end of any management period under the Concession;
- our shareholders amend our articles of incorporation or voting rights in a way that modifies the voting rights of the Class A common shares without the ENRE's approval; or
- our shareholders or former shareholders fail to desist from any ICSID claims against the Argentine government following completion of the RTI and the approval of a new tariff regime.

Upon the occurrence of any of these events, the Argentine government will have the right to foreclose on the pledge of our Class A common shares and exercise the voting rights of the Class A common shares until the transfer of such shares to a new purchaser occurs, at which time EASA will receive the proceeds of such transfer, net of a specified penalty payable to the Argentine government.

In addition, under our concession, the Argentine government has the right to revoke our concession if we enter into bankruptcy and the Argentine government decides that we shall not continue rendering services, in which case all of our assets will be transferred to a new state-owned company that will be sold in an international public bidding process. At the conclusion of this bidding process, the purchase price will be delivered to the bankruptcy court in favor of our creditors, net of any debt owed by us to the Argentine government. Any residual proceeds will be distributed among our shareholders.

Pursuant to the Eden Concession, the grantor of the concession has the right to foreclose on the pledge of our Class A shares and sell them in the following situations:

- a breach of Articles 16 or 17 of the concession agreement;
- upon notice from the *Organismo de Control de Energía Eléctrica de la Provincia de Buenos Aires* (“OCEBA”) of a continuing breach and Eden’s failure to cure such breach within the period of time specified in the concession agreement.
- when the accumulated fines applied to Eden in the previous year are greater than 20% of its annual earnings before taxes;
- if the guarantors are taxed, or become permitted to be taxed, in any way in respect of the pledged shares;
- if Eden or the guarantors hamper in any way the national and international public tender of the Class A common shares under the Eden Concession; or
- if an Eden assembly approves, without the intervention of the enforcement authority, a reform of the Company’s by-laws or a share issuance that results in, or could result in, a change of control of the Class A shares or their voting rights.

Upon the occurrence of any of these events, the Provincial Government of Buenos Aires will have the right to foreclose its pledge over the Eden Class A common shares and exercise the voting rights of these shares until such shares are transferred to a new purchaser at which time the previous owner of those shares will receive the proceeds of such transfer, net of a specified penalty payable to the Provincial Government of Buenos Aires. The previous owner of the Class A common shares is not entitled to participate, directly or indirectly, in the public bidding process, nor will it be otherwise permitted to make an offer to buy such shares.

#### ***Periodic bidding for control of Edenor***

Before the end of each management period under our concession, the ENRE will arrange for an international public bidding procedure to be conducted for the sale of 51% of our capital stock and voting rights in similar conditions to those under which EASA acquired its stake. EASA will be entitled to participate in the bid. The person or group offering the highest price will acquire the stock and will pay the offered price to EASA. If EASA is the highest bidder or if EASA’s bid equals the highest bid, it will retain 51% of our stock, but no funds will need to be paid to the Argentine government and EASA will have no further obligation with respect to its bid. There is no restriction as to the amount EASA may bid. In the event EASA fails to submit a bid or its bid is lower than the highest bid, the Class A common shares will be transferred to the highest bidder and the price paid by the purchaser (except for any amounts owed to the Argentine government) will be delivered to EASA.

The first management period was set to expire on August 31, 2007. We presented a request for a five-year extension of the initial management period in May 2007 and on July 5, 2007, the ENRE, pursuant to the ENRE resolution No. 467/2007, agreed to extend the initial management period for an additional five years from the date that the new tariff structure is adopted under the RTI. The remaining 10-year periods will run from the expiration of the extension of the initial management period.

#### ***Default of the Argentine government***

If the Argentine government breaches its obligations in such a way that we cannot comply with our obligation under our concession or in such a way that our distribution service is materially affected, we can request the termination of our concession, after giving the Argentine government 90 days’ prior notice. Upon termination of our concession, all our assets used to provide our electricity distribution service will be transferred to a new state-owned company to be created by the Argentine government, whose shares will be sold in an international public bidding procedure. The amount obtained in such bidding will be paid to us, net of the payment of any debt

owed by us to the Argentine government, plus compensation established as a percentage of the bidding price, ranging from 10% to 30% depending on the management period in which the sale occurs.

### ***Edenor Network***

As of December 31, 2012, the system through which we supply electricity was composed of 72 Sub-Stations of high/high voltage, high/high/medium voltage and high/medium voltage, representing 14,703 MVA of transformer capacity and 1,410 kilometers of high-voltage power lines 220 kV, 132 kV and 27.7 kV. The distribution system of medium/low voltage was comprised of 15,636 transformers of medium/low voltage, representing 6,035 MVA of transformer capacity, 9,573 kilometers of medium-voltage power lines 33 and 13.2 kV and 25,479 kilometers of low-voltage power lines 380 V.

The following table provides certain information concerning our transmission and distribution system as of the dates presented:

	<b>At December 31,</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>Kilometers of transmission lines</b>			
High voltage .....	1,410	1,382	1,368
Medium voltage.....	9,573	9,446	9,364
Low voltage.....	25,479	25,328	25,123
Total.....	36,462	36,156	35,855
<b>Transformer capacity (MVA)</b>			
High voltage/high voltage.....	7,948	7,648	7,048
High voltage/medium voltage.....	6,755	6,695	6,571
Medium voltage/low voltage and medium voltage/medium voltage.....	6,238	6,025	5,849
Total.....	20,941	20,368	19,468

Demand is provided from points of interconnection with the Argentine Interconnection System (*Sistema Argentina de Interconexión*, or SADI) (500 kV-220 kV Rodríguez Substation, 220 kV Ezeiza Substation) and from the local Puerto and Costanera power plants. In turn, the transmission network links these nodes with head sub-stations of 220 kV: Casanova, Colegiales, Malaver, Matheu, Morón, Talar and Zappalorto, and 132 kV Matanza, Ramos Mejía, Agronomía, Puerto Nuevo and Edison.

This transmission and subtransmission system (the “HV System”), together with the Edesur and Edelap S.A. (“Edelap”) systems, forms the Greater Buenos Aires (GBA) system. The GBA system is operated by the Sociedad Anónima Centro de Movimiento de Energía (SACME), 50% of whose share are owned by us and Edesur. SACME is responsible for the management of regional high-voltage distribution in the greater Buenos Aires metropolitan area, coordinating, controlling and supervising the operation of the generation, transmission and sub-transmission network in the City of Buenos Aires and the greater Buenos Aires metropolitan areas, including coordination with the SADI in our and Edesur’s concession areas. SACME also represents its shareholders in the control of distribution for those concession areas.

We distribute energy from the sub-stations of high/medium voltage through the primary 13.2kV and 33kV system to a secondary 380/220 V low-voltage system. Our distribution network, consisting of several transformers, power lines and substations, distributes the electricity to final users with varied voltages depending on the requirements of end users. Certain customers, however, are supplied with power at significantly higher voltages.

In May 2012, we finished the construction of the 220kV Edenor network linking of the local generation Central Puerto and Central Costanera, through Malaver substation. This extension was defined by the Resolution 1875/05 of the Secretary of Energy and it allows the increase in supply capacity by 600 MW. In December 2012, the third transformer of 300 MVA-220/132 kV was put into service in Malaver’s substation.

We are currently working with the Argentine government to construct a new entry point for our Substation Oscar Smith, whose enlargement was included in the Secretary of Energy Resolution No. 700/2011. We believe that this new entry point will allow us to meet the increasing energy demands in the medium and long term throughout

our concession area. See “Item 5. Operating and Financial Review and Prospects—Factors Affecting Our Results of Operations—Demand—Capacity Demand.”

### ***Eden Network***

Demand for electricity is provided from points of interconnection with the *Sistema Argentino de Interconexión*, or SADI (Argentine Interconnection System). Eden responds to this demand by distributing electricity from the sub-stations of high/medium voltage through the primary 13.2kV and 33kV system to a secondary 380/220 V low-voltage system. Eden’s distribution network, consisting of several transformers, power lines and substations, distributes the electricity to final users with varied voltages depending on the requirements of end users.

As of December 31, 2012, the extension of the network, consists of 18,278 Km divided into 7,500 km in LV, 10,450 km in MV and 328 km in HV.

### ***Systems***

During 2012 we continued with the consolidation of the Systems Plan and Medium-Term Plan for Telecommunications. The major projects implemented were the following:

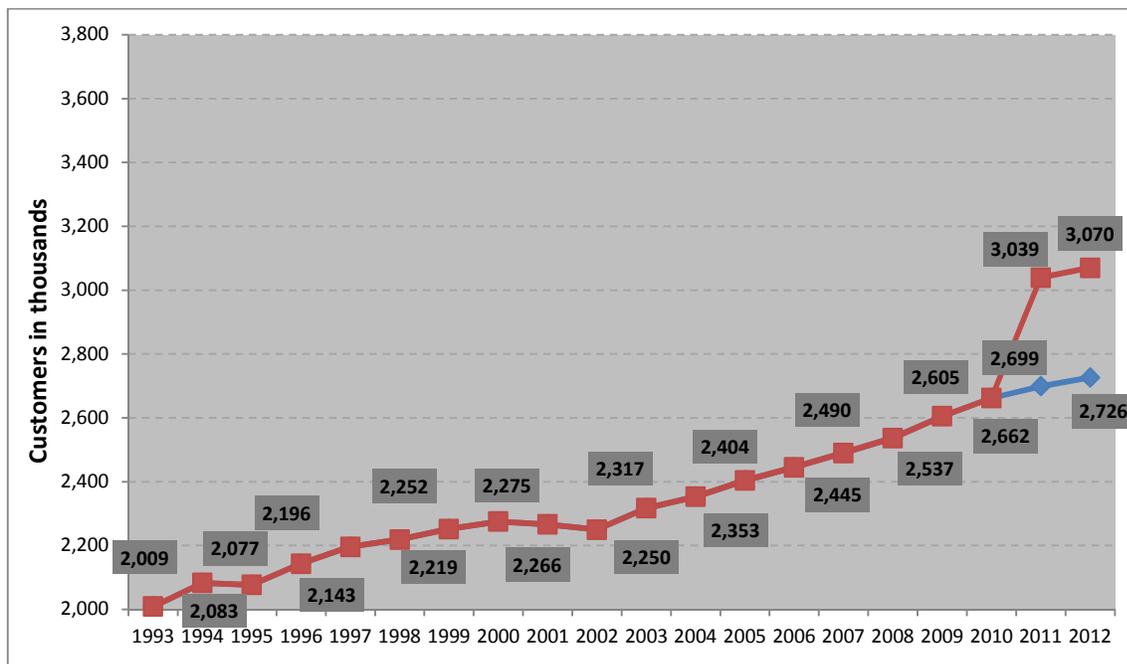
- In November 2012 we finalized the second phase of implementation of CC&B (Customer Care & Billing), covering the commercial management of the small and medium customers, adding 2.7 million customers to the system, which had been operating since 2011 for the large customers. This has been a milestone for Edenor since it relies on a modern integral system that replaces a 15 year old obsolete technology.
- We implemented a new system of consumption reading, which is compatible with CC&B, and allows load and transmission of data from new portable terminals that carry out the readers in field.
- In December 2012, we finished the total replacement of the desk computers and notebooks under a contract signed with the company Dell. The project included, among others, the installation of new versions of compatible applications with Windows 7 and Office 2010, security policies redefinition and donation of all the equipments being replaced.
- A new Intranet system was implemented, using the Microsoft SharePoint tool. The project also included the development of various IT collaborative spaces for the different departments of the Company.
- In July 2012, EDEN finished the implementation of SAP, thus, installing a system model with features similar to ours and full functionality.
- The module PM of SAP was implemented in order to carry out the management of traffic fleet and maintenance of buildings.
- Within the framework of Information Security:
  - A new product for passwords administration by the critical users was acquired.
  - A new antivirus was incorporated to the Windows licenses, thus, reducing the cost of licensing.
  - Penetration tests were carried out to evaluate the internal security of the installations.

### ***Telecommunications:***

- During the year 2012 the 450 km optical fiber connectivity was implemented on Low Voltage, which offers connectivity to Substations, Corporate Buildings and Commercial Offices.
- 18 new nodes were acquired to update the remote control network. As a consequence, the SCADA connectivity will improve and will follow the technological development of the new remote control network.
- A new platform of IVR of ultimate generation (GVP of Genesys) was set in motion with 120 ports of attention capacity, integrated to our technical system (Nexus) and to the new commercial system (CC&B) so that our clients can interact automatically before technical or commercial requests.
- In order to adapt the installations of the Substations to new connectivity technologies, that comply with international policies, equipments that satisfy these policies were installed in the Substations of Rodriguez, Morón, Matanza, Colegiales, Edison and Pilar. This network will offer connectivity to protection and remote control equipments.

### Customers

The following graph shows the evolution of our customer base through December 31, 2012:



As of December 31, 2012, Edenor and Eden served 2,726,422 and 344,065 customers, respectively. We define a “customer” as one meter.

### Edenor Tariff Categories

Edenor classifies its customers pursuant to the following tariff categories:

- Residential (T1-R1 to R9): residential customers whose peak capacity demand is less than 10kW. In 2012, this category accounted for approximately 42% of our electricity sales.

- Small commercial (T1-G1 and T1-G2): commercial customers whose peak capacity demand is less than 10kW. In 2012, this category accounted for approximately 8% of our electricity sales.
- Medium commercial (T2): customers whose peak capacity demand is equal to or greater than 10kW but less than 50kW. In 2012, this category accounted for approximately 8% of our electricity sales.
- Industrial (T3): industrial customers whose peak capacity demand is equal to or greater than 50kW. This category is applied to high-demand customers according to the voltage at which each customer is connected. The voltage ranges included in this category are the following: (i) Low Voltage (LV): voltage less than or equal to 1 kV; (ii) Medium Voltage (MV): voltage greater than 1kV but less than 66 kV; and (iii) High Voltage (HV): voltage equal to or greater than 66kV. In 2012, this category accounted for approximately 16% of our electricity sales. This category does not include customers who purchase their electricity directly through the wholesale electricity market under the wheeling system.
- Wheeling System: large users who purchase their electricity directly from generation or broker companies through the wholesale electricity market. These tariffs follow the same structure as those applied under the Industrial category described above. As of December 31, 2012, the total number of such large users was 707, and in 2012 this category represented approximately 21% of our electricity sales.
- Others: public lighting (T1-PL) and shantytown customers whose peak capacity demand is less than 10kW. In 2012, this category accounted for approximately 5% of our electricity sales. See “— Framework Agreement (Shantytowns).”

Edenor tries to maintain an accurate categorization of our customers in order to charge the appropriate tariff to each of its customers. In particular, Edenor focuses on our residential tariff categorizations to both minimize the number of commercial and industrial customers who are classified as residential customers and identify residential customers whose peak capacity demand exceeds 10kW and therefore do not qualify as residential customers.

Edenor relies on the following measures to detect incorrectly categorized customers:

- reporting by its employees tasked with reading meters to identify observed commercial activities which are being performed by residential customers,
- conducting internet surveys to identify advertisements for commercial services (such as medical or other professional services) that are linked to a residential customer’s address, and
- analyzing customer demand to determine whether Edenor should further evaluate the peak capacity demand of a given customer whose use might exceed 10kW.

#### *Reading, Billing and Collecting*

Edenor bills its customers based on their category of service. Residential and small commercial customers are billed a fixed charge payable bimonthly and a variable charge based on each unit of energy consumed. The price of these charges, in turn, is determined based on the bimonthly consumption registered by each customer, which is divided into subcategories for each of our residential and small commercial customers as follows:

#### *Residential (Tariff 1-R):*

- Tariff 1-R1: bimonthly energy demand less than or equal to 300 kWh
- Tariff 1-R2: bimonthly energy demand greater than 301 kWh
- Tariff 1-R3: bimonthly energy demand greater than 651 kWh and less than 800 kWh
- Tariff 1-R4: bimonthly energy demand greater than 801 kWh and less than 900 kWh
- Tariff 1-R5: bimonthly energy demand greater than 901 kWh and less than 1000 kWh

- Tariff 1-R6: bimonthly energy demand greater than 1001 kWh and less than 1200 kWh
- Tariff 1-R7: bimonthly energy demand greater than 1201 kWh and less than 1400 kWh
- Tariff 1-R8: bimonthly energy demand greater than 1401 kWh and less than 2800 kWh
- Tariff 1-R9: bimonthly energy demand greater than 2800 kWh

*Small commercial (Tariff 1-G):*

- Tariff 1-G1: bimonthly energy demand less than or equal to 1600 kWh
- Tariff 1-G2: bimonthly energy demand greater than 1600 kWh but less than or equal to 4000 kWh
- Tariff 1-G3: bimonthly energy demand greater than 4000 kWh

Medium commercial customers (Tariff T2) are billed a fixed charge based on a fixed amount of capacity that is payable monthly and a variable charge based on each unit of energy consumed.

Industrial customers (Tariff T3) are billed two monthly fixed charges based on capacity during peak hours and non-peak hours and three variable charges for each unit of energy consumed, which charges vary based on whether the unit was consumed during peak hours (from 6 p.m. to 11 p.m.), *horas de valle* (valley hours, from 11 p.m. to 5 a.m.) or during the remaining hours of the day (from 5 a.m. to 6 p.m.).

Public lighting customers are billed a monthly variable energy charge based on each unit of energy consumed.

The table below shows the number of Edenor customers per category at the dates indicated.

	<b>At December 31,</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
Residential .....	2,376,981	2,354,242	2,325,574
Small commercial .....	311,508	306,541	299,822
Medium commercial .....	30,681	30,678	29,820
Industrial .....	6,144	6,006	5,816
Wheeling system .....	707	682	643
Other* .....	401	399	393
Total .....	2,726,422	2,698,548	2,662,068

\* Represents public lighting and shantytown customers.

All of the meters are read with portable meter-reading terminals, either with manual access or optical reading (in the case of electronic meters for medium commercial and industrial customers). The systems validate the readings, and any inconsistent reading is checked in the field. Estimates of customer usage are no longer used as a result of this new billing system. Once the invoices are printed, independent contractors in each operating area, subject to strict controls, distribute them.

*Eden Tariff Categories*

- Residential (T1-R1 to R7, T1RE and T4): residential and rural customers whose peak capacity demand is less than 10kW. In 2012, this category accounted for approximately 23% of our electricity sales.
- Small commercial (T1-G1, T1-G2 and T1GE): commercial customers whose peak capacity demand is less than 10kW. In 2012, this category accounted for approximately 8% of our electricity sales.
- Medium commercial (T2): customers whose peak capacity demand is equal to or greater than 10kW but less than 50kW. In 2012, this category accounted for approximately 4% of our electricity sales.

- Industrial (T3BT, T3MT, T8BT, T8MT and T8AT): industrial customers whose peak capacity demand is equal to or greater than 50kW. This category is applied to high-demand customers according to the voltage at which each customer is connected. The voltage ranges included in this category are the following: (i) Low Voltage (LV): voltage less than or equal to 1 kV; (ii) Medium Voltage (MV): voltage greater than 1kV but less than 66 kV; and (iii) High Voltage (HV): voltage equal to or greater than 66kV. In 2012, this category accounted for approximately 28% of our electricity sales. This category does not include customers who purchase their electricity directly through the wholesale electricity market under the wheeling system.
- Wheeling System: large users who purchase their electricity directly from generation or broker companies through the wholesale electricity market. These tariffs follow the same structure as those applied under the Industrial category described above. As of December 31, 2012, the total number of such large users was 83, and in 2012 this category represented approximately 10% of our electricity sales.
- Others: Public Lighting (T1-PL) whose peak capacity demand is less than 10kW and Cooperatives, which are energy distributors in many Municipalities in the Province. In 2012, these categories accounted for approximately 3% and 24% of our electricity sales respectively. Also, other two categories of energy can be included: Self Consumption, belonging to energy consumed in Eden facilities, and Recovered Energy, which is energy consumed in previous periods and billed in the current one. These two concepts represented 0.3% of energy sales.

Eden tries to maintain an accurate categorization of our customers in order to charge the appropriate tariff to each of our customers. In particular, Eden focuses on its residential tariff categorizations to both minimize the number of commercial and industrial customers who are classified as residential customers, and identify residential customers whose peak capacity demand exceeds 10kW and therefore do not qualify as residential customers.

Eden relies on the following measures to detect incorrectly categorized customers:

- reporting by its employees tasked with reading meters to identify observed commercial activities which are being performed by residential customers.
- conducting internet surveys to identify advertisements for commercial services (such as medical or other professional services) that are linked to a residential customer's address, and
- analyzing customer demand to determine whether Eden should further evaluate the peak capacity demand of a given customer whose use might exceed 10kW.

#### *Reading, Billing and Collecting*

Eden bills its customers based on their category of service. Residential and small commercial customers are billed a fixed charge payable bimonthly and a variable charge based on each unit of energy consumed. The price of these charges, in turn, is determined based on the bimonthly consumption registered by each customer, which is divided into subcategories for each of our residential and small commercial customers as follows:

#### *Residential (Tariff 1-R):*

- Tariff 1-R1: bimonthly energy demand less than or equal to 200 kWh
- Tariff 1-R2: bimonthly energy demand greater than 200 kWh and less than 400 kWh
- Tariff 1-R3: bimonthly energy demand greater than 400 kWh and less than 800 kWh
- Tariff 1-R4: bimonthly energy demand greater than 800 kWh and less than 1000 kWh
- Tariff 1-R5: bimonthly energy demand greater than 1000 kWh and less than 1400 kWh
- Tariff 1-R6: bimonthly energy demand greater than 1400 kWh and less than 2800 kWh
- Tariff 1-R7: bimonthly energy demand greater than 2800 kWh

- Tariff 1-RE1 (seasonal residential): bimonthly energy demand less than or equal to 1000 kWh
- Tariff 1-RE2 (seasonal residential): bimonthly energy demand greater than 1000 kWh and less than 1400 kWh
- Tariff 1-RE3 (seasonal residential): bimonthly energy demand greater than 1400 kWh and less than 2800 kWh
- Tariff 1-RE4 (seasonal residential): bimonthly energy demand greater than 2800 kWh
- Tariff 4 (Rural): Rural customers with less than 10 kW peak capacity demand

*Small commercial (Tariff 1-G):*

- Tariff 1-G1: bimonthly energy demand less than or equal to 2000 kWh
- Tariff 1-G2: bimonthly energy demand greater than 2000 kWh but less than or equal to 4000 kWh
- Tariff 1-G3: bimonthly energy demand greater than 4000 kWh
- Tariff 1-GE1 (seasonal commercial): bimonthly energy demand less than or equal to 4000 kWh
- Tariff 1-GE2 (seasonal commercial): bimonthly energy demand greater than 4000 kWh

Medium commercial customers (Tariff T2) are billed a fixed charge based on a fixed amount of capacity that is payable monthly and a variable charge based on each unit of energy consumed.

Industrial customers (Tariff T3) are billed two monthly fixed charges based on capacity during peak hours and non-peak hours and three variable charges for each unit of energy consumed, which charges vary based on whether the unit was consumed during peak hours (from 6 p.m. to 11 p.m.), *horas de valle* (valley hours, from 11 p.m. to 5 a.m.) or during the remaining hours of the day (from 5 a.m. to 6 p.m.).

Public lighting customers are billed a monthly variable energy charge based on each unit of energy consumed.

The table below shows the number of Eden customers per category at the dates indicated.

	<b>At December 31,</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
Residential	296,249	293,320	288,931
Small commercial	43,491	42,657	41,130
Medium commercial	1,462	1,446	1,372
Industrial	834	812	748
Wheeling system	83	81	83
Others*	1,946	1,918	1,748
<b>Total</b>	<b>344,065</b>	<b>340,234</b>	<b>334,012</b>

\* Represents public lighting and shantytown customers.

All of the meters are read with portable meter-reading terminals, either with manual access or optical reading (in the case of electronic meters for medium commercial and industrial customers). The systems validate the readings, and any inconsistent reading is checked in the field. Estimates of customer usage are no longer used as a result of this new billing system. Once the invoices are printed, independent contractors subject to strict controls, distribute them.

*Slow-Paying Accounts and Past Due Receivables*

When we assumed the operation of the distribution system from SEGBA in September 1992, many residential electricity meters had not been read for months, individual customer account information was unreliable or nonexistent, and billing and collection systems and procedures required substantial improvement. The state of

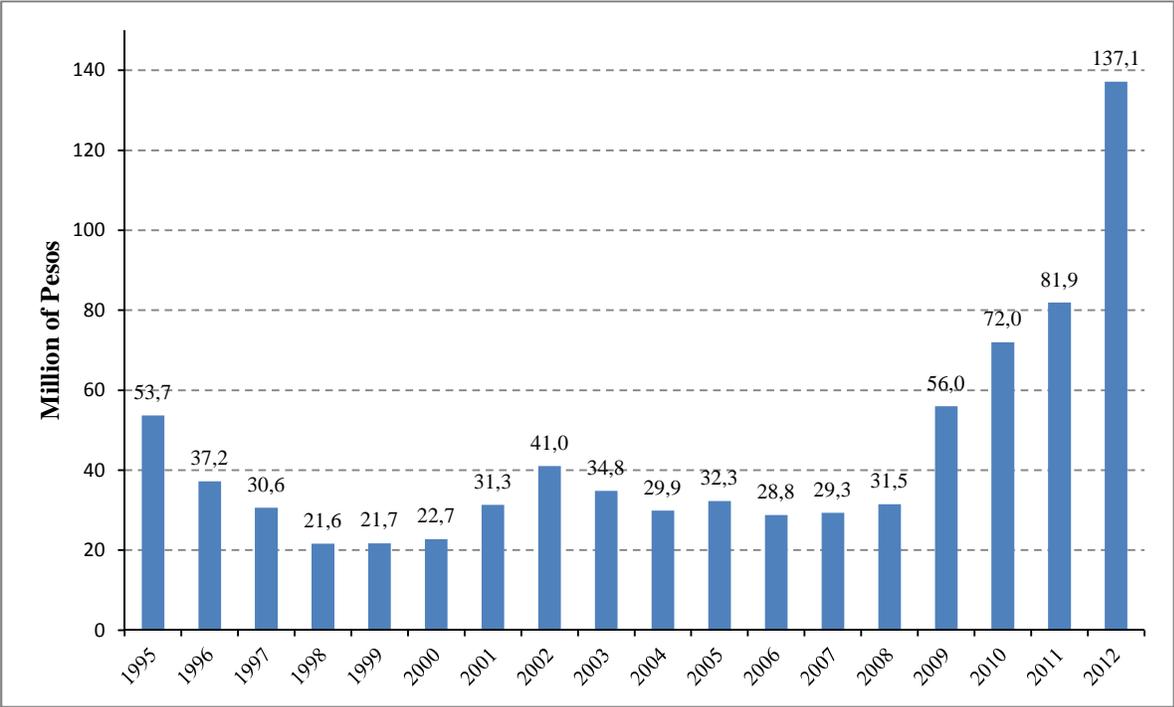
these customer records made it difficult to determine how much electricity individual customers had used and whether they were delinquent in paying for the service. As a result, one of our primary objectives since 1992 has been to address and minimize slow-paying accounts and past due receivables.

Since 1992, many procedures have been established to reduce delinquency and make collection possible. Our Commercial Department oversees the strict observance of such procedures.

Municipalities’ accounts form a significant number of our arrears accounts. The methods of collection on such arrears vary for each municipality. One method of collection is to withhold from the municipalities certain taxes collected by us from the public on behalf of the municipalities and using such taxes to offset any past due amounts owed to us by such municipalities. Another method of collection is entering into refinancing agreements with the municipalities. These procedures allowed us to reduce significantly the number of arrears accounts.

Our past due receivables increased from Ps. 81.9 million as of December 31, 2011 to Ps. 137.1 million as of December 31, 2012. This increase in past due receivables was mainly due to the result of the preliminary injunction awarded pursuant to the request of the Ombudsman challenging the October 2008 adjustment of our tariffs, to late payments from our government customers and to a delay in delinquency actions resulting from the implementation of our billing system and distortions in the amounts billed under the stabilization factor. The preliminary injunction prohibits us from cutting the supply of energy to customers challenging the October 2008 tariff increase until a decision is reached with respect to the Ombudsman’s claim. See “Item 8. Financial Information—Legal and Administrative Proceedings—Legal Proceedings—Preliminary Injunction of the Public Ombudsman.” Our collections experienced the greatest adverse impact in response to the injunction during February and March 2009; however, they continue to be adversely impacted.

The following graph shows Edenor delinquent balances as of December 31 of each year:



We also supply energy to low-income areas pursuant to the framework agreement with the Argentine government and the Province of Buenos Aires, for which certain payments are still owed to us. See “—Framework Agreement (Shantytowns).”

## Energy Losses

Energy losses are equivalent to the difference between energy purchased and energy sold and may be classified as technical and non-technical losses. Technical losses represent the energy that is lost during transmission and distribution within the network as a consequence of natural heating of the transformers and conductors that transmit the electricity from the generating plants to the customers. These losses typically increase in proportion to the amount of energy volume distributed (as has been the case for us in recent years). Technical losses are normal for any energy distributor and cannot be completely eliminated but can be reduced by improvements in the network. We believe that the level of technical losses is approximately 7% in countries with distribution networks similar to ours. Non-technical losses represent the remainder of our energy losses and are primarily due to illegal use of our services and administrative and technical errors.

Energy losses require us to purchase additional energy to satisfy apparent demand, thereby increasing costs. Furthermore, illegally tied-in customers typically consume more electricity than the average level of consumption for their category. We are unable to recover from customers the cost of electricity purchased beyond the loss factor established as 10% (on average) pursuant to our concession. The reduction of energy losses therefore reduces the amount of energy that we have to purchase to satisfy apparent demand but cannot invoice, and increases the amount of electricity actually sold.

At the time of privatization of the electricity sector in 1992, our total energy losses were approximately 30%. At that time, our non-technical losses were estimated at 21%, with over half of that amount due to fraud and illegal use of our service. In response to the high level of losses, we implemented a loss reduction plan in 1992 which emphasized accurate measurement of energy consumption through periodic inspections, reduction of administrative errors, regularization of shanty towns, reduction of illegal direct connections, provision of services to shantytowns and reduction of technical losses.

At present, our goal is to maintain our energy losses at an optimal level, taking into account the cost of reducing such losses and the level at which we are reimbursed for the cost of these losses under our concession. Our procedures for maintaining an optimal level of losses are focused on improving collections to ensure that customers pay for all the energy that they consume and making investments in our network to control technical losses. To reduce the theft of electricity we have implemented vigilance and special technologies, such as much higher networks that cannot be reached using normal ladders, shields close to the electricity posts, concentric cables, shielded meters and suspension of electricity service, among other remedies. We are experimenting with other programs including teaching low-income customers how to ration their consumption, providing low-income customers with the option of paying in installments and the installation of 4,800 prepaid meters. We also plan to encourage, through subsidies, the installation of special low-energy lamps. A final decision with respect to the implementation of these energy sales measures on a large scale is currently under evaluation by the ENRE. In addition, the Argentine government has implemented a program through PRONUREE (*Programa Nacional de Uso Racional y Eficiente de la Energía*) to distribute low energy consumption lamps to our customers through agreements with local municipalities. Since 2008, over 3 million of such lamps were distributed to our customers through this program.

The following table illustrates Edenor's estimation of the approximate breakdown between technical and non-technical energy losses experienced in Edenor's concession area since 2002.

	Year ended December 31,										
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Technical losses .....	10.5%	9.8%	9.8%	9.8%	9.8%	9.6%	8.6%	8.3%	8.1%	8.0%	7.8%
Non-technical losses .....	2.8 %	2.8%	2.7%	2.1%	1.0%	2.0%	2.5%	2.7%	3.4%	4.7%	4.5%
Total losses.....	13.3 %	12.6%	12.5%	11.9%	10.8%	11.6%	11.1%	11.0%	11.5%	12.7%	12.3%

As of December 31, 2012, total energy losses recorded by Eden were 10.6% of which technical losses represented 8.2% and non-technical losses represented 2.4%.

### ***Framework Agreement (Shantytowns)***

In accordance with the terms of its concession, Edenor supplies electricity to low-income areas and shantytowns located within its service area. In October 2003, Edenor, Edesur and Edelap entered into a framework agreement (the “2003 Framework Agreement”) with the Argentine Government and the Province of Buenos Aires to regulate their supply to low-income areas and shantytowns. Under this agreement, Edenor is compensated for the service Edenor provides to shantytowns by a commission formed in each shantytown that collects funds from residents of the shantytown. In addition, Edenor is compensated separately by the municipality in which each shantytown is located, and, if there is any payment shortfall, by a special fund supported by the Argentine Government and the Province of Buenos Aires. Specifically, the Argentine Government contributes an amount equal to 21%, and the Province of Buenos Aires an amount equal to 15.5%, of the compensation, net of taxes, paid by those customers with payment problems and meter irregularities who are regularized under the 2003 Framework Agreement. On June 23, 2008, Edenor entered into an amendment to the 2003 Framework Agreement (the “Amended 2003 Framework Agreement”) with the Argentine Government, the Province of Buenos Aires and the other national electric distributors extending the terms of the 2003 Framework Agreement. This Amended 2003 Framework Agreement expired on December 31, 2010.

On July 22, 2011, the Company, together with Edesur and Edelap, entered into an addendum with the Federal Government and the Government of the Province of Buenos Aires, for the renewal for a term of four years of the Amended 2003 Framework Agreement. Such extension was approved on September 21, 2012 by Resolution No.248/12 issued by the ENRE and ratified by the Ministry of Federal Planning, Public Investment and Services pursuant to Resolution No. 247/2012.

As of December 31, 2012 and 2011, our receivable balances with the Federal Government and the Government of the Province of Buenos Aires for the supply of electricity to shantytowns amounted to Ps. 25.4 million and Ps. 25.7 million, respectively.

On October 18, 2012, we entered into an agreement for the settlement of non-financial obligations and subscription of Buenos Aires Province Government Bonds with respect to the amount owed to us by the Province of Buenos Aires as of December 31, 2010. Pursuant to the agreement, we agreed to receive an amount of Ps. 325,000 in cash and subscribe Series B Bonds for a residual nominal value of Ps. 6.1 million as settlement of the debt that the Province of Buenos Aires owed to us at December 31, 2010 for the electric power we supplied to low-income areas.

### ***Insurance***

As of December 31, 2012, we had insurance for loss and damage to property, including damage due to floods, fires and earthquakes covering up to U.S. \$887.7 million, with the following deductibles:

- transformers, between U.S. \$175,000 and U.S. \$850,000 (depending on their power level);
- equipment of sub-stations (not including transformers), U.S. \$75,000.
- commercial offices, U.S. \$1,500 for each office;
- deposits and other properties, U.S. \$25,000; and
- acts of terrorism, U.S.\$50,000, being the maximum insured amount for this purpose, U.S.\$ 10,000,000.

We are also insured against theft of cash and securities for a maximum amount of U.S. \$100,000 and U.S. \$5,000, respectively.

In addition, we maintain the following insurance, subject to customary deductibles and limitations:

- Directors' and Officers' Liability insurance;
- Civil Liability insurance;
- Automobile insurance;
- Mandatory life insurance for all our officers and employees which is maintained in accordance with Argentine law; and
- Optional life insurances for all our officers and employees

Although we do not have business interruption insurance, we consider our insurance coverage to be adequate and in accordance with the prevailing standards for the industry. See "Item 3. Key Information. Risk Factors—Risks Relating to Our Business—Our insurance may not be sufficient to cover certain losses."

#### *Environmental Management*

In Argentina, the Argentine government, the provincial governments and the government of the City of Buenos Aires are entitled to legislate on natural resources and environmental protection issues. The 1994 Constitution reaffirms this principle, assigning to the Argentine government the establishment of broad environmental guidelines and to the provincial governments and to the government of the City of Buenos Aires the duty to implement the necessary legislation to attain national environmental goals. The environmental policy for the electricity market is formulated by the Secretary of Energy and implemented by the ENRE. Areas regulated by the ENRE include the tolerance level for electromagnetic fields, radio interference, voltage of contact and pass, liquid spills, disposal and handling of solid wastes, noise and vibration admissible levels and use, and the transport and storage of hazardous waste, including polychlorinated biphenyl (PCB), a viscous substance which was historically used to lubricate electrical transformers. The Argentine Environmental Law requires that we eliminate the PCB in our transformers before the end of 2010.

Over the course of 2009, we completed the removal of PCBs from all our transformers with contaminated cooling oils exceeding 50 ppm (parts per million), the limit established by Federal law.

As part of our investment plan, we made important improvements to our network and implemented technological innovations to evaluate the impact of these improvements on the environment and the surrounding areas. We are currently engaged, together with environmental governmental entities, in the application of procedures to decontaminate mineral oils. We are required to apply for licenses from the ENRE for all our business activities, including those related to the environment. We believe that we are in compliance in all material respects with all applicable environmental standards, rules and regulations established by the ENRE, the Secretary of Energy and federal, provincial and municipal authorities. We have implemented environmental variables testing programs to evaluate environmental variances and to take corrective actions when necessary. In addition, we have in place an environmental emergency plan to reduce potential adverse consequences if an environment accident should occur. Finally, as part of our environmental actions, we improved and deepened the program of rational uses of energy in our buildings and in our customer equipment.

On October 19, 1999, the *Instituto Argentino de Normalización* (the Argentine Institute of Normalization) certified that we have an Environmental Management System that is in accordance with the requirements of the standards set by the International Standardization Organization (ISO) as specified in its release, ISO 14001, which relates specifically to environmental management systems. This certification is reaffirmed on an annual basis, most recently as of December 2012.

Argentine law requires all persons whose activities risk environmental damage, such as us, to obtain environmental insurance up to a certain minimum coverage or set aside funds in an environmental restoration fund to pay for environmental liabilities that may arise.

Since the enactment of Resolution No. 481/11 of the Secretaría de Ambiente y Desarrollo Sustentable de la Nación (Argentine Environment Secretary), our business is not considered an activity with significant environmental damage, and is exempt from the environmental insurance requirement set forth by Law 25,675 Section 22. We also have an environmental emergency plan that details the steps that would be taken in the event that our operations resulted in any environmental damage.

### *Seasonality*

Demand for our services fluctuates on a seasonal basis. For a discussion of this seasonality of demand, see “Item 5. Operating and Financial Review and Prospects—Demand—Seasonality of Demand.”

## **THE ARGENTINE ELECTRICITY INDUSTRY**

### **Historical Background**

Electricity was first made available in Argentina in 1887 with the first public street lighting in Buenos Aires. The Argentine government’s involvement in the electricity sector began in 1946 with the creation of the *Dirección General de Centrales Eléctricas del Estado* (General Directorate of Electric Power Plants of the State) to construct and operate electricity generation plants. In 1947, the Argentine government created *Agua y Energía Eléctrica S.A.* (Water and Electricity, or AyEE) to develop a system of hydroelectric generation, transmission and distribution for Argentina.

In 1961, the Argentine government granted a concession to the *Compañía Italo Argentina de Electricidad* (Italian-Argentine Electricity Company, or CIADE) for the distribution of electricity in a part of the City of Buenos Aires. In 1962, the Argentine government granted a concession formerly held by the *Compañía Argentina de Electricidad* (Argentine Electricity Company, or CADE) to *Servicios Eléctricos del Gran Buenos Aires* (Electricity Services of Greater Buenos Aires, or SEGBA), our predecessor, for the generation and distribution of electricity to parts of Buenos Aires. In 1967, the Argentine government granted a concession to Hidroeléctrica Norpatagónica S.A. (Hidronor) to build and operate a series of hydroelectric generation facilities. In 1978, CIADE transferred all of its assets to the Argentine government, following which CIADE’s business became government-owned and operated.

By 1990, virtually all of the electricity supply in Argentina was controlled by the public sector (97% of total generation). The Argentine government had assumed responsibility for the regulation of the industry at the national level and controlled all of the national electricity companies, AyEE, SEGBA and Hidronor. The Argentine government also represented Argentine interests in generation facilities developed or operated jointly with Uruguay, Paraguay and Brazil. In addition, several of the Argentine provinces operated their own electricity companies. Inefficient management and inadequate capital spending, which prevailed under national and provincial government control, were in large measure responsible for the deterioration of physical equipment, decline in quality of service and proliferation of financial losses that occurred during this period.

In 1991, as part of the economic plan adopted by former President Carlos Menem, the Argentine government undertook an extensive privatization program of all major state-owned industries, including within the electricity generation, transmission and distribution sectors. In January 1992, the Argentine federal congress adopted the Regulatory Framework Law (Law No. 24,065), which established guidelines for the restructuring and privatization of the electricity sector. The Regulatory Framework Law, which continues to provide the framework for regulation of the electricity sector since the privatization of this sector, divided generation, transmission and distribution of electricity into separate businesses and subjected each to appropriate regulation.

The ultimate objective of the privatization process was to achieve a reduction in rates paid by users and improve quality of service through competition. The privatization process commenced in February 1992 with the sale of several large thermal generation facilities formerly operated by SEGBA, and continued with the sale of

transmission and distribution facilities (including those currently operated by our company) and additional thermoelectric and hydroelectric generation facilities.

## **Regulatory and Legal Framework**

### ***Role of the Government***

The Argentine government has restricted its participation in the electricity market to regulatory oversight and policy-making activities. These activities were assigned to agencies that have a close working relationship with one another and occasionally even overlap in their responsibilities. The Argentine government has limited its holding in the commercial sector to the operation of international hydropower projects and nuclear power plants. Provincial authorities followed the Argentine government by divesting themselves of commercial interests and creating separate policy-making and regulatory entities for the provincial electricity sector.

### ***Limits and Restrictions***

To preserve competition in the electricity market, participants in the electricity sector are subject to vertical and horizontal restrictions, depending on the market segment in which they operate.

#### ***Vertical Restrictions***

The vertical restrictions apply to companies that intend to participate simultaneously in different sub-sectors of the electricity market. These vertical restrictions were imposed by Law No. 24,065, and apply differently depending on each sub-sector as follows:

#### ***Generators***

- Under Section 31 of Law No. 24,065, neither a generation company, nor any of its controlled companies or its controlling company, can be an owner or a majority shareholder of a transmitter company or the controlling entity of a transmitter company; and
- Under Section 9 of Decree No. 1398/1992, since a distribution company cannot own generation units, a holder of generation units cannot own distribution concessions. However, the shareholders of the electricity generator may own an entity that holds distribution units, either as shareholders of the generator or through any other entity created with the purpose of owning or controlling distribution units.

#### ***Transmitters***

- Under Section 31 of Law No. 24,065, neither a transmission company nor any of its controlled companies or its controlling entity can be owner or majority shareholder or the controlling company of a generation company;
- Under Section 31 of Law No. 24,065, neither a transmission company, any company controlled by a transmission company nor any company controlling a transmission company can own or be the majority shareholder or the controlling company of a distribution company; and
- Under Section 30 of Law No. 24,065, transmission companies cannot buy or sell electricity.

#### ***Distributors***

- Under provision 31 of Law No. 24,065, neither a distribution company, nor any of its controlled companies or its controlling company, can be owner or majority shareholder or the controlling company of a transmission company; and

- Under Section 9 of Decree No. 1398/1992, a distribution company cannot own generation units. However, the shareholders of the electricity distributor may own generation units, either directly or through any other entity created with the purpose of owning or controlling generation units.

#### *Definition of Control*

The term “control” referred to in Section 31 of Law No. 24,065 (which establishes vertical restrictions) is not defined in the Electricity Regulation Framework. Section 33 of the Argentine Companies Law states that “companies are considered as controlled by others when the holding company, either directly or through another company: (1) holds an interest, under any circumstance, that grants the necessary votes to control the corporate will in board meetings or ordinary shareholders’ meetings; or (2) exercises a dominant influence as a consequence of holding shares, quotas or equity interest or due to special linkage between the companies.” We cannot assure you, however, that the electricity regulators will apply this standard of control in implementing the restrictions described above.

#### *Horizontal Restrictions*

In addition to the vertical restrictions described above, distribution and transmission companies are subject to horizontal restrictions, as described below.

#### *Transmitters*

- According to Section 32 of Law No. 24,065, two or more transmission companies can merge or be part of the same economic group only if they obtain an express approval from the ENRE. Such approval is also necessary when a transmission company intends to acquire shares of another electricity transmission company;
- Pursuant to the concession agreements that govern the services rendered by private companies operating transmission lines above 132Kw and below 140Kw, the service is rendered by the concessionaire on an exclusive basis over certain areas indicated in the concession agreement; and
- Pursuant to the concession agreements that govern the services rendered by the private company operating the high-tension transmission services equal to or higher than 220Kw, the company must render the service on an exclusive basis and is entitled to render the service throughout the entire country, without territorial limitations.

#### *Distributors*

- Two or more distribution companies can merge or be part of the same economic group only if they obtain an express approval from the ENRE. Such approval is necessary when a distribution company intends to acquire shares of another electricity transmission or distribution company; and
- Pursuant to the concession agreements that govern the services rendered by private companies operating distribution networks, the service is rendered by the concessionaire on an exclusive basis over certain areas indicated in the concession agreement.

#### ***2001 Economic Crisis***

At the end of 2001 and beginning of 2002, Argentina experienced an unprecedented crisis that virtually paralyzed the country’s economy through most of 2002 and led to radical changes in government policies. See “Item 5. Operating and Financial Review and Prospects—Factors Affecting Our Results of Operations—Argentine Economic Conditions.” The crisis and the Argentine government’s policies during this period severely affected the electricity sector. Pursuant to the Public Emergency Law enacted to address the crisis, the Argentine government, among other measures:

- converted public utility tariffs from their original U.S. Dollar values to Pesos at a rate of Ps. 1.00 per U.S. \$1.00;
- froze all regulated distribution margins relating to the provision of public utility services (including electricity distribution services);
- revoked all price adjustment provisions and inflation indexation mechanisms in public utility concessions (including energy concessions); and
- empowered the Argentine Executive Branch to conduct a renegotiation of public utility contracts (including energy concessions), including the tariffs for public utility services.

These measures, combined with the devaluation of the Peso and high rates of inflation, had a severe effect on public utilities in Argentina, including on us. Because public utilities were no longer able to increase tariffs to cover their cost increases, the impact of inflation on costs led to decreases in their revenues in real terms and a deterioration of their operating performance and financial condition. Most public utilities had also incurred large amounts of foreign currency indebtedness under the fixed one-to-one Peso per Dollar exchange rate of the Convertibility Regime and, following the elimination of the Convertibility Regime and the resulting devaluation of the Peso, the debt service burden of these utilities increased sharply, which led many of these utilities to suspend payments on their foreign currency debt in 2002. This situation caused many Argentine electricity generators, transmission companies and distributors to defer making further investments in their networks. As a result, Argentine electricity market participants, particularly generators, are currently operating at near full capacity, which could lead to insufficient supply to meet a growing national energy demand. In addition, the economic crisis and the resulting emergency measures had a material adverse effect on other energy sectors, including oil and gas companies, which has led to a significant reduction in natural gas supplies to generation companies that use this commodity in their generation activities.

The Argentine government has repeatedly intervened in and modified the rules of the wholesale electricity market since 2002 in an effort to address the electricity crisis generated by the economic crisis. These modifications include the establishment of caps on the prices paid by distributors for electricity power purchases and the requirement that all prices charged by generators be calculated based on the price of natural gas (also regulated by the Argentine government) regardless of the fuel actually used in generation activities. These modifications have created a huge structural deficit in the operation of the wholesale electricity market. The Argentine government has made some attempts at correcting these problems, including proposing new rules to structure the wholesale electricity market in December 2004 and creating a special fund to finance infrastructure improvements in the energy sector in April 2006, but little progress has been made in advancing a system-wide solution to the problems confronting Argentina's electricity sector.

In September 2006 the Secretary of Energy issued Resolution No. 1281/06 in an effort to respond to the sustained increase in energy demand following Argentina's economic recovery after the crisis. This resolution seeks to create incentives for energy generation plants in order to meet increasing energy needs. The resolution's principal objective is to ensure that energy available in the market is used primarily to service residential users and those industrial and commercial users whose energy demand is at or below 300 kilowatts (kW) and who lack access to other viable energy alternatives. To achieve this, the resolution provides that:

- large users in the wholesale electricity market and large customers of distribution companies (in both cases above 300 kW), such as us, will be authorized to secure energy supply up to their "base demand" (equal to their demand in 2005) by entering into term contracts; and
- large users in the wholesale electricity market and large customers of distribution companies (in both cases above 300 kilowatts) must satisfy any consumption in excess of their base demand with energy from the *Energía Plus* (Energy Plus) system at unregulated market prices. The Energy Plus system consists of the supply of additional energy generation from new generation and/or generating agents, co-generators or auto-generators who are not agents of the electricity market or who as of the date of the resolution were not part of the wholesale electricity market. Large users in the wholesale electricity market and large customers of distribution companies can also enter into contracts directly with these new generators or purchase energy at unregulated market prices through CAMMESA.

This resolution helped us to mitigate the risk of energy shortages due to a lack of electricity generation. See “Business—Overview—Our obligations.”

In 2009, the Argentine government completed construction and began operation of two new 800 MW combined cycle generators constructed as part of its effort to increase energy supply. The costs of construction were financed with net revenues of generators derived from energy sales in the spot market and through specific charges from CAMMESA to large users. These funds had been deposited in the *Fondo de Inversiones Necesarias que Permitan Incrementar la Oferta de Energía Eléctrica en el Mercado Eléctrico Mayorista* (Fund for Investments Required to Increase Electricity Supply in the Wholesale Electricity Market, or FONINVEMEM).

## **Regulatory Authorities**

The principal regulatory authorities responsible for the Argentine electricity industry are:

- (1) the Secretary of Energy;
- (2) the ENRE, the regulator for Edenor and
- (3) The OCEBA, the regulator for Eden.

The Secretary of Energy advises the Argentine government on matters related to the electricity sector and is responsible for the application of the policies concerning the Argentine electricity industry. See “Risks Relating to Our Business - Failure or delay to negotiate further improvements to our tariff structure, including increases in our distribution margin, and/or to have our tariff adjusted to reflect increases in our distribution costs in a timely manner, could have a material adverse effect on our capacity to perform our financial and commercial obligations. As a result, there is substantial doubt with respect to the ability of the Company to continue as a going concern”

The ENRE is an autonomous agency created by the Regulatory Framework Law. The ENRE has a variety of regulatory and jurisdictional powers, including, among others:

- enforcement of compliance with the Regulatory Framework Law and related regulations;
- control of the delivery of electric services and enforcement of compliance with the terms of concessions;
- adoption of rules applicable to generators, transmitters, distributors, electricity users and other related parties concerning safety, technical procedures, measurement and billing of electricity consumption, interruption and reconnection of supplies, third-party access to real estate used in the electricity industry and quality of services offered;
- prevention of anticompetitive, monopolistic and discriminatory conduct between participants in the electricity industry;
- imposition of penalties for violations of concessions or other related regulations; and
- arbitration of conflicts between electricity sector participants.

The ENRE is managed by a five-member board of directors appointed by the Executive Branch of the Argentine government. Two of these five members are nominated by the *Consejo Federal de la Energía Eléctrica* (Federal Council on Electricity, or CFEE). The CFEE is funded with a percentage of revenues collected by CAMMESA for each MWh sold in the market. Sixty percent of the funds received by the CFEE are reserved for the *Fondo Subsidiario para Compensaciones Regionales de Tarifas a Usuarios Finales* (Regional Tariff Subsidy Fund for End Users), from which the CFEE makes distributions to provinces that have met certain specified tariff

provisions. The remaining forty percent is used for investments related to the development of electrical services in the Argentine provinces.

The OCEBA exercises control and supervision over, and regulatory and judicial activities related to electric power by Buenos Aires Province distributors, including Eden, Edes and Edea as well as the municipal distributors (also known as “cooperatives”). It was created as a result of the privatization process and the concession of public services and activities of general interest.

## **The Wholesale Electricity Market**

### *Overview*

The Secretary of Energy established the wholesale electricity market in August 1991 to allow electricity generators, distributors and other agents to buy and sell electricity in spot transactions or under long-term supply contracts at prices determined by the forces of supply and demand.

The wholesale electricity market consists of:

- a term market in which generators, distributors and large users enter into long-term agreements on quantities, prices and conditions;
- a spot market, in which prices are established on an hourly basis as a function of economic production costs, represented by the short-term marginal cost of production and demand; and
- a stabilization fund, managed by CAMMESA, which absorbs the differences between purchases by distributors at seasonal prices and payments to generators for energy sales at the spot price.

### *Operation of the Wholesale Electricity Market*

The operation of the wholesale electricity market is administered by CAMMESA. CAMMESA was created in July 1992 by the Argentine government, which currently owns 20% of CAMMESA’s capital stock. The remaining 80% is owned by various associations that represent wholesale electricity market participants, including generators, transmitters, distributors and large users.

CAMMESA is in charge of:

- managing the national interconnection system pursuant to the Regulatory Framework Law and related regulations, which includes:
- determining technical and economic dispatch of electricity (i.e., schedule of production for all generating units on a power system to match production with demand) in the national interconnection system;
- maximizing the system’s security and the quality of electricity supplied;
- minimizing wholesale prices in the spot market;
- planning energy capacity needs and optimizing energy use pursuant to the rules set out from time to time by the Secretary of Energy, and
- monitoring the operation of the term market and administering the technical dispatch of electricity pursuant to any agreements entered into in such market;
- acting as agent of the various wholesale electricity market participants;
- purchasing or selling electricity from or to other countries by performing the relevant import/export operations; and
- providing consulting and other services related to these activities.

The operating costs of CAMMESA are covered by mandatory contributions made by wholesale electricity market participants. CAMMESA's annual budget is subject to a mandatory cap equivalent to 0.85% of the aggregate amount of transactions in the wholesale electricity market projected for that year.

### ***Wholesale Electricity Market Participants***

The main participants in the wholesale electricity market are generation, transmission and distribution companies. Large users and traders participate also in the wholesale electricity market but to a lesser extent.

### ***Generators***

According to a recent report issued by CAMMESA, as of December 31, 2012, there were 91 generation companies 23 auto-generation and three co-generation companies in Argentina, most of which operate more than one generation plant. As of December 31, 2012, Argentina's installed power capacity was 31,138 MW. Of this amount, 61% was derived from thermal generation, 36% from hydraulic generation and 3% from nuclear generation. Private generators participate in CAMMESA through the *Asociación de Generadores de Energía Eléctrica de la República Argentina* (Argentine Association of Electric Power Generators, or AGEERA), which is entitled to appoint two acting and two alternate directors of CAMMESA.

### ***Transmitters***

Electricity is transmitted from power generation facilities to distributors through high voltage power transmission systems. Transmitters do not engage in purchases or sales of power. Transmission services are governed by the Regulatory Framework Law and related regulations promulgated by the Secretary of Energy.

In Argentina, transmission is carried at 500 kV, 300 kV, 220 kV and 132 kV through the national interconnection system. The national interconnection system consists primarily of overhead lines and sub-stations (i.e., assemblies of equipment through which electricity delivered by transmission circuits is passed and converted into voltages suitable for use by end users) and covers approximately 90% of the country. The majority of the national interconnection system, including almost all of the 500 kV transmission lines, has been privatized and is owned by Transener, which is indirectly co-controlled by Pampa Energía, our indirect controlling shareholder and the largest integrated electricity company in Argentina. Regional transmission companies, most of which have been privatized, own the remaining portion of the national interconnection system. Supply points link the national interconnection system to the distribution systems, and there are interconnections between the transmission systems of Argentina, Brazil, Uruguay and Paraguay allowing for the import and export of electricity from one system to another.

Transmission companies also participate in CAMMESA by appointing two acting and two alternate directors through the *Asociación de Transportistas de Energía Eléctrica de la República Argentina* (Argentine Association of Electric Power Transmitters, or ATEERA).

### ***Distributors***

Each distributor supplies electricity to consumers and operates the related distribution network in a specified geographic area pursuant to a concession. Each concession establishes, among other things, the concession area, the quality of service required, the rates paid by consumers for the distribution service and an obligation to satisfy demand. The ENRE monitors compliance by federal distributors, including us and Edesur with the provisions of the respective concessions and with the Regulatory Framework Law. In turn, provincial regulatory agencies monitor compliance by local distributors with their respective concessions and with local regulatory frameworks.

The OCEBA monitors compliance by Buenos Aires Province distributors, including Eden, Edes and Edea as well as the municipal distributors with the provisions of their respective concession agreements. We and Edesur are the largest distribution companies and, together with Edelap, originally comprised SEGBA, which was divided into three distribution companies at the time of its privatization in 1992.

Distributors participate in CAMMESA by appointing two acting and two alternate directors through the Argentine Association of *Asociación de Distribuidores de Energía Eléctrica de la República Argentina* (Electric Power Distributors, or ADEERA).

### ***Large Users***

The wholesale electricity market classifies large users of energy into three categories: *Grandes Usuarios Mayores* (Major Large Users, or GUMAs), *Grandes Usuarios Menores* (Minor Large Users, or GUMEs) and *Grandes Usuarios Particulares* (Particular Large Users, or GUPAs).

Each of these categories of users has different requirements with respect to purchases of their energy demand. For example, GUMAs are required to purchase 50% of their demand through supply contracts and the remainder in the spot market, while GUMEs and GUPAs are required to purchase all of their demand through supply contracts.

Large users participate in CAMMESA by appointing two acting and two alternate directors through the *Asociación de Grandes Usuarios de Energía Eléctrica de la República Argentina* (Argentine Association of Electric Power Large Users, or AGUEERA).

### ***Traders***

Since 1997, traders are authorized to participate in the wholesale electricity market by intermediating block sales of energy. Currently, there are eight authorized traders in the wholesale electricity market, several of which conduct transactions with Comercializadora de Energía del Mercosur S.A. (CEMSA) in the export market.

### ***Spot Market***

#### ***Spot Prices***

The emergency regulations enacted after the Argentine crisis in 2001 and 2002 had a significant impact on energy prices. Among the measures implemented pursuant to the emergency regulations were the pesification of prices in the wholesale electricity market, known as the spot market, and the requirement that all spot prices be calculated based on the price of natural gas, even in circumstances where alternative fuel such as diesel is purchased to meet demand due to the lack of supply of natural gas.

Prior to the crisis, energy prices in the spot market were set by CAMMESA, which determined the price charged by generators for energy sold in the spot market of the wholesale electricity market on an hourly basis. The spot price reflected supply and demand in the wholesale electricity market at any given time, which CAMMESA determined using different supply and demand scenarios that dispatched the optimum amount of available supply, taking into account the restrictions of the transmission grid, in such a way as to meet demand requirements while seeking to minimize the production cost and the cost associated with reducing risk of system failure.

The spot price set by CAMMESA compensated generators according to the cost of the last unit to be dispatched for the next unit as measured at the Ezeiza 500 kV substation, which is the system's load center and is in close proximity of the City of Buenos Aires. Dispatch order was determined by plant efficiency and the marginal cost of providing energy. In determining the spot price, CAMMESA also would consider the different costs incurred by generators not in the vicinity of Buenos Aires.

In addition to energy payments for actual output at the prevailing spot market prices, generators would receive compensation for capacity placed at the disposal of the spot market, including stand-by capacity, additional stand-by capacity (for system capacity shortages) and ancillary services (such as frequency regulation and voltage control). Capacity payments were originally established and set in U.S. Dollars to allow generators to cover their foreign-denominated costs that were not covered by the spot price. However, in 2002, the Argentine government set capacity payments in reference to the Peso thereby limiting the purpose for which capacity payments were established.

### *Seasonal Prices*

The emergency regulations also made significant changes to the seasonal prices charged to distributors in the wholesale electricity market, including the implementation of a pricing ladder organized by level of customer consumption (which varies depending on the category of customer) charged by CAMMESA to distributors at a price significantly below the spot price charged by generators. According to the current regulatory framework, the Secretary of Energy is required to adjust the seasonal price charged to distributors in the wholesale electricity market every three months and the ENRE must calculate the tariff scheme as a result of applying the adjustment. However, between January 2005 and November 2008, the ENRE did not make these adjustments. In November 2008, the ENRE passed Resolution 628/08 establishing a new distribution tariff as from October 1, 2008 and modified seasonal prices charged to federal distributors, including the consumption levels that make up the pricing ladder.

On August 14, 2009, the ENRE adopted Resolution No. 433/2009 approving two tariff charts to be applied by Edenor, for the winter period of 2009. These charts were based on the new subsidized seasonal prices set forth by Resolution No. 652/09 issued by the Secretary of Energy. The new price charts aimed at reducing the impact of increased winter electric energy consumption on the invoicing of residential customers with bi-monthly consumption exceeding 1,000 kWh. The ENRE also instructed Edenor to break down the floating charges of all invoices into the amounts subsidized and not subsidized by the Argentine government.

During the winter season for the period between 2009-2012, the seasonal rate chart was revised twice. For the months of June and July, tariffs were revised so that residential customers with consumption levels above 1,000 kWh received a full subsidy for their energy purchases. For the months of August and September, residential customers with consumption levels above 1,000 kWh received a subsidy equal to a 70 percent of their energy purchase price.

Prior to the implementation of the emergency regulations, seasonal prices were determined by CAMMESA based on an estimate of the weighted average spot price that would be paid by the next generator that would come on-line to satisfy a theoretical increase in demand (marginal cost), as well as the costs associated with the failure of the system and several other factors. CAMMESA would use a seasonal database and optimization models in determining the seasonal prices and would consider both anticipated energy supplies and demand, including, expected availability of generating capacity, committed imports and exports of electricity and the requirements of distributors and large users.

### *Stabilization Fund*

The stabilization fund, managed by CAMMESA, absorbs the difference between purchases by distributors at seasonal prices and payments to generators for energy sales at the spot price. When the spot price is lower than the seasonal price, the stabilization fund increases, and when the spot price is higher than the seasonal price, the stabilization fund decreases. The outstanding balance of this fund at any given time reflects the accumulation of differences between the seasonal price and the hourly energy price in the spot market. The stabilization fund is required to maintain a minimum amount to cover payments to generators if prices in the spot market during any relevant quarter exceed the seasonal price.

Billing of all wholesale electricity market transactions is performed monthly through CAMMESA, which acts as the clearing agent for all purchases between participants in the market. Payments are made approximately 40 days after the end of each month.

The stabilization fund was adversely affected as a result of the modifications to the spot price and the seasonal price made by the emergency regulations, pursuant to which seasonal prices were set below spot prices resulting in large deficits in the stabilization fund. As of December 31, 2012, the stabilization fund balance was approximately Ps. 20,208 million, net of National Treasury contributions. This deficit has been financed by the Argentine government through loans to CAMMESA and with FONINVEMEM funds, but these continue to be insufficient to cover the differences between the spot price and the seasonal price.

### ***Term Market***

Generators are able to enter into agreements in the term market to supply energy and capacity to distributors and large users. Distributors are able to purchase energy through agreements in the term market instead of purchasing energy in the spot market. Term agreements typically stipulate a price based on the spot price plus a margin. Prices in the term market have at times been lower than the seasonal price that distributors are required to pay in the spot market. However, as a result of the emergency regulations, spot prices in the term market are currently higher than seasonal prices, particularly with respect to residential tariffs, making it unattractive for distributors to purchase energy under term contracts while prices remain at their current levels.

### ***Energía Plus***

In September 2006, the Secretary of Energy issued Resolution No. 1281/06 in an effort to respond to the sustained increase in energy demand following Argentina's economic recovery after the crisis. This resolution seeks to create incentives for energy generation plants in order to meet increasing energy needs. The resolution's principal objective is to ensure that energy available in the market is used primarily to service residential users and industrial and commercial users whose energy demand is at or below 300 kW and who do not have access to other viable energy alternatives. To achieve this, the resolution provides that:

- large users in the wholesale electricity market and large customers of distribution companies (in both cases whose energy demand is above 300 kilowatts), will be authorized to secure energy supply up to their "base demand" (equal to their demand in 2005) by entering into term contracts; and
- large users in the wholesale electricity market and large customers of distribution companies (in both cases whose energy demand is above 300 kilowatts) must satisfy any consumption in excess of their base demand with energy from the Energía Plus system at unregulated market prices. The Energía Plus system consists in the supply of additional energy generation from new generation and/or generating agents, co-generators or autogenerators that are not agents of the electricity market or who as of the date of the resolution were not part of the wholesale electricity market. Large users in the wholesale electricity market and large customers of distribution companies can also enter into contracts directly with these new generators or purchase energy at unregulated market prices through CAMMESA.

Only the new generation facilities (which include generators that were not connected to the SADI as of September 5, 2006) and new generation capacity expansions in respect of existing capacity as of such date are entitled to sell electricity under the *Energía Plus* system.

The resolution also established the price large users are required to pay for excess demand, if not previously contracted under *Energía Plus*, which is equal to the generation cost of the last generation unit transmitted to supply the incremental demand for electricity at any given time. The Secretary of Energy established certain temporary price caps, to be paid by large users for any excess demand until December 2008 (Ps. 225/MWh for GUDIs and Ps. 185/Mwh for GUMEs and GUMAs).

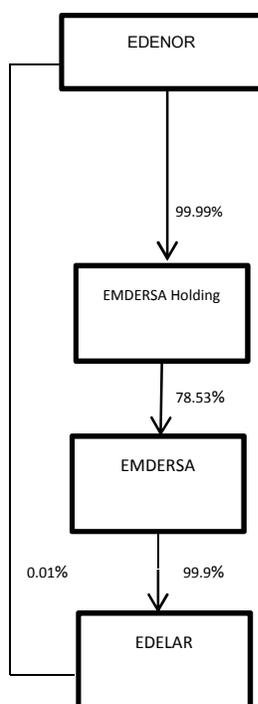
These prices have been updated as follows:

- After August 2011, the median incremental charge for excess demand was set at 320 \$/MWh GUMAs and GUMEs and 455 \$/MWh for GUDIs; and
- After December 2011, median incremental charge for excess demand for those who are not subsidized was set at 360 \$/MWh.

## ORGANIZATIONAL STRUCTURE

We are a subsidiary of Pampa Energía, the largest fully integrated electricity company in Argentina. In addition to its indirect stake in us, Pampa Energía currently owns several investments in the Argentine electricity sector, including a 50% interest in the controlling shareholder of the principal electricity transmission company in Argentina, Transener, and controlling stakes in six generation plants located in the Provinces of Buenos Aires, Salta, Mendoza and Neuquén (Central Piedra Buena S.A., Hidroeléctrica Los Nihuiles S.A., Hidroeléctrica Diamante S.A., Central Térmica Güemes S.A., EGSSA and Loma de la Lata S.A.).

The following diagram presents our corporate structure, including our subsidiaries and their respective direct ownership interests, as of the date of this annual report:



All of the subsidiaries presented above have their jurisdiction of incorporation in the Republic of Argentina. See “—History and Development of the Company—Acquisition of Emdersa and Aeseba.”

## PROPERTY, PLANT AND EQUIPMENT

Our main properties are transmission lines, substations and distribution networks, all of which are located in the northwestern part of the greater Buenos Aires metropolitan area and in the northern part of the City of Buenos Aires. Substantially all of our properties are held in concession to provide the electricity distribution service, which, by its nature, is considered to be an essential public service. In accordance with Argentine law and court precedents, assets which are necessary for the rendering of an essential public service are not subject to attachment or attachment in aid of execution. The net book value of our property, plant and equipment as recorded on our balance

sheet as of December 31, 2012 and 2011 was Ps.4,344.6 million and Ps. 4,738.3 million, respectively, out of which Ps. 34.3 million corresponds to Eden in 2012 and Ps. 35.7 million in 2011.

The total value of property, plant and equipment transferred by SEGBA on September 1, 1992 was allocated to individual assets accounts on the basis of engineering studies conducted by the Company. The value of property, plant and equipment was determined based on the price effectively paid by EASA for the acquisition of 51% of the Company's capital stock. SEGBA neither prepared separate financial statements nor maintained financial information or records with respect to its distribution operations or the operations in which the assets transferred to EDENOR were used. Accordingly, it was not possible to determine the historical cost of transferred assets. Additions subsequent to such date have been valued at acquisition cost, net of the related accumulated depreciation. Depreciation has been calculated by applying the straight-line method over the remaining useful life of the assets, which was determined on the basis of the above-mentioned engineering studies. Furthermore, in order to improve the disclosure of the account, the Company has made certain changes in the classification of property, plant and equipment based on each technical process. In accordance with the provisions of IAS 23, borrowing costs in relation to any given asset are to be capitalized when such asset is in the process of production, construction, assembly or completion, and such processes, due to their nature, take long periods of time; those processes are not interrupted; the period of production, construction, assembly or completion does not exceed the technically required period; the necessary activities to put the asset in condition to be used or sold are not substantially complete; and the asset is not in condition so as to be used in the production or start up of other assets, depending on the purpose pursued with its production, construction, assembly or completion. Subsequent costs (major maintenance and reconstruction costs) are either included in the value of the assets or recognized as a separate asset, only if it is probable that the future benefits associated with the assets will flow to the Company, being it possible as well that the costs of the assets may be measured reliably and the investment will improve the condition of the asset beyond its original state. The other maintenance and repair expenses are recognized in profit or loss in the year in which they are incurred. See "Item 5. Operating and Financial Review and Prospects—Factors Affecting Our Results of Operations—Tariffs—Distribution Margin or Value-Added for Distribution (VAD)—*Revisión Tarifaria Integral* (Integral Tariff Revision, or RTI)."

**Item 4A. *Unresolved Staff Comments***

None.

**Item 5. *Operating and Financial Review and Prospects***

The following discussion should be read in conjunction with our audited Consolidated Financial Statements as of December 31, 2012 and 2011 and for the years ended December 31, 2012 and 2011, included in Item 18 in this annual report and "Selected Financial Data", included in Item 3 herein. Our Consolidated Financial Statements have been prepared in accordance with IFRS as issued by the IASB. See "Item 3. Key Information—Selected Financial Data."

We have prepared our annual financial statements for the fiscal year ended December 31, 2012 included herein, assuming that we will continue as a going concern. Our independent auditors, PWC, issued a report dated April 30, 2013, on our financial statements as of and for the years ended December 31, 2012 and 2011, which contains an explanatory paragraph expressing substantial doubt as to our ability to continue as a going concern. As discussed in Note 1 to the Consolidated Financial Statements, the delay in obtaining tariff increases and the cost adjustments recognition requested by the Company in accordance with the terms of the Adjustment Agreement and the continuous increase in operating expenses that are necessary to maintain the level of service significantly affected the economic and financial position of the Company and have raised substantial doubt with respect to our ability to continue as a going concern. Management's plans in response to these matters are also described in Note 1. However, our Consolidated Financial Statements as of and for the years ended December 31, 2012 and 2011 do not include any adjustments or reclassifications that might result from the outcome of this uncertainty. See Item 3: "Key Information — Risk Factors — Risks Relating to Our Business - Failure or delay to negotiate further improvements to our tariff structure, including increases in our distribution margin, and/or to have our tariff adjusted to reflect increases in our distribution costs in a timely manner, could have a material adverse effect on our capacity to perform our financial and commercial obligations. As a result, there is substantial doubt with respect to the ability of the Company to continue as a going concern" and Item 18: "Financial Statements."

Effective January 1, 2012, we adopted IFRS as issued by the IASB, in replacement of the previous accounting principles which were under Argentine GAAP. IFRS differ in certain aspects from the Argentine GAAP. For further information, see Note 4 to our Consolidated Financial Statements. The transition date to IFRS for the Company under first time adoption is January, 1, 2011. Comparative data of the Company's financial statements has been restated to retrospectively reflect the adoption of IFRS. For a description of the exceptions permitted or required under IFRS 1, please see Note 4 to our Consolidated Financial Statements.

## **OPERATING RESULTS**

We distribute electricity on an exclusive basis to the northwestern part of the greater Buenos Aires metropolitan area and the northern part of the City of Buenos Aires, comprising an area of 4,637 square kilometers, with an aggregate population of approximately seven million people, and to the northern area of the Province of Buenos Aires through the Eden Concession, which comprises an area of 109,141 square kilometers. Pursuant to our concession, we have the exclusive right to distribute electricity to all users within our concession area, including to wholesale electricity market participants. At December 31, 2012, we had 3,070,487 customers out of which 344,065 customers correspond to Eden and 2,726,422 to Edenor.

We serve two markets: the regulated market, which is comprised of users who are unable to purchase their electricity requirements directly through the wholesale electricity market, and the unregulated market, which is comprised of large users that purchase their electricity requirements directly from generators in the wholesale electricity market. The terms and conditions of our services and the tariffs we charge users in both the regulated and unregulated markets are regulated by the ENRE and the OCEBA.

### **Factors Affecting Our Results of Operations**

Our net sales consist mainly of net energy sales to users in our service area. Our net energy sales reflect the tariffs we charge our customers (which include our energy purchase costs) and reflect deductions for fines and penalties we incur during the year. Any adjustments, however, to our accrual for fines and penalties resulting from increases in our distribution margins are recorded under financial income (expenses) and holding gains (losses). See "Item 4. Information on the Company—Our concession —Fines and penalties."

In addition, our net sales include late payment charges that we bill our customers for delays in payment of their bills, connection and reconnection charges and leases of poles and other network equipment.

We are currently engaged in RTI with the ENRE, as required by the Adjustment Agreement. The Adjustment Agreement currently contemplates a cost adjustment mechanism for the transition period during which the RTI is being conducted. This mechanism, known as the Cost Monitoring Mechanism (CMM), requires the ENRE to review our actual distribution costs every six months (in May and November of each year) and adjust our distribution margins to reflect variations of 5% or more in our distribution cost base. We may also request that the ENRE apply the CMM at any time that the variation in our distribution cost base is at least 10% or more. Despite the adjustment we were granted under the CMM in October 2007 and July 2008, we cannot assure you that we will receive similar adjustments in the future. As of the date of this annual report we have requested ten increases under the CMM beginning in May 2008, which increases are still being reviewed by the ENRE (other than the request submitted in May 2008). Under the terms of the Adjustment Agreement, these ten increases should have been approved in May 2008, November 2008, May 2009, November 2009, May 2010, November 2010, May 2011, November 2011, May 2012 and November 2012.

During the year ended December 31, 2012, we recorded a significant decrease in net income and operating income, and our working capital and liquidity levels were negatively affected, primarily as a result of the delay in obtaining a tariff increase and in having our tariff adjusted to reflect increases in our distribution costs, coupled with a constant increase in operating costs to keep adequate service levels. We currently believe that our financial situation will continue worsening, and we estimate that during 2013 we will continue to have negative cash flows and operating results. If we are not able to recover all of the incremental costs contemplated by the increase requests pursuant to the CMM and all such future cost increases or there is a significant lag time between when we incur the incremental costs and when we receive increased revenues, and/or if we are not successful in achieving a satisfactory re-negotiation of our tariff structure, we may be unable to comply with our financial and commercial

obligations, we may suffer liquidity shortfalls and we may need to restructure our debt to ease our financial condition, any of which, individually or in the aggregate, would have a material adverse effect on our business and results of operations and may cause the value of our ADSs to decline. As a result, there is substantial doubt with respect to the ability of the Company to continue as a going concern and our auditors' report included elsewhere in this annual report contains an explanatory paragraph expressing substantial doubt as to our ability to continue as a going concern. See "Item 5. Operating and Financial Review and Prospects—Factors Affecting our Results of Operations—Tariffs" and "Item 3. Key Information—Risk factors—Risks Relating to Our Business—Failure or delay to negotiate further improvements to our tariff structure, including increases in our distribution margin, and/or to have our tariff adjusted to reflect increases in our distribution costs in a timely manner, could have a material adverse effect on our capacity to perform our financial and commercial obligations. As a result, there is substantial doubt with respect to the ability of the Company to continue as a going concern."

In addition, if we fail to comply with the obligations under our concession, we may become subject to fines and penalties imposed by the ENRE, which may include the forfeiture of the Edenor concession. Some of these fines and penalties are payable by granting credits or bonuses to our customers to offset a portion of their electricity charges. Fines and penalties that are not directly related to our customers, such as fines for public safety violations, are paid directly to the ENRE. We charged in our operating expenses approximately Ps. 116.9 million in fines and penalties in the year ended December 31, 2012 and Ps. 81.1 million in the year ended December 31, 2011. We incurred significantly higher levels of fines and penalties in 2011 and 2012, due to an increase in the underlying cost of energy factors upon which the fines and penalties are calculated.

On November 15, 2012, the Company was notified by the Regulatory Authorities of ENRE's Resolution No.336/2012, pursuant to which the area in charge of applying and managing the ENRE's regulations was instructed to immediately initiate the corresponding penalty procedure in order for the distribution companies Edenor and Edesur to: (a) determine the customers affected by the power cuts occurred as a consequence of failures between October 29 and November 14, 2012; (b) determine the discounts to be recognized to each of the affected customers, and (c) credit them on account of the final discounts that will result from the evaluation of the Technical Service Quality relating to the six-month control period.

In addition, it was resolved that the Company and Edesur shall be ordered to compensate each small-demand residential customer (T1R) who had been affected by the power cuts occurred during the aforementioned period. The amount of the compensation will depend on the length of the power cut, provided, however, that such power cut lasted more than 12 continuous hours. The provision recorded by the Company for penalties and compensations amounts to Ps. 16.7 million, which is recorded in the "Other non-current liabilities" line item of our financial statements for the year ended December 31, 2012. See "Item 4. Information on the Company—Fines and penalties."

The following table sets forth the composition of our net sales for the periods indicated:

	<b>Year ended December 31,</b>	
	<b>2012</b>	<b>2011</b>
	<i>(figures in millions)</i>	
Energy sales.....	Ps 3,679.3	Ps 2,771.3
Connection charges .....	4.9	5.6
Reconnection charges.....	2.0	2.4
Pole leases .....	39.0	26.6
<b>Net sales.....</b>	<b>Ps. 3,725.3</b>	<b>Ps. 2,805.8</b>

The following tables show Edenor's energy sales by category of customer (in GWh) for the periods indicated:

	Year ended December 31,											
	2012				2011		2010		2009		2008	
	Edenor		Eden									
Residential.....	8,662	42%	648	23%	8,139	41%	7,796	40%	7,344	40%	7,545	41%
Small commercial .....	1,688	8%	236	8%	1,601	8%	1,543	8%	1,470	8%	1,530	8%
Medium commercial .....	1,717	8%	111	4%	1,700	9%	1,634	8%	1,565	9%	1,597	9%
Industrial .....	3,335	16%	814	28%	3,442	17%	3,378	18%	3,204	18%	3,277	18%
Wheeling system <sup>(1)</sup> .....	4,261	21%	294	10%	4,156	21%	3,891	20%	3,622	20%	3,700	20%
Others:												
Public lighting .....	668	3%	81	3%	656	3%	654	3%	644	4%	644	3%
Cooperatives.....	—	—	675	24%	—	—	—	—	—	—	—	—
Shantytowns .....	03	2%	—	—	384	2%	377	2%	351	2%	304	2%
Others <sup>(2)</sup> .....	26	—	9	0%	20	—	20	—	20	—	19	—
<b>Total .....</b>	<b>20,760</b>	<b>100%</b>	<b>2,791</b>	<b>100%</b>	<b>20,098</b>	<b>100%</b>	<b>19,292</b>	<b>100%</b>	<b>18,220</b>	<b>100%</b>	<b>18,616</b>	<b>100%</b>

(1) Wheeling charges represent our tariffs for generators and large users, which consist of a fixed charge for recognized technical losses and a charge for our distribution margins but exclude charges for electric power purchases, which are undertaken directly between generators and large users.

(2) Represents energy consumed internally by our company and our facilities.

<b>Year ended December 31, 2012</b>				
	Edenor		Eden	
	<i>(in million of Pesos)</i>			
Residential	Ps. 983.2	35%	Ps. 200.9	28%
Small Commercial	388.8	14%	102.8	14%
Medium Commercial	441.8	16%	41.2	6%
Industrial	707.8	26%	242.9	34%
Wheeling System <sup>(1)</sup>	171.3	7%	29.2	4%
Others:				
Public Lighting	97.3	2%	24.3	3%
Cooperatives				
Shantytowns and others <sup>(2)</sup>	31.0	1%	71.7	10%
<b>Total</b>	<b>Ps. 2,820.0</b>	<b>100%</b>	<b>Ps. 713.0</b>	<b>100%</b>

<b>Year ended December 31, 2011</b>				
	Edenor		Eden	
	<i>(in million of Pesos)</i>			
Residential	Ps. 730.5	32%	Ps. 162.1	28%
Small Commercial	348.7	15%	86.8	15%
Medium Commercial	366.9	16%	33.7	6%
Industrial	322.3	27%	193.7	33%
Wheeling System <sup>(1)</sup>	150.3	7%	22.8	4%
Others:				
Public Lighting	55.9	2%	21.5	4%
Cooperatives				
Shantytowns and others <sup>(2)</sup>	31.0	1%	61.2	11%
<b>Total</b>	<b>Ps. 2,305.7</b>	<b>100%</b>	<b>Ps. 581.9</b>	<b>100%</b>

(1) Wheeling charges represent our tariffs for large users, which consist of a fixed charge for recognized energy losses and a charge for our distribution margins but exclude charges for electric power purchases, which are undertaken directly between generators and large users.

(2) In 2009, Shantytowns sales totaled Ps. 28.4 million, which was more than offset by an adjustment due to the reversal of the rate chart that determines the prices we charged our customers for electrical power purchases in June and July 2009. See "Item 5. Operating and Financial Review and Prospects—Factors Affecting our Results of Operations—Recognition of Cost of Electric Power Purchases."

Our revenues and results of operations are principally affected by economic conditions in Argentina, changes in our regulated tariffs and fluctuations in demand for electricity within our service area. To a lesser extent, our revenues and results of operations are also affected by service interruptions or reductions in excess of those contemplated by our concession, which may lead us to incur fines and penalties imposed by the ENRE and OCEBA.

#### *Argentine Economic Conditions and Inflation*

Because substantially all of our operations, facilities and customers are located in Argentina, we are affected by general economic conditions in the country. In particular, the general performance of the Argentine economy affects demand for electricity, and inflation and fluctuations in currency exchange rates affect our costs and our margins. Inflation primarily affects our business by increasing operating costs, while at the same time reducing our revenues in real terms.

In December 2001 Argentina experienced an unprecedented crisis that virtually paralyzed the country's economy through most of 2002 and led to radical changes in government policies. The crisis and the Argentine government's policies during this period severely affected the electricity sector, as described below. Although over the following years the Argentine economy has recovered significantly from the crisis, and the business and political environment has been largely stabilized, the Argentine government has only recently begun to address the difficulties experienced by the Argentine electricity sector as a result of the crisis and its aftermath. However, we believe that the current recovery and the recent measures adopted by the Argentine government in favor of the electricity sector, such as incentives for the construction of additional generation facilities and the creation of

fiduciary funds to further enhance generation, transmission and distribution of electricity throughout the country, have set the stage for growth opportunities in our industry.

The following table sets forth key economic indicators in Argentina during the years indicated:

	Year ended December 31,				
	2012	2011	2010	2009	2008
Real GDP (% change).....	1.9	8.9	9.2	0.9	6.8
Nominal GDP (in millions of Pesos).....	2,164,246	1,842,022	1,442,655	1,145,458	1,032,758
Real Consumption (% change).....	4.8	10.7	9.1	1.5	6.6
Real Investment (% change).....	(4.9)	16.6	21.2	(10.2)	9.1
Industrial Production (% change).....	(1.2)	6.5	9.7	0.1	5.0
Consumer Price Index.....	10.0	9.8	10.5	6.3	8.6
Nominal Exchange Rate (in Ps. /U.S.\$ at year end)	4.92	4.30	3.98	3.80	3.45
Exports (in millions of U.S.\$).....	81,205	83,950	68,187	55,672	70,018
Imports (in millions of U.S.\$).....	68,514	73,937	56,793	38,786	57,462
Trade Balance (in millions of U.S.\$).....	12,691	10,013	11,394	16,886	12,556
Current Account (% of GDP).....	0.1	(0.4)	0.8	3.6	2.1
Reserves (in millions of U.S.\$).....	43,290	46,376	52,145	47,967	46,386
Tax Collection (in millions of Pesos).....	679,799	540,134	409,900	304,930	269,375
Primary Surplus (in millions of Pesos).....	(4,374)	4,921	25,115	17,286	32,529
Public Debt (% of GDP at December 31) *.....	40.9	41.3	44.1	55.1	54.1
Public Debt Service (% of GDP).....	5.8	5.9	5.5	5.8	5.6
External Debt (% of GDP at December 31).....	29.5	30.6	32.5	36.0	38.6

Sources: INDEC; Central Bank; Ministry of Economy and Production.

\* Includes hold-outs

Following years of hyperinflation and economic recession, in 1991 the Argentine government adopted an economic program that sought to liberalize the economy and impose monetary discipline. The economic program, which came to be known as the Convertibility Regime, was centered on the Convertibility Law of 1991 and a number of measures intended to liberalize the economy, including the privatization of a significant number of public sector companies (including certain of our subsidiaries and co-controlled companies). The Convertibility Law established a fixed exchange rate based on what is generally known as a currency board. The goal of this system was to stabilize the inflation rate by requiring that Argentina's monetary base be fully backed by the Central Bank's gross international reserves. This restrained the Central Bank's ability to effect changes in the monetary supply by issuing additional Pesos and fixed the exchange rate of the Peso and the U.S. Dollar at Ps. 1.00 to U.S. \$1.00.

The Convertibility Regime temporarily achieved price stability, increased the efficiency and productivity of the Argentine economy and attracted significant foreign investment to Argentina. At the same time, Argentina's monetary policy was tied to the flow of foreign capital into the Argentine economy, which increased the vulnerability of the economy to external shocks and led to increased reliance on the services sector of the economy, with the manufacturing, agricultural and industrial sectors lagging behind due to the relative high cost of Peso-denominated products in international markets as a result of the Peso's peg to the U.S. Dollar. In addition, related measures restricted the Central Bank's ability to provide credit, particularly to the public sector.

Following the enactment of the Convertibility Law, inflation declined steadily and the economy experienced growth through most of the period from 1991 through 1997. This growth slowed from 1998 on, however, as a result of the Asian financial crisis in 1997, the Russian financial crisis in 1998 and the devaluation of Brazil's currency in 1999, which led to the widespread withdrawal of investors' funds from emerging markets, increased interest rates and a decline in exports to Brazil, Argentina's principal export market at the time. According to INDEC, in the fourth quarter of 1998, the Argentine economy entered into a recession that caused the gross domestic product to decrease by 3.4% in 1999, 0.8% in 2000 and 4.4% in 2001. In the second half of 2001, Argentina's recession worsened significantly, precipitating a political and economic crisis at the end of 2001.

## *2001 Economic Crisis*

Beginning in December 2001, the Argentine government implemented an unexpected number of monetary and foreign exchange control measures that included restrictions on the free disposition of funds deposited with banks and on the transfer of funds abroad without prior approval by the Central Bank, some of which are still in effect. On December 21, 2001, the Central Bank decided to close the foreign exchange market, which amounted to a *de facto* devaluation of the Peso. On December 24, 2001, the Argentine government suspended payment on most of Argentina's foreign debt.

The economic crisis led to an unprecedented social and political crisis, including the resignation of President Fernando De la Rúa and his entire administration in December 2001. After a series of interim governments, in January 2002 the Argentine congress appointed Senator Eduardo Duhalde, a former vice-president and former governor of the Province of Buenos Aires, to complete De la Rúa's term through December 2003.

On January 6, 2002, the Argentine congress enacted the Public Emergency Law, which introduced dramatic changes to Argentina's economic model, empowered the Argentine government to implement, among other things, additional monetary, financial and foreign exchange measures to overcome the economic crisis in the short term and brought to an end the Convertibility Regime, including the fixed parity of the U.S. Dollar and the Peso. Following the adoption of the Public Emergency Law, the Peso devalued dramatically, reaching its lowest level on June 25, 2002, at which time it had devalued from Ps. 1.00 to Ps. 3.90 per U.S. Dollar according to Banco Nación. The devaluation of the Peso had a substantial negative effect on the Argentine economy and on the financial condition of individuals and businesses. The devaluation caused many Argentine businesses (including us) to default on their foreign currency debt obligations, significantly reduced real wages and crippled businesses that depended on domestic demand, such as public utilities and the financial services industry. The devaluation of the Peso created pressure on the domestic pricing system and triggered very high rates of inflation. According to INDEC, during 2002 the Argentine wholesale price index increased by approximately 118% and the Argentine consumer price index rose approximately 41%.

Following the adoption of the Public Emergency Law, the Argentine government implemented measures, whether by executive decree, Central Bank regulation or federal legislation, attempting to address the effects of the collapse of the Convertibility Regime, recover access to financial markets, reduce government spending, restore liquidity to the financial system, reduce unemployment and generally stimulate the economy.

Pursuant to the Public Emergency Law, the Argentine government, among other measures:

- converted public utility tariffs from their original U.S. Dollar values to Pesos at a rate of Ps. 1.00 per U.S. \$1.00;
- froze all regulated distribution margins relating to the provision of public utility services (including electricity distribution services);
- revoked all price adjustment provisions and inflation indexation mechanisms in public utility concessions (including our concession); and
- empowered the Argentine Executive Branch to conduct a renegotiation of public utility contracts (including our concession) and the tariffs set therein (including our tariffs).

These measures, combined with the devaluation of the Peso and high rates of inflation, had a severe effect on public utility companies in Argentina (including us). Because public utility companies were no longer able to increase tariffs at a rate consistent with the increased costs they were incurring, increases in the rate of inflation led to decreases in their revenues in real terms and a deterioration of their operating performance and financial condition. Most public utility companies had also incurred large amounts of foreign currency indebtedness to finance the capital improvement and expenditure programs. At the time of these privatizations, the capital structures of each privatized company were determined taking into account the Convertibility Regime and included material levels of U.S. Dollar-denominated debt. Following the elimination of the Convertibility regime and the resulting devaluation of the Peso, the debt service burden of these utility companies significantly increased, which when

combined with the margin freeze and conversion of tariffs from U.S. Dollars to Pesos, led many of these utility companies (including us) to suspend payments on their foreign currency debt in 2002.

### ***Economic Recovery and Outlook***

Beginning in the second half of 2002, Argentina experienced economic growth driven primarily by exports and import-substitution, both facilitated by the lasting effect of the devaluation of the Peso in January 2002. While this devaluation had significant adverse consequences, it also fostered a reactivation of domestic production in Argentina as the sharp decline in the Peso's value against foreign currencies made Argentine products relatively inexpensive in the export markets. At the same time, the cost of imported goods increased significantly due to the lower value of the Peso, forcing Argentine consumers to substitute their purchase of foreign goods with domestic products, substantially boosting domestic demand for domestic products.

In April 2003, Dr. Néstor Kirchner, the former governor of the province of Santa Cruz, was elected as president for a four-year term, and he took office in May 2003. During 2003, Argentina moved towards normalizing its relationship with the IMF, withdrew all the national and provincial governments' quasi-money securities from circulation and eliminated all deposit restrictions. The trade balance experienced a sustained surplus, aided by the rise in commodity prices and export volumes. At the same time, social indicators improved, with the unemployment rate decreasing to 17.3%, and real wages began to recover according to INDEC. In June 2005, the Argentine government completed a restructuring of Argentina's public external debt, which had been in default since December 2001. Argentina reduced its outstanding principal amount of public debt from U.S. \$191.3 billion to U.S. \$129.2 billion and extended payment terms. In April 2010, the Argentine government launched a new exchange offer for the outstanding sovereign bonds that did not participate in the 2005 restructuring. On January 3, 2006, Argentina completed an early repayment of all of its outstanding indebtedness with the IMF, for an amount totaling approximately U.S. \$10.0 billion owing under credit lines.

From 2003 to 2007, the economy continued recovering from the 2001 economic crisis. The economy grew by 8.8% in 2003, 9.0% in 2004, 9.2% in 2005, 8.5% in 2006 and 8.7% in 2007, led by domestic demand and exports. From a demand perspective, private sector spending was accompanied by a combination of liberal monetary and conservative fiscal policies. Growth in spending, however, consistently exceeded the rate of increase in revenue and nominal GDP growth. From a supply perspective, the trade sector benefited from a depressed real exchange rate, which was supported by the intervention of the Central Bank in the foreign exchange market. Real exports improved, in part due to growth in Brazil, and the current account improved significantly, registering surpluses in 2004, 2005, 2006 and 2007.

On December 10, 2007, Cristina Fernández de Kirchner, wife of the ex-President Dr. Néstor Kirchner, was inaugurated as President of Argentina for a four-year term.

Argentina's economy grew by 7% in 2008, 19.5% less than in 2007. According to the INDEC, growth was negative in both the first and the fourth quarter of 2008 (-0.3% for both periods) as compared to the same periods in 2007, without adjusting for seasonality. This negative growth is primarily attributable to the conflict between the Argentine government and farmers in early 2008 and the global financial crisis, which deepened in the second half of 2008.

The agricultural sector was particularly hard hit in 2008 as a result of the decrease in commodities prices as well as a significant drought. A decline in the agricultural sector had adverse ramifications for the entire economy due to the significant role that sector plays in the Argentine economy.

At the end of 2008, the Argentine government enacted a series of measures aimed at counteracting the decline in the level of economic activity, including special tax rates and less stringent foreign exchange restrictions in connection with the repatriation and national investment of capital previously deposited abroad by Argentine nationals, extensions in the payment terms for overdue taxes and social security taxes, reductions in payroll tax rates for companies that increase their headcounts, creation of the *Ministerio de Producción* (Ministry of Production), announcements regarding the construction of new public works, consumer loans for the acquisition of durable goods and loans to finance exports and working capital for industrial companies, as well as various agricultural and livestock programs, all aimed at minimizing lay-offs during the current global financial crisis. The effectiveness of

these measures will depend on the Argentine government's ability to fund them without reducing the amount of funding for other budgeted activities as well as the degree of confidence they create in the overall stability of the Argentine economy.

In 2009, after six years of robust and continuous growth, the Argentine economy, according to official indicators, grew by only 1%, and according to private indicators, contracted by 3.5%. The Central Bank, reacting to local uncertainty and a bleak global economic environment, adopted policies aimed at avoiding a financial collapse. Specifically, the Central Bank sought to stabilize the exchange market. Although interest rates increased periodically during the course of the year, the exchange market remained relatively stable throughout.

According to official indicators, in 2011, real GDP in Argentina grew by approximately 8.9%, furthering the growth trend showed in 2010. The four most important factors behind the economic recovery are the following:

- the agricultural boom, with a record harvest (especially soybeans);
- a favorable international context (with Brazil growing at a 2.7% rate in 2011, which had a positive effect on the local industrial sector, and China pushing the demand for commodities in an environment of high prices);
- a climate of financial stability prevented major shocks in the short term, primarily due to an oversupply of private dollars and a reduced probability of sovereign default in the short term; and
- an expansionary economic policy program (fiscal, monetary and income).

During 2012, according to the official information created and disseminated by the INDEC, the economy expanded 2.5%. Although the real GDP continued growing during 2012, there was a marked deceleration with respect to the growth rate registered in 2011.

Despite the deceleration registered in all the components of the GDP, and in the private consumption itself, gross investment suffered the sharpest levels of deceleration as compared to 2011.

There are several reasons that explained the deceleration of the growth rate registered during 2012, among the following:

- The international financial uncertainty (especially during the first half of 2012).
- The low economic growth registered in the developed countries (mainly, in Europe).
- The deceleration of the rhythm of expansion in the relevant emerging economies for Argentina (Brazil and China).
- The drought produced during last summer which adversely affected the yield and the quantities produced by the farming sector during the campaign 2011/12.
- The application of certain internal economic policies measures, such as the limitations to the accumulation of currencies and to the imports, which generated uncertainty among consumers and entrepreneurs.

The deceleration of the economic activity that took place during 2012 had a negative impact on the performance of the public accounts.

### *Outlook for 2013*

In general, it is expected that the situation, in terms of economic growth, will improve in 2013. For the year, a recovery in activity (compared to the 2012 levels) is expected, with real GDP growth of around 4.0% according to official data, and of around 2.5% according to private estimates. In either case (considering one indicator or the other), the performance of the economy is expected to be better than that in 2012 for several reasons, mainly because of a more favorable external context than that in 2012.

Greater financial stability is expected in international markets (due to the fact that, though the problems in Europe are very far from being solved definitively, the risks of a total collapse of the Euro are today much lower than they were one year ago). Additionally, the agricultural harvest for the 2012-2013 campaign is expected to be greater than those of 2010-2011 and 2011-2012, with commodity prices also above levels recorded in the recent past. The combination of both factors is expected to provide more U.S. Dollars to the domestic economy. Further, Brazil's recovery (the year on year expansion of the GDP projected for 2013 is 2.5%/3.0% versus an expansion of 1.0 % in 2012), and a lower rate of devaluation of the Real, are expected to contribute to the reactivation of the local industrial sector, which suffered during 2012.

However, there are some risks regarding the realization of that baseline scenario. First, as we do not control some of the variables of the external context or other exogenous factors, such as weather, we cannot provide assurances that there will not be changes that even significantly affect the above outlook, and that might have a negative impact on the domestic economy. There are also some internal factors which have not been resolved, and which may limit the size of the recovery of economic activity in the short and medium term. These issues will still be present in 2013.

The fiscal performance of the Argentine Government (and also of the provinces) has suffered in recent years, and it is not likely that this situation will change in 2013, especially when considering the midterm elections of October 2013.

The situation in the foreign exchange market will probably remain unstable in the short term. The increase in the monetary base and the utilization of international reserves by the Treasury (to pay public debt in foreign currency) have generated a situation in which U.S. Dollars are scarce and, therefore, where the desire to hold rather than use foreign currency is high. In this context, it is probable that the spread between the official and the unofficial price of the U.S. Dollar will remain high.

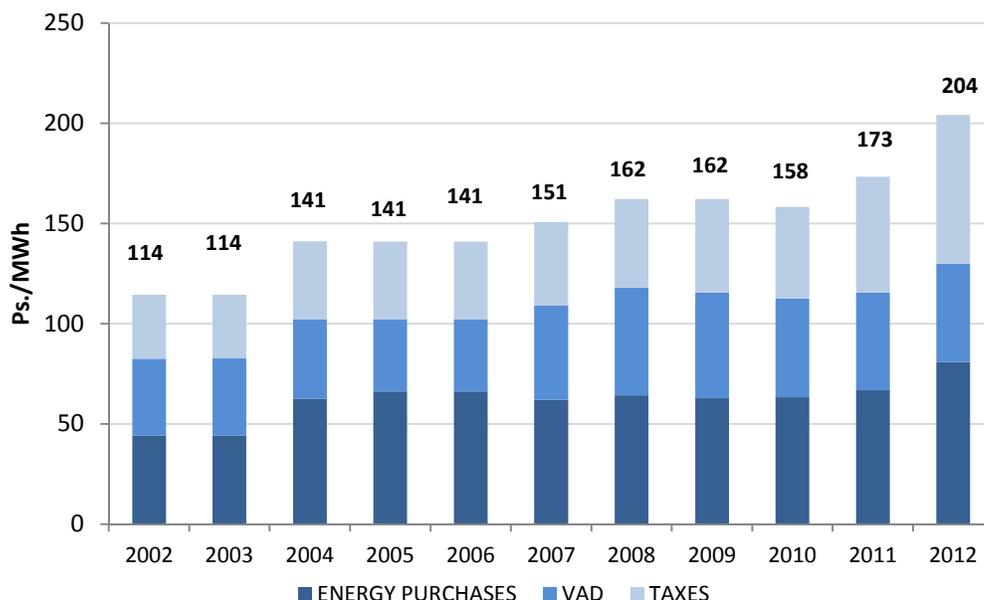
Finally, another of the yet unresolved issues is the matter of competitiveness. As has been the case in recent years, the rate of devaluation (in the official market) will be lower than the rate of inflation. Therefore, and even though the deterioration is not expected to be as sharp as it was in previous years, the external competitiveness of domestic products and services is expected to be reduced in 2013.

Considering the foregoing, economic growth will probably be around 2.5%/3.0% in 2013. Inflation will likely remain stable (around 25% for the year), with a deceleration during the first half of the year, as a consequence of the prices agreements, and an expected acceleration during the second half of the year. Trade surplus will likely increase slightly (mainly as a consequence of the anticipated better harvest), but the situation will likely continue to be unstable in the foreign exchange market.

### *Tariffs*

Our revenues and margins are substantially dependent on the composition of our tariffs and on the tariff setting and adjustment process contemplated by our concession.

The following chart shows the variation in Edenor's average tariff, including taxes, in Pesos per MWh in the periods indicated:



As for the year 2012 Energy Purchases for Eden were: Ps.\$130.6/MWh, VAD: Ps. \$147.6/MWh and, Taxes: Ps. \$141.1MWh.

Our tariffs for all of our customers (other than customers in the wheeling system) are composed of:

- the cost of electric power purchases, which we pass on to our customers, and a fixed charge (which varies depending on the category and level of consumption of each customer and their energy purchase prices) to cover a portion of our energy losses in our distribution activities (determined by reference to a fixed percentage of energy and power capacity for each respective voltage level set forth in our concession);
- our regulated distribution margin, which is known as the value-added for distribution, or VAD, and the fixed and variable charges of the Resolution 347/12; and
- any taxes imposed by the Province of Buenos Aires or the City of Buenos Aires, which may differ in each jurisdiction.

Certain of our large users (which we refer to as wheeling system customers) are eligible to purchase their energy needs directly from generators in the wholesale electricity market and to acquire from us only the service of delivering that electricity to them. Our tariffs for these large users (known as wheeling charges) do not include, therefore, charges for energy purchases. Accordingly, wheeling charges consist of the fixed charge for recognized losses (determined by reference to a fixed percentage of energy and power capacity for each respective voltage level set forth in our concession) and our distribution margin. As a result, although the amounts billed to wheeling system customers are relatively lower than those billed to other large users, namely industrial users, the distribution margin on sales to wheeling system customers is similar to that of other large users because we do not incur the corresponding cost of electric power purchases related to those sales.

#### *Recognition of Cost of Electric Power Purchases*

As part of our tariffs, we bill our customers for the costs of our electric power purchases, which include energy and capacity charges. In general, we purchase electric power at a seasonal price, which is approved by the ENRE every six months and reviewed quarterly. Our electric power purchase price reflects transportation costs and

certain other regulatory charges (such as the charges imposed by the *Fondo Nacional de Energía Eléctrica* (National Electricity Energy Fund)).

According to the current regulatory framework, the ENRE is required to adjust the seasonal price charged to distributors in the wholesale electricity market every six months. However, between January 2005 and November 2008, the ENRE did not make these adjustments. In November 2008, the ENRE issued Resolution No. 628/08, which established the new tariffs applied by Edenor as of October 1, 2008 (see “— Tariffs — Distribution margin or value added for distribution (VAD) — Adjustment Agreement”) and modified seasonal prices charged to distributors, including the consumption levels that make up the pricing ladder. The new pricing ladder sets prices according to the following levels of consumption: bimonthly consumption up to 1,000 kWh; bimonthly consumption greater than 1,000 kWh and less than or equal to 1,400 kWh; bimonthly consumption greater than 1,400 kWh and less than or equal to 2,800 kWh; and bimonthly consumption greater than 2,800 kWh. In 2012, pursuant to Resolution No. 90688/2009, approximately 290,000 customers were exempted from paying the prices set forth by Resolution No. 628/2008 of the ENRE. In addition, the ENRE authorized us to pass through some regulatory charges associated with the electric power purchases to our customers, excluding residential customers with bi-monthly consumption levels below 1,000 kWh. In 2012, we collected Ps. 410.7 million through PUREE funds.

On November 7, 2011, through Secretary of Energy Resolution No. 1301/2011, a new unsubsidized tariff scheme applicable to non-residential customers grouped together by certain economic activities came into effect. According to this new tariff scheme, depending on the final seasonal schedule for the period November 2011 and April 2012 for the Wholesale Electricity Market, the affected customers will pay an average price of \$320/MWh as from December 2011.

On November 24, 2011, through joint resolution No.218 of the Undersecretary for Coordination and Management Control, Ministry of Federal Planning and resolution No.799 of the Budget Undersecretary of Ministry of Finance of the Ministry of Economy and Public Finance, the removal of subsidies as from the January 1, 2012 applied to certain residential areas within the City of Buenos Aires, including the neighborhoods of Puerto Madero, Barrio Parque, Recoleta, portions of Palermo and certain closed community neighborhoods in the northern part of the Greater Buenos Aires Metropolitan Area.

On December 2, 2011, through joint resolution No. 229 of the Undersecretary for Coordination and Management Control, Ministry of Federal Planning and resolution No. 810 of the Budget Undersecretary of Ministry of Finance of the Ministry of Economy and Public Finance, the removal of subsidies as from January 1, 2012 applied to certain high-end residential type buildings in the City of Buenos Aires and to certain public agencies pertaining to the government of the City of Buenos Aires, as well as to the concessionaire of the highway network in the City of Buenos Aires.

On December 5, 2011, the Secretary of Energy issued Resolution No. 1537/2011, which implemented the Volunteer Waiver Form Subsidy.

On May 8, 2012, the Secretary of Energy issued Resolution 2883/2012, whereby instructing the Company to apply a methodology to stabilize the bills, in order to minimize the effects of the seasonal consumption of all the residential customers. The application of this methodology is optional for these costumers.

Average consumption is determined based on the consumption recorded in the last six two-month consumption periods. The stabilization factor arises from the difference between the aforementioned average consumption and the current two-month consumption period. This value will be added to or subtracted from the two-month consumption period charges, and the result obtained will be the amount to be paid before the corresponding taxes. The adjustments that are to be made in accordance with the differences between average consumption and recorded consumption will be reflected in the bill for the last two-month consumption period of each calendar year.

The differences that arose as a consequence of comparing the annual average consumption to the current two-month consumption period have been recorded at the end of each period in the trade receivables balance sheet

account, crediting or debiting the account, as the case may be, if the annual average consumption is higher or lower than the current two-month consumption period.

We purchased a total of 19,653 GWh in 2012, 18,862 GWh in 2011 and 18,156 GWh in 2010 (excluding wheeling system demand). Until 2004, we purchased a portion of our energy needs under long-term supply contracts. Following the adoption of certain amendments to the pricing rules applicable to the wholesale electricity market pursuant to the Public Emergency Law, however, we currently purchase all of our energy supply in the wholesale electricity market at the spot price. We have not purchased any energy under long-term supply contracts since 2004 and we do not anticipate making any material purchases of energy in the term market in the near future.

*Recognition of cost of energy losses*

Energy losses are equivalent to the difference between energy purchased (including wheeling system demand) and energy sold. These losses may be classified as technical and non-technical losses. Technical losses represent the energy that is lost during transmission and distribution within the network as a consequence of natural heating of the conductors and transformers that transmit electricity from the generating plants to the customers. Non-technical losses represent the remainder of our energy losses and are primarily due to illegal use of our services. Energy losses require us to purchase additional electricity to satisfy demand and our concession allows us to recover from our customers the cost of these purchases up to a loss factor specified in our concession for each tariff category. Our loss factor under our concession is, on average, 10%. Our management is focused on taking the necessary measures to ensure that our energy losses do not increase above current levels because of their direct impact on our gross margins. However, due to the inefficiencies associated with reducing our energy losses below the level at which we are reimbursed pursuant to our concession (i.e., 10%), we currently do not intend to significantly lower our level of losses.

At the time of our privatization, our total energy losses represented approximately 30% of our energy purchases, of which more than two thirds were non-technical losses attributable to fraud and illegal use of our service. Beginning in 1992, we implemented a loss reduction plan (*plan de disciplina del mercado*, or market discipline plan) that allowed us to gradually reduce our total energy losses to 10.0% by 2000, with non-technical losses of 2.7%. However, beginning in mid-2001 and up until 2004, we experienced an increase in our non-technical losses, as the economic crisis eroded the ability of our customers to pay their bills, and in our technical losses in proportion with the increased volume of energy we supplied during those periods. Our total losses amounted to 12.5% in 2010, 12.6% in 2011 and 13.3% in 2012.

The following table sets forth the approximate breakdown between technical and non-technical energy losses experienced in Edenor concession area over the periods indicated:

	Year ended December 31,		
	2012	2011	2010
Technical losses.....	10.5%	9.8%	9.8%
Non-technical losses.....	2.8%	2.8%	2.7%
Total losses .....	13.3%	12.6%	12.5%

Our capital expenditure program includes investments to improve and update our network, which we believe will allow us to maintain our technical losses at current levels despite further increases in demand. See “Item 4. Information on the Company—Business Overview —Energy losses.”

*Distribution margin or value-added for distribution (VAD)*

Our concession authorizes us to charge a distribution margin for our services to seek to cover our operating expenses, taxes and amortization expenses and to provide us with an adequate return on our asset base.

*Historical Overview of VAD.* Our concession originally contemplated a fixed distribution margin for each tariff parameter with semiannual adjustments based on variations in the U.S. wholesale price index (67% of the distribution margin) and the U.S. consumer price index (the remaining 33% of the distribution margin). However, pursuant to the Public Emergency Law, all adjustment clauses in U.S. Dollars or other foreign currencies and

indexation clauses based on foreign indexes or other indexation mechanisms included in contracts to be performed by the Argentine government were revoked. As a result, the adjustment provisions contained in our concession are no longer in force and, from January 2002 through January 2007, we were required to charge the same fixed distribution margin in Pesos established in 2002, without any type of currency or inflation adjustment. These measures, coupled with the effect of accumulated inflation since 2002 and the devaluation of the Peso, have had a material adverse effect on our financial condition, results of operation and cash flows, leading us to record net losses.

*Adjustment Agreement.* On September 21, 2005, we entered into the *Acta Acuerdo sobre la Adecuación del Contrato de Concesión del Servicio Público de Distribución y Comercialización de Energía Eléctrica* (Adjustment Agreement), an agreement with the Argentine government relating to the adjustment and renegotiation of the terms of our concession. Because a new Minister of Economy took office thereafter, we formally re-executed the Adjustment Agreement with the Argentine government on February 13, 2006 under the same terms and conditions originally agreed. The ratification of the Adjustment Agreement by the Argentine government was completed in January 2007. Pursuant to the Adjustment Agreement, the Argentine government granted us an increase of 28% in our distribution margin, which includes a 5% increase to fund specified capital expenditures we are required to make under the Adjustment Agreement. See “—Liquidity and Capital Resources—Capital expenditures.” This increase was subject to a cap in the increase of our average tariff of 15%. Although this increase was applied to the distribution margin as a whole, the amount of the increase was allocated to our non-residential customers (including large users that purchase electricity in the wheeling system) only, which, as a result, experienced an increase in VAD greater than 28%, while our residential customers did not experience any increase in VAD. The increase is effective retroactively from November 1, 2005 and will remain in effect until the approval of a new tariff scheme under the RTI.

The Adjustment Agreement also contemplates a cost adjustment mechanism for the transition period during which the RTI process is being conducted. This mechanism, known as the Cost Monitoring Mechanism, or CMM, requires the ENRE to review our actual distribution costs every six months (in May and November of each year). If the variation between our actual distribution costs and our recognized distribution costs (as initially contemplated in the Adjustment Agreement or, if adjusted by any subsequent CMM, the most recent distribution cost base established by a CMM) is 5% or more, the ENRE is required to adjust our distribution margin to reflect our actual distribution cost base. The ENRE’s review is based on our distribution costs during the six-month period ending two months prior to the date on which the ENRE is required to apply the cost adjustment mechanism (on May 1 and November 1) and any adjustment will become effective from such date. The CMM takes into consideration, among other factors, the wholesale and consumer price indexes, current exchange rates, the price of diesel and construction costs and salaries, all of which are weighted based on their relative importance to operating costs and capital expenditures. We may also request that the CMM be applied at any time that the variation between our actual distribution costs and our then recognized distribution costs is at least 10% or more, and any adjustment to our distribution cost base that results from this CMM will become effective retroactively from the date we present the CMM request to the ENRE. We cannot make any assurances, however, that we will receive any future increases under the CMM.

On January 30, 2007, the ENRE formally approved our new tariff schedule reflecting the 28% increase in the distribution margins charged to our non-residential customers contemplated by the Adjustment Agreement. In addition, because the Adjustment Agreement is effective retroactively as of November 1, 2005, the ENRE applied the CMM retroactively in each of May and November 2006, the dates in each year on which the ENRE is required to apply the CMM. In the May 2006 CMM, the ENRE determined that our distribution cost base had increased by 8.032% (compared to the distribution cost base originally recognized in the Adjustment Agreement), and, accordingly, approved an equivalent increase in our distribution margins effective May 1, 2006. This increase, when compounded with the 28% increase granted under the Adjustment Agreement, resulted in an overall 38.3% increase in our distribution margins charged to our non-residential customers. In the November 2006 CMM, the ENRE determined that our distribution cost base had increased by 4.6% (compared to our distribution cost base as adjusted by the May 2006 CMM), and accordingly, did not approve any further increase in our distribution margins at such time.

The ENRE also authorized us to charge our non-residential customers the retroactive portion of these tariff increases for the period from November 2005 through January 2007, which amounted in the aggregate to Ps. 218.6

million and, at December 31, 2011, had been fully invoiced. In October 2007, the Secretary of Energy issued Resolution No 1037/2007, which granted us an increase of 9.63% in our distribution margins to reflect an increase in our distribution cost base for the period from May 1, 2006 to April 30, 2007, compared to the recognized distribution cost base as adjusted by the May 2006 CMM. However, this increase was not incorporated into our tariff structure, and, instead, we were allowed to retain the funds that we are required to collect and transfer to the PUREE to cover this CMM increase and future CMM increases. In November 2007, we began accounting for the retroactive portion of the May 2007 CMM increase for the period from May 1, 2007 to October 31, 2007, which amounted to Ps. 49.6 million.

In July 2008, we obtained an increase of approximately 17.9% to our distribution margin, which we incorporated into our tariff structure. This increase represented the 9.63% CMM increase corresponding to the period from May 2006 to April 2007 and the 7.56% CMM increase corresponding to the period from May 2007 to October 2007. These CMM adjustments were included in our tariff structure as of July 1, 2008 and resulted in an average increase of 10% for customers in the small commercial, medium commercial, industrial and wheeling system categories and an average increase of 21% for residential customers with bimonthly consumption levels over 650 kWh. In addition, the ENRE authorized us to be reimbursed for the retroactive portion of the 7.56% CMM increase for the period between November 2007 and June 2008, from the PUREE funds.

Furthermore, we requested an additional increase to our distribution margins under the CMM to account for fluctuations in the distribution cost base for the period from November 2007 to April 2008, in comparison to the distribution cost base recognized by the CMM in November 2007. The ENRE issued Note No. 81,399, which authorized a 5.791% increase under the CMM. As of the date of this annual report, the ENRE has not approved a new tariff scheme including this tariff increase nor has it authorized us to collect such increase by any other means (for example through an off-setting mechanism against contributions made to the PUREE, as was the case in the past). As of December 31, 2012, we had submitted to the ENRE ten requests for CMM adjustments as described in the table below, since May 2008:

<b>Assessment Period</b>	<b>Application Date</b>	<b>CMM Adjustment Requested</b>
November 2007 – April 2008	May 2008	5.791%
May 2008 – October 2008	November 2008	5.684%
November 2008 - April 2009	May 2009	5.068%
May 2009 – October 2009	November 2009	5.041%
November 2009 – April 2010	May 2010	7.103%
May 2010 – October 2010	November 2010	7.240%
November 2010 – April 2011	May 2011	6.104%
May 2011 – October 2011	November 2011	7.721%
November 2011 – April 2012	May 2012	8.529%
May 2012 – October 2012	November 2012	7.316%
<b>Cumulative:</b>		<b>88.664%</b>

As of the date of this annual report, the ENRE has not yet responded to these requests (other than the request submitted in May 2008, as explained above).

However, the Company has become aware of certain communications of the ENRE to the Under-Secretariat of Management Control and Coordination of the Ministry of Federal Planning, according to which the analysis made by them shows percentages similar to those calculated by the Company with regard to CMM ratios. Based on this information, the Company has estimated that the claims effectively made for CMM adjustments, which were not transferred to tariffs nor authorized to be collected by other means, amount to approximately Ps. 1,999 million. In accordance with the Company's estimations, the real major costs are significantly higher than the ones determined with the CMM adjustments that have been requested.

As of December 31, 2012 and 2011 the amounts collected by Edenor through the PUREE, amounted to Ps. 1,277.8 million and Ps. 867.1 million, respectively, and have been disclosed under other non-current liabilities. Until such time as the CMM adjustments are effectively transferred to the tariffs, Edenor is entitled to use PUREE excess funds that it would otherwise be required to transfer to CAMMESA, as established in Resolution of the Secretary of Energy No. 1037/07, in order to reimburse Edenor for the amounts it is owed for CMM increases not

yet reflected in Edenor's distribution margin. As of the date of this annual report, the Company has neither recognized nor accrued any amount receivable for this concept in the Consolidated Financial Statements.

Although we believe that these increases comply with the terms of the CMM, we cannot assure you that the ENRE will grant us these increases in full, or at all, or if granted, that we will be able to bill our customers or otherwise recover these increases from other sources of payment (such as PUREE). See "Item 3. Key Information—Risk factors—Risks Relating to Our Business—Failure or delay to negotiate further improvements to our tariff structure, including increases in our distribution margin, and/or to have our tariff adjusted to reflect increases in our distribution costs in a timely manner, could have a material adverse effect on our capacity to perform our financial and commercial obligations." and "Item 3. Key Information—Risk factors—Risks Relating to the Electricity Distribution Sector—The Argentine government has intervened in the electricity sector in the past, and is likely to continue intervening."

On November 23, 2012, the ENRE issued Resolution No.347/2012, pursuant to which it established a fixed and variable charge differentiated by category of customers, which the distribution companies will collect on account of the CMM adjustments stipulated in clause 4.2 of the Adjustment Agreement, and will use exclusively to finance infrastructure and corrective maintenance of their facilities. Such charges, which will be clearly identified in the bills sent to customers, will be deposited in a special account to be managed by a Trustee. Although in the whereas clauses of Resolution No. 347/2012 the ENRE recognizes the existence of CMM adjustment requests and it is indicated that the authorized charges are on account of CMM adjustments, nothing is said about what provisions will apply concerning the effect thereof for the period elapsed between the date such requests were made and the date of their application to the customer's bill.

The following table sets forth the relative weight of our distribution margin in our average tariffs per category of customer (other than wheeling system, public lighting and shantytown customers) in our concession area at the dates indicated. Although the VAD and electric power purchases per category of customer are the same, we are subject to different taxes in the Province of Buenos Aires and the City of Buenos Aires.

Tariff <sup>(1)</sup>	VAD				Res.1301 2011 <sup>(2)</sup>	Average Taxes				Res.1301 2011 <sup>(2)</sup>	Electric Power Purchases				Res.1301 2011 <sup>(2)</sup>
	November 2001	January 2005	February 2007	October 2008		November 2001	January 2005	February 2007	October 2008		November 2001	January 2005	February 2007	October 2008	
Residential															
TIR1 (0-300)	49.40%	44.50%	44.50%	44.69%	11.26%	28.70%	28.70%	28.70%	28.70%	28.70%	21.90%	26.80%	26.80%	26.61%	60.00%
TIR2 (301-650)	36.20%	33.00%	33.00%	30.81%	4.80%	29.20%	29.20%	29.20%	29.23%	29.23%	34.60%	37.80%	37.80%	39.95%	65.91%
TIR# (651-800)				32.08%	4.55%				29.23%	29.23%				38.68%	66.15%
TIR4 (801-900)				31.63%	4.32%				29.23%	29.23%				39.13%	66.39%
TIR5 (90-1000)				32.75%	4.35%				29.23%	29.23%				38.02%	66.37%
TIR6 (1001-1200)				26.29%	4.19%				29.23%	29.23%				44.48%	66.51%
TIR 7 (1201-1400)				27.18%	3.98%				29.23%	29.23%				43.59%	66.73%
TIR8 (1401-2800)				25.94%	4.81%				29.23%	29.23%				44.83%	65.89%
TIR9 (> 2800)				22.50%	3.84%				29.23%	29.23%				48.26%	66.88%
Commercial - small demands															
TIG1	55.10%	40.00%	47.80%	48.76%	21.91%	25.70%	25.70%	25.70%	25.68%	25.68%	19.20%	34.30%	26.50%	25.55%	52.34%
TIG2	53.60%	31.10%	43.60%	42.39%	15.97%	25.60%	25.60%	25.60%	25.64%	25.64%	20.70%	43.20%	30.70%	31.97%	58.29%
TIG3				37.40%	9.13%				25.63%	25.63%				37.57%	65.12%
Commercial - medium demand															
T2	43.30%	27.90%	35.50%	38.03%	16.03%	25.60%	25.60%	25.60%	25.63%	25.63%	31.00%	46.40%	38.90%	36.34%	58.15%
Industrial															
T3 low voltage below 300kw	44.20%	26.50%	34.30%	37.86%	15.37%	25.70%	25.70%	25.70%	25.66%	25.66%	30.10%	47.80%	40.10%	36.48%	58.84%
T3 low voltage over 300kw	42.60%	24.50%	32.10%	27.09%	11.99%	25.60%	25.60%	25.60%	25.62%	25.62%	31.80%	49.90%	42.30%	47.29%	62.29%
T3 medium voltage below 300kw	29.30%	14.10%	19.70%	25.25%	8.46%	25.70%	25.70%	25.70%	25.68%	25.68%	45.00%	60.30%	54.60%	49.06%	65.73%
T3 medium voltage over 300kw	27.30%	12.30%	17.50%	17.71%	7.09%	25.70%	25.70%	25.70%	25.69%	25.69%	47.00%	62.00%	56.80%	56.60%	67.11%
Average Tariff	41.20%	28.50%	33.90%	33.16%	9.57%	27.20%	27.20%	27.20%	27.24%	27.24%	31.50%	44.20%	38.90%	39.60%	63.10%

- (1) TIR1 refers to residential customers whose peak capacity demand is less than 10 kW and whose bimonthly energy demand is less than or equal to 300 kWh. TIR2 refers to residential customers whose peak capacity demand is less than 10 kW and whose bimonthly energy demand is greater than 300 kWh but less than 650 kWh. TIR3 refers to residential customers whose peak capacity demand is less than 10 kW and whose bimonthly energy demand is greater than 650 kWh but less than 800 kWh. TIR4 refers to residential customers whose peak capacity demand is less than 10 kW and whose bimonthly energy demand is greater than 800 kWh but less than 900 kWh. TIR5 refers to residential customers whose peak capacity demand is less than 10 kW and whose bimonthly energy demand is greater than 900 kWh but less than 1,000 kWh. TIR6 refers to residential customers whose peak capacity demand is less than 10 kW and whose bimonthly energy demand is greater than 1,000 kWh but less than 1,200 kWh. TIR7 refers to residential customers whose peak capacity demand is less than 10 kW and whose bimonthly energy demand is greater than 1,200 kWh but less than 1,400 kWh. TIR8 refers to residential customers whose peak capacity demand is less than 10 kW and whose bimonthly energy demand is greater than 1,400 kWh but less than 2,800 kWh. TIR9 refers to residential customers whose peak capacity demand is less than 10 kW and whose bimonthly energy demand is greater than 2,800 kWh. TIG1 refers to commercial customers whose peak capacity demand is less than 10kW and whose bimonthly energy demand is less than or equal to 1600 kWh. TIG2 refers to commercial customers whose peak capacity demand is less than 10 kW and whose bimonthly energy demand is greater than 1600 kWh but less than 4,000 kWh. TIG3 refers to commercial customers whose peak capacity demand is greater than 4,000 kWh. T2 refers to commercial customers whose peak capacity demand is greater than 10 kW but less than 50 KW. T3 refers to customers whose peak capacity demand is equal to or greater than 50 kW. The T3 category is applied to high-demand customers according to the voltage (tension) at which each customer is connected. Low tension is defined as voltage less than or equal to 1 kV and medium tension is defined as voltage greater than 1kV but less than 66 kV.
- (2) On November 7, 2011, the Energy Secretariat issued Resolution No. 1301/11, which established the summer scheduling, eliminating government grants to certain economic activities, which, in accordance with the provisions of the Resolution, are in conditions to pay the actual cost that needs to be incurred for being supplied with their demand of electricity. The removal of government grants has been extended to residential customers, who were classified by geographical areas and type of residence. The modification related only to electricity purchase prices in the Wholesale Electricity Market, for which reason the Company's VAD (value added for distribution) remained practically unchanged.

*Revisión Tarifaria Integral* (Integral Tariff Revision, or RTI). Pursuant to the Adjustment Agreement, Edenor is currently engaged in an RTI process with the ENRE.

Our integral tariff proposal includes, among other factors, a recalculation of the compensation we receive for our distribution services, including taxes that are not currently passed onto our customers (such as taxes on financial transactions), a revised analysis of our distribution costs, modifications to our quality of service standards and penalty scheme and, finally, a revision of our asset base and rate of return. For this purpose, we have submitted to the ENRE a post-tax return on our asset base, which we calculate as operating income plus depreciation of

property, plant and equipment, less the tax charge resulting from the application to this amount of the legal tax rate (currently, 35%), divided by the value of our gross asset base. We believe that this method of calculating our return on assets is consistent with the requirements of the Adjustment Agreement, although we cannot guarantee that the ENRE will not decide to use other factors or methods to calculate our return on assets.

On April 30, 2007, the Secretary of Energy issued Resolution No. 434/2007, which established that the new tariff structure resulting from the RTI would take effect on February 1, 2008 and would be implemented in two installments, in February and August 2008.

In July 2008, the Secretary of Energy issued Resolution 865/2008, which reviews the RTI schedule contemplated by the Adjustment Agreement. The Secretary of Energy revised the original RTI schedule and stated that the new tariff structure of the RTI would take effect in February 2009 and that if in February 2009 the tariff resulting from the RTI were greater than the tariff in place at that moment, the tariff increase would be applied in three stages: the first adjustment would take place in February 2009, the second in August 2009 and the last one in February 2010.

As of the date of this annual report, no resolution has been issued concerning the application of the electricity rate schedule resulting from the RTI, which was expected to be in effect since February 1, 2009.

On November 12, 2009, we submitted an integral tariff proposal to the ENRE's Board of Directors as requested by ENRE Resolution No. 467/2008. Our proposal included, among other factors, a recalculation of the compensation we receive for our distribution services, including taxes that are not currently passed onto to our customers (such as taxes on financial transactions), a revised analysis of our distribution costs, modification to our quality of service standards and penalty scheme and, finally, a revision of our asset base and rate of return. Our presentation included three different scenarios and related tariff proposals; two scenarios contemplated in Resolution No. 467/08 of the ENRE and a third scenario which contemplated a quality regime and cost of undelivered energy similar to the one currently in effect. Each scenario included the assumptions on which the hypothetical scenario was prepared and detailed supporting studies: projected demand, demand curve studies by client category, environmental management plan, capital base study, study of the group of facilities required to meet the demand of a certain homogeneous market in terms of consumption with the lowest costs (known as "Sistemas Eléctricos Representativos"), contemplated investment plan, operating costs analysis, profitability rate analysis, resulting revenue requirement and electricity rate adjustment criterion. Each scenario assumed that the tariff increase would be implemented in three equal semiannual installments.

We stated to the ENRE that the sustainability of the proposals depends on the actual occurrence of the assumptions and that any change in the criteria and/or parameters contemplated in our proposal could directly affect the economic and financial equation that supports each of the proposed options. Furthermore, the calculations made in each of the three options took into account the implementation of the tariff in three equal semiannual installments. The presentation included regulatory and legal considerations as well. Due to the lack of data provided by the ENRE, we were unable to include an electricity rate structure or schedule and included instead the revenue requirements per voltage level for each of the options we presented.

We anticipate that, once the ENRE has reviewed our integral tariff proposal, it will hold a public hearing on the proposal, following which we expect that the ENRE will adopt a revised tariff scheme.

Based on the parameters of the RTI set forth in the Adjustment Agreement, we expect that this revised tariff scheme will maintain our current distribution margins following the increases granted under the Adjustment Agreement (including any increases granted pursuant to the CMM) and include a cost adjustment mechanism similar to the CMM. Because the RTI is provided for in the Adjustment Agreement, which was approved by the Argentine Congress and ratified by the Argentine Executive Branch, we believe that the ENRE's decision will not be subject to ratification procedures.

The outcome of the renegotiation of our tariff structure, however, is highly uncertain as to its final result. We cannot assure you that the renegotiation process will conclude in a timely manner or that the revised tariff structure will cover our costs and compensate us for inflation and currency devaluations in the future and provide us with an adequate return on our asset base. See "Item 3. Key Information—Risk factors—Risks Relating to Our

Business—Failure or delay to negotiate further improvements to our tariff structure, including increases in our distribution margin, and/or to have our tariff adjusted to reflect increases in our distribution costs in a timely manner, could have a material adverse effect on our capacity to perform our financial and commercial obligations.”

*Social Tariff Regime.* According to the Adjustment Agreement, we will be required to apply a social tariff regime as part of our revised tariff structure resulting from the RTI. This regime is a system of subsidized tariffs for the poverty-stricken sectors of the community to be approved by the ENRE in the context of the RTI. The social tariff regime will provide poverty-stricken sectors of the community with the same service and quality of service as other users. The beneficiaries under this regime must register with the Argentine government and meet certain criteria, including not owning more than one home and having a level of electricity consumption that is not higher than a maximum to be established by the Argentine government. According to the Adjustment Agreement, the Argentine government will subsidize the increased costs associated with the social tariff regime in part with contributions by users not subject to this regime. We will be required to cover a portion of these costs by not charging the beneficiaries of this regime for reconnection expenses and installation of new equipment, updating our billing system and granting payment plans to beneficiaries for existing past-due electricity bills. We currently anticipate that the incremental cost to us of providing services under the social tariff regime will not be significant. However, we cannot guarantee that the social tariff regime will be implemented in the manner, or under the terms, we currently anticipate.

### *Demand*

Energy demand depends to a significant extent on economic and political conditions prevailing from time to time in Argentina, as well as seasonal factors. In general, the demand for electricity varies depending on the performance of the Argentine economy, as businesses and individuals generally consume more energy and are better able to pay their bills during periods of economic stability or growth. As a result, energy demand is affected by Argentine governmental actions concerning the economy, including with respect to inflation, interest rates, price controls, foreign exchange controls, taxes and energy tariffs.

### Electricity demand

The following table sets forth the amount of electricity generated in Argentina and our electricity purchases in each of the periods indicated.

Year	Electricity Demand <sup>(1)</sup>	Edenor Demand <sup>(2)</sup>	Eden Demand <sup>(3)</sup>	Edenor's Demand as a % of Total Demand	Eden's Demand as a % of Total Demand <sup>(3)</sup>
			(in Gwh)		
1994	55,827	11,386	-	20.4%	-
1995	57,839	11,629	-	20.1%	-
1996	61,513	12,390	-	20.1%	-
1997	66,029	13,046	-	19.8%	-
1998	69,103	13,768	-	19.9%	-
1999	71,689	14,447	-	20.2%	-
2000	75,591	15,148	-	20.0%	-
2001	78,098	15,414	-	19.7%	-
2002	76,483	14,865	-	19.4%	-
2003	82,261	15,811	-	19.2%	-
2004	87,477	16,673	-	19.1%	-
2005	92,340	17,623	-	19.1%	-
2006	97,590	18,700	-	19.2%	-
2007	102,950	20,233	-	19.7%	-
2008	105,959	20,863	-	19.7%	-
2009	104,592	20,676	-	19.8%	-
2010	110,767	22,053	-	19.9%	-
2011	116,418	23,004	3,116	19.8%	2.7%
2012	131,944	23,934	3,210	17.7%	2.4%

Source: *Compañía Administradora del Mercado Mayorista Eléctrico, S.A. (CAMMESA)*

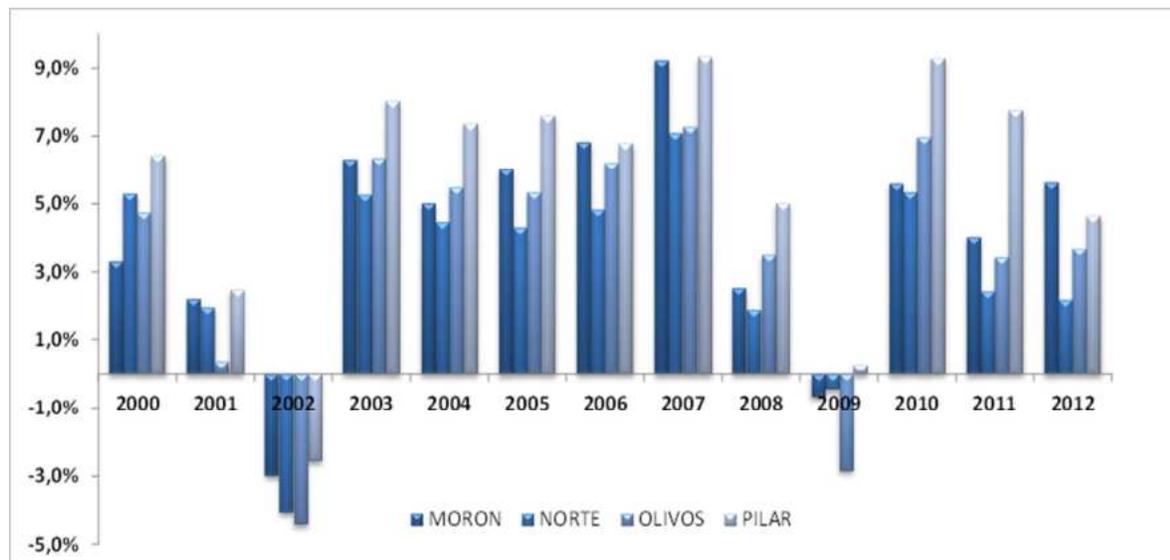
(1) Includes demand in the *Mercado Eléctrico Mayorista Sistema Patagónico* (Patagonia wholesale electricity market, or MEMSP).

(2) Calculated as electricity purchased by us and our wheeling system customers.

(3) Eden was purchased on March 4<sup>th</sup>, 2011 and on February 27, 2013. Edenor sold the shares representing 100% of Aeseba's capital stock and voting rights, the controlling company of Eden. See Item4. "Information on the Company –History and Development of the Company –Offer for the acquisition of Eden."

Electricity demand in our concession area has grown an average of 4.3% per annum since 1994. The evolution of demand shows two growth periods interrupted by a slight decline in demand in 2002 attributable to the economic crisis, and a slight decrease registered in 2009, as a consequence of the global financial crisis.

The following graph represents the annual growth of energy purchased to satisfy the demand of each operating area within Edenor concession area from 2000 through 2012:



Beginning in mid-2001 through 2002, the decline in the overall level of economic activity and the deterioration in the ability of many of our customers to pay their bills as a result of the crisis led to an overall decrease in demand for electricity and an increase in non-technical energy losses. After the economic crisis, however, demand started growing again, increasing an average of 4.9% per annum from 2003 through 2012. This increase in demand was due to renewed growth in the Argentine economy since the second half of 2003 and the relative low cost of energy to consumers, in real terms, resulting from the freeze of our distribution margin and the elimination of the inflation adjustment provisions of our concession in 2002. Demand by residential customers increased by 6.7% in 2012, primarily due to the addition of new appliances and the relative low cost of energy, in real terms. Demand by our high-demand customers and wheeling system customers remained practically in the same levels as during 2011, mainly due to the deceleration that the industrial sector experienced in the second semester of 2012 (including the wheeling system demand).

The small commercial category of customers registered a decrease in demand in 2002, but recovered slightly after the initial effects of the economic crisis due to the sensitivity of customers in this category to the economic status of their small businesses. The medium commercial category of customers has generally demonstrated the same volatility in demand as low-demand customers in recent years.

Public lighting demand has declined significantly over the past few years due to the introduction of low-consumption lighting. We believe that the public lighting category will continue to register low demand despite continued economic expansion and urban development. After having increased significantly in 2005, demand in shantytowns stabilized in 2006, remaining in line with historic growth levels, and was below the increase in demand for our low demand residential category of customers. However, overall demand in this category is relatively small in comparison to other larger categories of our customers. See “Item 4. Information on the Company—Framework Agreement (Shantytowns)”

The Argentine government has also implemented the PUREE in an attempt to curb increases in energy demand by offering rewards to residential and small commercial customers who reduce their energy usage in comparison to their use in 2003. In 2005, the Argentine government implemented a second version of the PUREE (PUREE II), which rewards residential and small commercial customers based on their usage in 2003 and industrial customers based on their usage in 2004. The PUREE II also penalizes industrial customers whose usage exceeds 90% of the 2004 levels and penalizes residential customers with bi-monthly consumption levels at or above 300 KWh and small commercial customers whose usage exceeds 90% of their usage levels for 2003. Residential customers with consumption levels below 300 KWh are exempt from penalty. In spite of the PUREE and PUREE II, energy demand has continued to increase during the three years it has been in effect.

On October 31, 2008, the Secretary of Energy adopted Resolution 1170/08, which excludes all the T1G, T2, T3 and T1R customers with bi-monthly consumption levels over and above 1,000 KWh from receiving PUREE reward payments.

On March 2, 2010, the Secretary of Energy adopted Resolution 45/2010, which revised the calculation of the coefficient used to reward T1R customers with consumption levels below 1,000 KWh. This resolution decreased the rewards that such users are entitled to receive.

We cannot assure you that the tariffs that result from the RTI or future economic, social and political developments in Argentina, over which we have no control, will not have an adverse effect on energy demand in Argentina. See “Item 3. Key Information—Risk factors—Risks related to the electricity distribution sector—Electricity demand may be affected by tariff increases, which may lead distribution companies, such as us, to record lower revenues.”

#### *Capacity demand*

Demand for installed capacity to deliver electricity generally increases with growth in demand for electricity. However, since the 2001 and 2002 crisis, with the exception of the two thermal generation plants described below, no new generation plants have been built in Argentina. However, the Argentine government has implemented some economic incentives, such as those contained in the *Energía Plus* Program, which have served to increase generating capacity in existing generation plants such as Central Térmica Güemes and Central Loma de la

Lata. A lack of generation capacity would place limits on our ability to grow and could lead to increased service disruptions, which could cause an increase in our fines. See “Item 3. Key Information—Risk factors—Risks Relating to the Electricity Distribution Sector—if we experience energy shortages in the face of growing demand for electricity, our ability to deliver electricity to our customers could be adversely affected, which could result in customer claims, material penalties and decreased results of operations.”

In response to the lack of private investment in new generation plants, the Argentine government undertook a project to construct two 800 MW thermal generation plants, Central Termoeléctrica Manuel Belgrano and Central Termoeléctrica General San Martín. Construction of these two plants was completed and operations commenced in 2009. The two plants were constructed with funds derived from three sources: net revenues of generators derived from energy sales in the spot market, a special charge to our non-residential customers per MWh of energy billed and a specific charge from CAMMESA applicable to large users. In addition to the construction of these two new thermal generation plants, in September 2006 the Secretary of Energy issued Resolution No. 1281/06 in an effort to respond to the sustained increase in energy demand following Argentina’s economic recovery after the crisis. This Resolution seeks to create incentives for energy generation plants to meet increasing energy needs. The government has also required us to finance 24% and Edesur 26%, of the construction costs of two high-tension 220 kV lines between the *Central Puerto* and *Central Costanera* generators and the *Malaver* network, which will provide access to an additional 600MW of energy from the *Central Puerto* and *Central Costanera* generators that currently cannot be distributed due to saturation of their grids. In May 2012, we finished the construction of the 220kV linking lines of the local generators Central Puerto and Central Costanera with Edenor network, through Malaver substations. This extension was decided by the Resolution No.1875/05 of the Secretary of Energy and it allows an increase in supply capacity by 600 MW from Central Puerto and Central Costanera generators. In December 2012, the third transformer of 300 MVA-220/132 kV was put into service in Malaver’s substation.

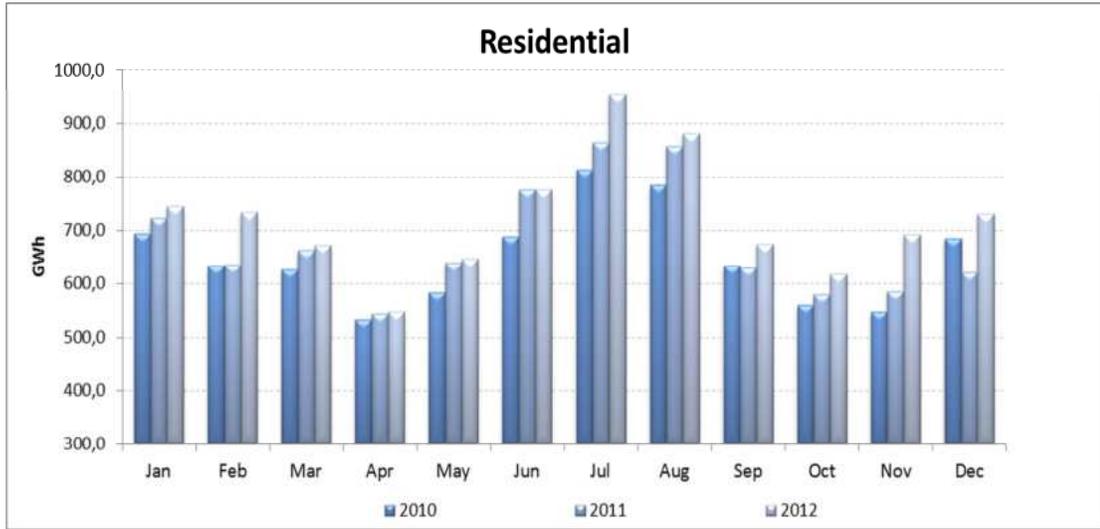
We cannot assure you that these new generation plants will be able to serve our energy demands in the manner we anticipate.

#### *Seasonality of Demand*

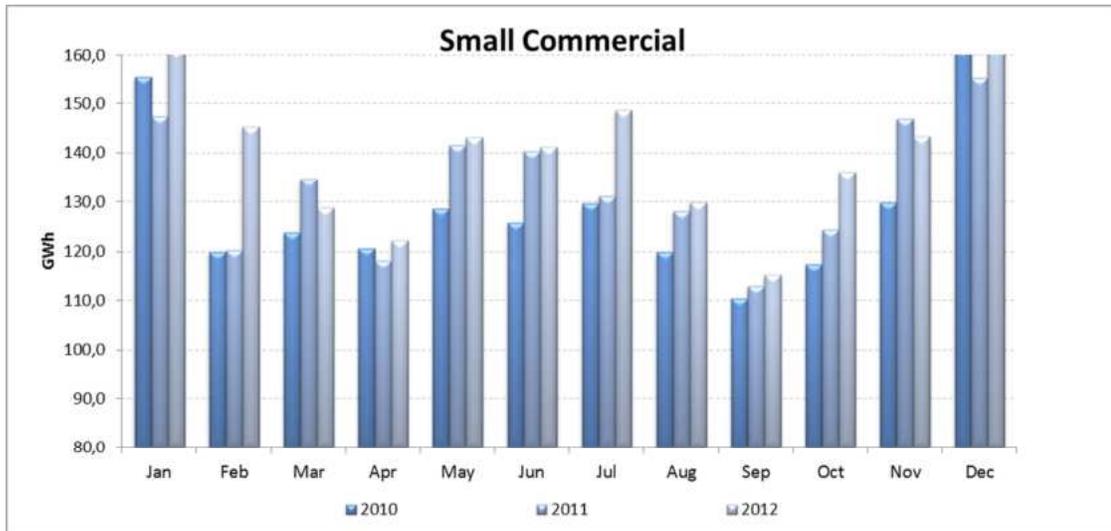
Seasonality has a significant impact on the demand for electricity in our concession area, with electricity consumption peaks in summer and winter. The impact of seasonal changes in demand is registered primarily in our residential and small commercial customer categories. The seasonal changes in demand are attributable to the impact of various climatological factors, including weather and the amount of daylight time, on the usage of lights, heating systems and air conditioners.

The impact of seasonality on industrial demand for electricity is less pronounced than on the residential and commercial sectors, primarily because different types of industrial activity by their nature have different seasonal peaks, such that the climatic effect is more varied.

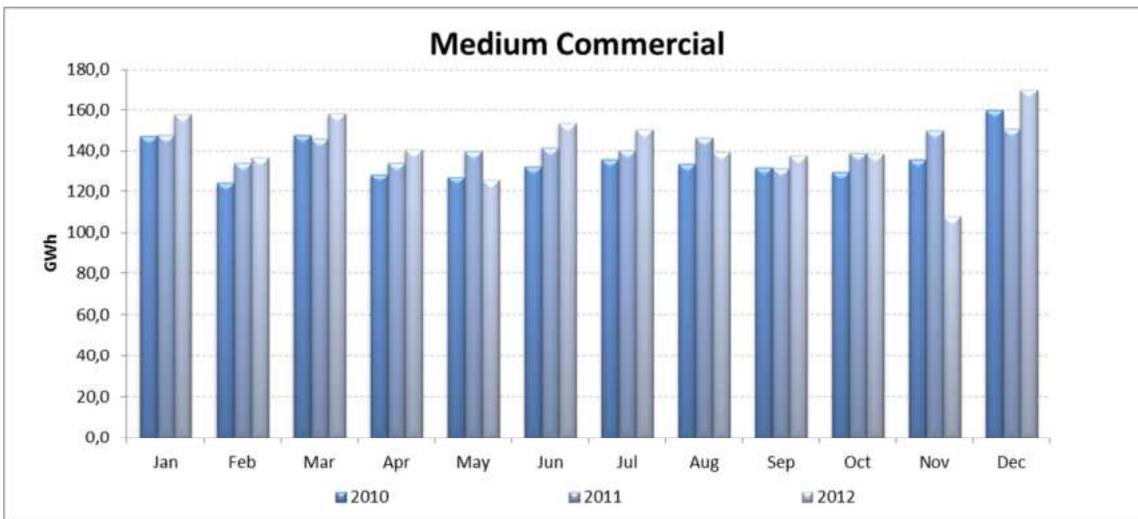
The chart below shows seasonality of demand in Edenor's residential customer category for the periods indicated.



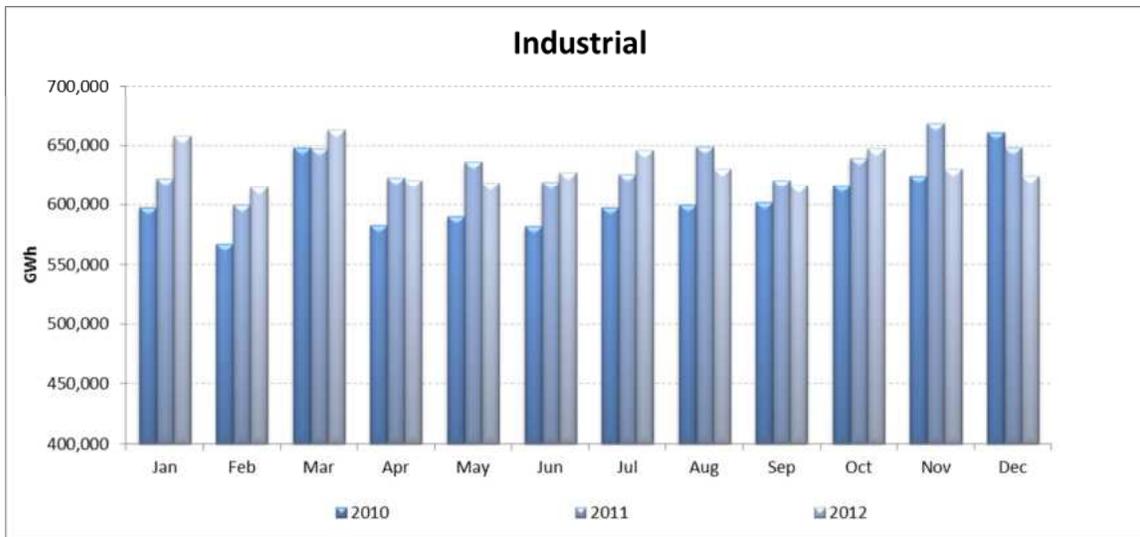
The chart below shows seasonality of demand in Edenor's small commercial customer category for the periods indicated.



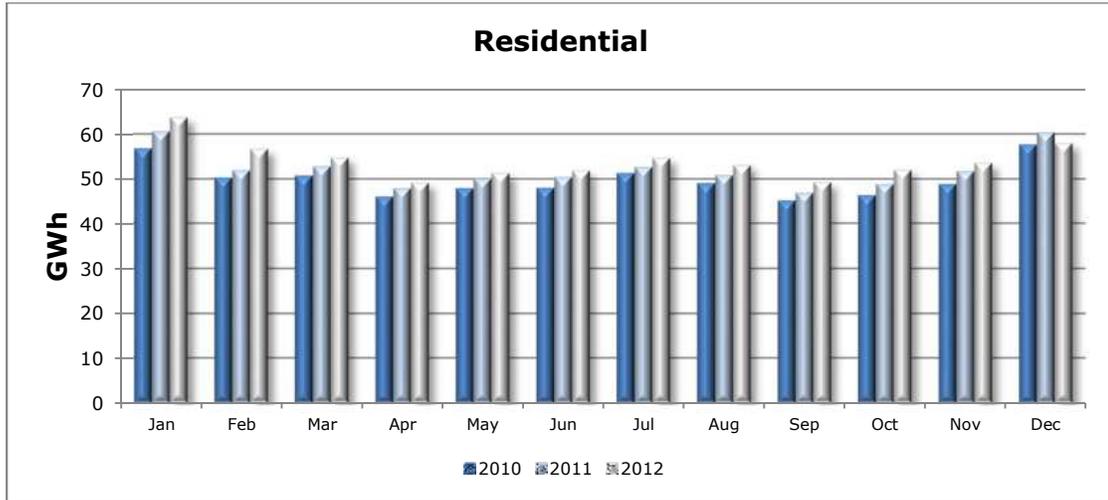
The chart below shows seasonality of demand in Edenor's medium commercial customer category for the periods indicated.



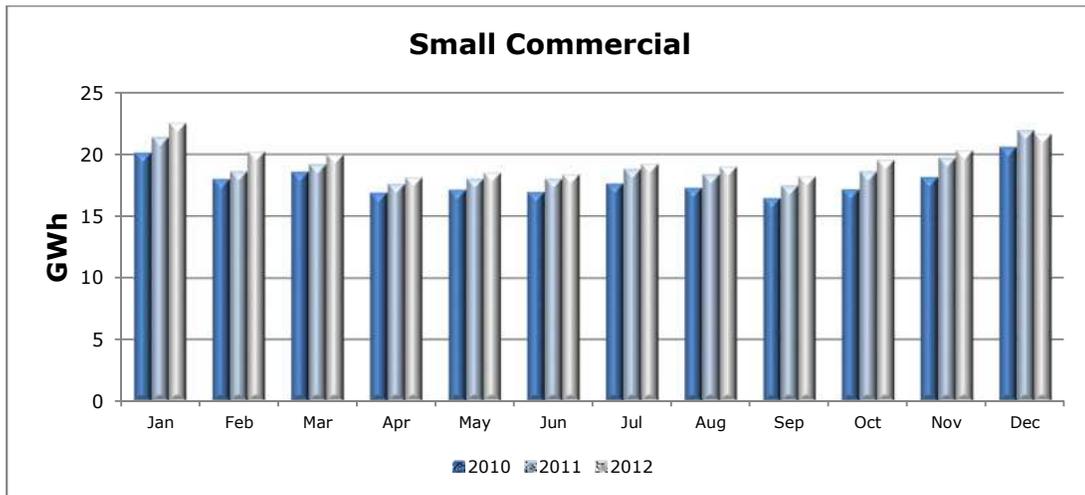
The chart below shows seasonality of demand in Edenor's industrial customer category for the periods indicated.



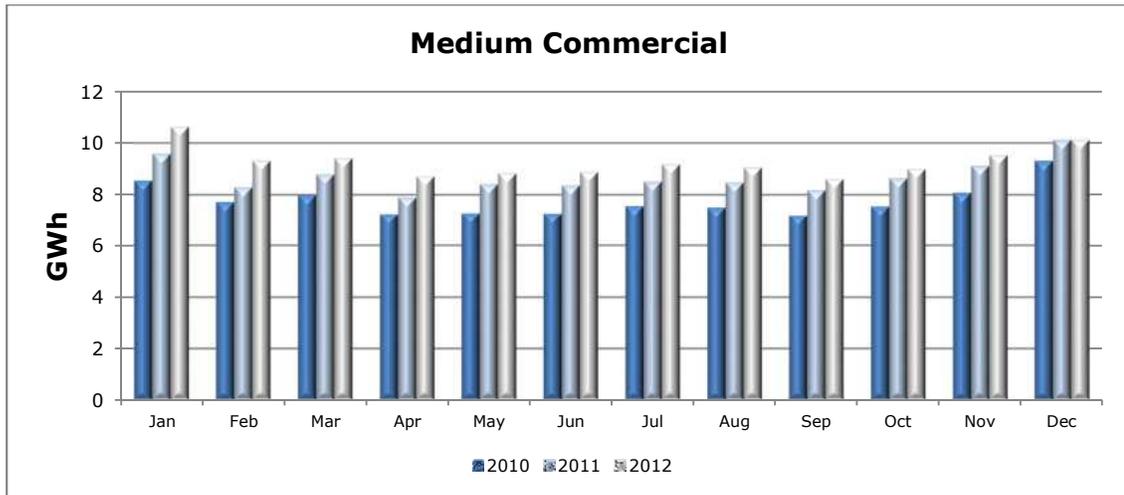
The chart below shows seasonality of demand in Eden’s residential customer category for the periods indicated.



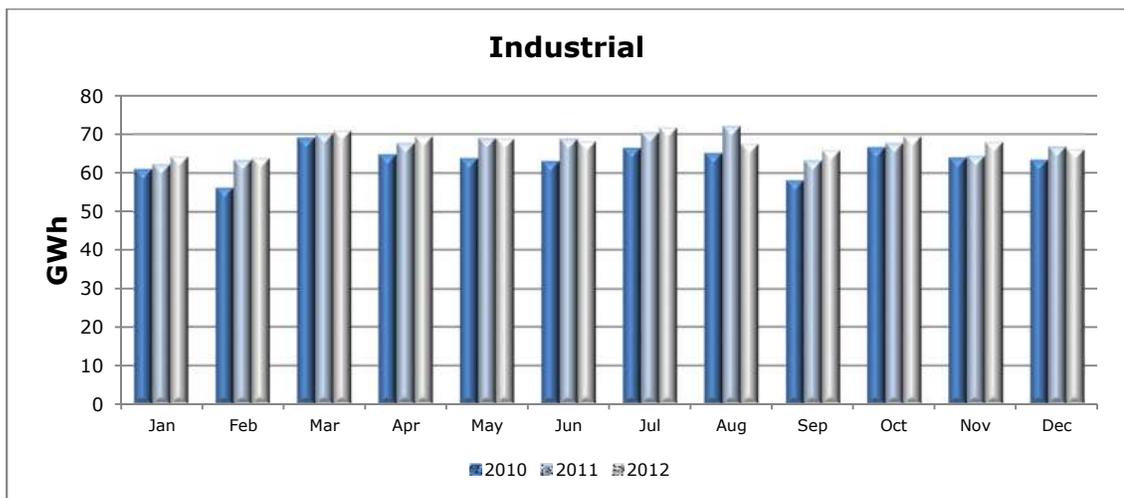
The chart below shows seasonality of demand in Eden’s small commercial customer category for the periods indicated.



The chart below shows seasonality of demand in Eden’s medium commercial customer category for the periods indicated.



The chart below shows seasonality of demand in Eden’s industrial customer category for the periods indicated.



### ***Taxes on Electricity Tariffs***

Sales of electricity within our service area are subject to certain taxes, levies and charges at the federal, provincial and municipal levels. These taxes vary according to location and type of user. In general, residential and governmental users are subject to a lower tax rate than commercial and industrial users. Similarly, taxes are typically higher in the Province of Buenos Aires than in the City of Buenos Aires. All of these taxes are billed to our customers along with electricity charges.

### **Framework Agreement (Shantytowns)**

Since 1994, we have supplied electricity to low-income areas and shantytowns within our concession area under a special regime established pursuant to a series of framework agreements. For a discussion of these agreements and our ongoing negotiations to extend the most recent framework agreement, see “Item 4. Information on the Company—Framework Agreement (Shantytowns)”

### **Operating Expenses**

Our most significant operating expenses are transmission and distribution expenses, which include depreciation charges, salaries and social security taxes, outsourcing and purchases of materials and supplies, among others.

We seek to maintain a flexible cost base by achieving an optimal level of outsourcing, which allows us both to maintain a lower cost base and gives us the ability to respond more quickly to changes in our market. We had approximately 3,084 and 3,096 third party employees under contract with us as of December 31, 2012 and 2011, respectively. The number of third parties employees as of December 31, 2012 and 2011 includes 307 and 300 employees, respectively, under contract with us as a result of our acquisition of Aeseba. The number of third-party employees under contract does not directly relate to the number of third-party employees actually performing services for us at any given time, as we only pay for the services of these employees on an as-needed basis. See “Item 6. Directors, Senior Management and Employees—Employees.”

Our principal material and supply expenses consist of purchases of wire and transformers (*i.e.*, electromagnetic devices used to change the voltage level of alternating-current electricity), which we use to maintain our network.

### **Summary Historical Results of Operations**

The following table provides a summary of our operations for the years ended December 31, 2012 and 2011.

	<b>Year ended December 31,</b>	
	<b>2012<sup>(*)</sup></b>	<b>2011<sup>(*)</sup></b>
<b>Continuing Operations</b>		
Revenue from sales <sup>(1)</sup> .....	Ps. 3,725.3	Ps. 2,805.8
Revenue from construction.....	117.6	87.4
Electric power purchases.....	(1,740.2)	(1,130.9)
Cost of Construction.....	<u>(117.6)</u>	<u>(87.4)</u>
<b>Subtotal</b> .....	<b><u>1,663.0</u></b>	<b><u>1,480.4</u></b>
Transmission and distribution expenses.....	<u>(1,570.1)</u>	<u>(1,094.8)</u>
<b>Gross Profit</b> .....	<b><u>93.0</u></b>	<b><u>385.5</u></b>
Selling expenses.....	(430.4)	(310.3)
Administrative expenses.....	(296.4)	(224.3)
Gain from acquisition of companies.....	-	435.0
Other operating income.....	33.3	27.9
Other operating expenses.....	<u>(112.8)</u>	<u>(54.9)</u>
<b>Operating (expense) / income</b> .....	<b><u>(713.3)</u></b>	<b><u>258.9</u></b>
Financial Income.....	86.0	55.6

Financial Expenses <sup>(2)</sup> .....	(296.8)	(216.1)
Other financial results.....	(166.7)	(97.2)
<b>Net Financial Expense</b> .....	<b>(377.5)</b>	<b>(257.8)</b>
<b>(Loss) Profit before taxes</b> .....	<b>(1,090.8)</b>	<b>1.1</b>
Income Tax.....	99.8	(153.0)
<b>Loss for the year from continuing operations</b> .....	<b>(991.0)</b>	<b>(151.9)</b>
Loss from discontinued operations.....	(22.4)	(139.5)
<b>Loss for the year</b> .....	<b>1,013.4</b>	<b>291.4</b>
<b>Loss for the year attributable to:</b>		
Owners of the parent.....	(1,016.5)	(304.1)
Non- controlling interests.....	3.1	12.7
<b>Loss for the year</b> .....	<b>(1,013.4)</b>	<b>(291.4)</b>
<b>Loss for the year attributable to Owners of the parent from:</b>		
Continuing Operations.....	(1,000.6)	(157.7)
Discontinued Operations.....	(15.8)	(146.4)
<b>Loss for the year</b> .....	<b>(1,016.5)</b>	<b>(304.1)</b>

(\*) Consolidated financial data.

- (1) Revenue from operations is recognized on an accrual basis and derives mainly from electricity distribution. Such revenue includes electricity supplied, whether billed or unbilled, at the end of each year, and has been valued on the basis of applicable tariffs and the charge regarding with the Resolution 347/12.
- (2) Includes commercial interests accrued by CAMMESA of Ps. 55.2 million, under the Commercial Interest line item.

## Year Ended December 31, 2012 compared with Year Ended December 31, 2011.

### *Revenue from sales*

Revenue from sales increased 32.8% to Ps. 3,725.3 million in the year ended December 31, 2012 from Ps. 2,805.8 million in the year ended December 31, 2011. Revenue from sales as of December 31, 2012 was composed of Ps. 2,977.1 million of net sales of Edenor.

The increase in revenue from sales represents a 29.3% increase compared with Edenor figures of 2011, basically due to the increase in the electric power price as a result of the subsidies cuts, which had no impact in the value added for distribution, additional income from the charges set forth by ENRE's Resolution 347/2012, and also due to a 3.3% increase in the volume of energy sold which went from 20,098 GWh in 2011 to 20,760 GWh in 2012. This increase in energy sales is mainly due to a 2.3% increase in the average consumption per customer and a 1.0% increase in the number of customers.

In the case of Eden the increase in Net sales was mainly due to the higher energy prices as a result of the tariff increases obtained in 2012 and also due to the subsidies cuts.

Net energy sales represented approximately 98.8% of our net sales in 2012 and 96.6% in 2011; late payment charges, pole leases, and connection and reconnection charges account for the remaining balance.

### *Electric Power Purchases*

The amount of electric power purchases increased 55.6% to Ps. 2,062.2 million for the year ended December 31, 2012 from Ps. 1,325.5 million for the year ended December 31, 2011. This increase of Ps. 736.7 million was due to the increase in the purchase price as a result of the subsidies cuts and in the case of Edenor, also due to the increase in the price at which the non-recognized energy losses are measured and the cost set for the mobile generation.

The volume of electric power purchases of Edenor on a standalone basis increased 4.0% to 23,934 GWh for the year ended December 31, 2012 from 23,004 GWh for the year ended December 31, 2011 (in both cases excluding wheeling system demand).

Energy losses increased to 13.3% for the year ended December 31, 2012 from 12.6% for the year ended December 31, 2011. See “—Factors Affecting Our Results of Operations—Recognition of Cost of Energy Losses.”

### ***Transmission and Distribution Expenses***

Transmission and distribution expenses increased 43.4% to Ps. 1,570.1 million for the year ended December 31, 2012 from Ps. 1,094.8 million for the year ended December 31, 2011. This increase was mainly due to a Ps. 245.8 million increase in fees and remuneration for services due to an increase in contractor’s prices (99% compared to 2011) and a Ps. 119.7 million increase in salaries and social security taxes, attributable to an increase in employee compensation granted in 2012 (26% compared to 2011).

As a percentage of net sales, transmission and distribution expenses increased to 42.1% for the year ended December 31, 2012 from 39.0% for the year ended December 31, 2011.

The following table sets forth the principal components of our transmission and distribution expenses for the years indicated. The figures are presented on a consolidated basis.

	<b>Year ended December 31,</b>							
	<b>2012</b>		<b>% of 2012 net sales</b>		<b>2011</b>		<b>% of 2011 net sales</b>	
<i>(in millions of Pesos)</i>								
Salaries and social security taxes .....	Ps. 582.4	37.1%	15.6%	Ps. 462.7	42.3%	16.5%		
Supplies consumption.....	93.1	5.9%	2.5%	57.2	5.2%	2.0%		
Fees and remuneration for services	495.3	31.5%	13.3%	249.5	22.8%	8.9%		
Depreciation of property, plant and equipment.....	187.5	11.9%	5.0%	183.2	16.7%	6.5%		
ENRE penalties.....	113.6	7.2%	3.1%	74.8	6.8%	2.7%		
Others .....	98.2	6.3%	2.6%	67.4	6.2%	2.4%		
<b>Total .....</b>	<b>Ps. 1,570.1</b>	<b>100.0%</b>	<b>42.1%</b>	<b>Ps. 1,094.8</b>	<b>100.0%</b>	<b>39.0%</b>		

### ***Gross profit***

Our gross profit, including transmission and distribution expenses, decreased 75.9% to Ps. 93.0 million for the year ended December 31, 2012 from Ps. 385.5 million for the year ended December 31, 2011. This decrease of Ps. 292.5 million was basically due to the increase in transmission and distribution expenses described above, which were partially offset by the increase in net sales.

### ***Selling Expenses***

Our selling expenses are related to customer services provided at our commercial offices, billing, invoice mailing, collection and collection procedures, as well as allowances for doubtful accounts.

Selling expenses increased 38.7% to Ps. 430.4 million for the year ended December 31, 2012 from Ps. 310.3 million for the year ended December 31, 2011. This increase of Ps. 120.1 million was mainly due to a Ps. 51.5 million increase in salaries and social security taxes (47% compared to 2011) (attributable to an increase in

employee compensation granted in 2012), a Ps. 41.2 million increase in fees and remuneration for services (32% compared to 2011) and a Ps. 7.7 million increase in allowances for doubtful account (71% compared to 2011).

As a percentage of net sales, selling expenses increased to 11.6% in the year ended December 31, 2012 from 11.1% in the year ended December 31, 2011.

The following table sets forth the principal components of our selling expenses for the years indicated. The figures are presented on a consolidated basis.

	Year ended December 31,					
	2012		% of 2012 net sales	2011		% of 2011 net sales
	<i>(in millions of Pesos)</i>					
Salaries and social security taxes .....	Ps. 161.8	37.6%	4.3%	Ps. 110.3	35.5%	3.9%
Allowance for doubtful accounts .	18.5	4.3%	0.5%	10.8	3.5%	0.4%
Fees and remuneration for services	170.5	39.6%	4.6%	129.3	41.7%	4.6%
Taxes and charges .....	32.5	7.6%	0.9%	27.0	8.7%	1.0%
Others .....	47.1	10.9%	1.3%	32.9	10.6%	1.2%
<b>Total .....</b>	<b>Ps. 430.4</b>	<b>100.0%</b>	<b>11.6%</b>	<b>Ps. 310.3</b>	<b>100.0%</b>	<b>11.1%</b>

#### *Administrative Expenses*

Our administrative expenses include, among others, expenses associated with accounting, payroll administration, personnel training, systems operation, maintenance and advertising.

Administrative expenses increased 32.1% to Ps. 296.4 million for the year ended December 31, 2012 from Ps. 224.3 million for the year ended December 31, 2011. This increase of Ps. 72.1 million was mainly due to a Ps. 42.2 million increase in salaries and social security taxes attributable to an increase in employee compensation granted in 2012 (43% compared to 2011), a Ps. 15.6 million increase in fees and remuneration services (25% compared to 2011) and a Ps. 12 million increase in pension plan agreements (31% compared to 2011).

As a percentage of net sales, administrative expenses remained the same level of 8.0% in the year ended December 31, 2012, as compared to year ended December 31, 2011.

The following are the principal components of our administrative expenses for the years indicated. The figures are presented on a consolidated basis.

	Year ended December 31,					
	2012		% of 2012 net sales	2011		% of 2011 net sales
	<i>(in millions of Pesos)</i>					
Salaries and social security taxes .....	Ps. 139.6	47.1%	3.7%	Ps. 97.4	43.4%	3.5%
Rent and insurance.....	18.5	6.2%	0.5%	14.5	6.5%	0.5%
Fees and remuneration for services	78.3	26.4%	2.1%	62.7	27.9%	2.2%
Pension plan.....	14.3	4.8%	0.4%	2.3	1.0%	0.1%
Others .....	45.7	15.4%	1.2%	47.4	21.2%	1.7%
<b>Total.....</b>	<b>Ps. 296.4</b>	<b>100.0%</b>	<b>8.0%</b>	<b>Ps. 224.3</b>	<b>100.0%</b>	<b>8.0%</b>

### ***Other (expense) income***

Other operating expenses include mainly retirement payments, severance payments and accrual for lawsuits. Other operating income expenses, net increased 194.5% to a loss of Ps. 79.5 million for the year ended December 31, 2012, compared to a loss of Ps. 27.0 million for the year ended December 31, 2011. The increase of Ps. 52.5 million was mainly due the impairment of other receivables (Ps. 37.3 million) and provision for contingencies (Ps. 18.3 million).

### ***Net Financial Expense***

Net financial expense was Ps. 377.5 million for the year ended December 31, 2012, compared to Ps. 257.8 million for the year ended December 31, 2011. This increase of Ps. 119.7 million was primarily due to an increase in commercial interest due to the debt with Cammesa and as a result of the variations in the exchange rate.

### ***Income Tax***

We recorded an income tax credit of Ps. 99.8 million for the year ended December 31, 2012, compared to an income tax charge of Ps. 153.0 million for the year ended December 31, 2011.

### ***Loss for the year***

We recorded a loss of Ps. 1,013.4 million for the year ended December 31, 2012, compared to a loss of Ps. 291.4 million for the year ended December 31, 2011. This increase in net loss was mainly due to an increase in operating expenses and in financial expenses and a decrease in other income, each as described above.

### ***Loss from discontinued operations***

Loss from discontinued operations decreased 84%, from a loss of Ps. 139.5 million as of December 31, 2011 to a loss of Ps. 22.4 million as of December 31, 2012. As of December 31, 2012, this line item was comprised of a loss recognized on the remeasurement of assets of disposal group of Ps. 15.7 million and a loss from subsidiaries operations of Ps. 6.7 million. As of December 31, 2011, this line item was comprised of a loss recognized on the remeasurement of assets of disposal group of Ps. 177.7 million and a loss from assets classified as held for sale of Ps. 70.1 million, which losses were partially offset by gains from the tax effect of these line items of Ps. 40.4 million and from subsidiaries operations of Ps. 67.9 million.

## LIQUIDITY AND CAPITAL RESOURCES

### *Sources and Uses of Funds*

Our cash flows from operations have been significantly affected in recent periods due to our failure to obtain adjustments to our tariffs to cover increases in our distribution costs, resulting in a working capital deficit as of December 31, 2012 and 2011. In order to preserve and guarantee the provision of the public service and improve the existing cash deficit, beginning in October 2012, the Company decided to only partially cancel, the obligations with the wholesale electricity market (CAMMESA) with surplus cash balances. This decision arose as a consequence of all the commitments necessary to ensure the provision of the public service, including investment plans and ongoing operation and maintenance tasks. As of the date of this annual report, the commercial debt with CAMMESA amounts to approximately Ps. 696.5 million. We expect to resume full payment of our payment obligations with CAMMESA once the economic and financial equation of Edenor is restored. In connection with the aforementioned, the Company has been ordered by the ENRE and CAMMESA to cancel such debt. In its reply to the ENRE, the Company rejected the Regulatory Authority's competence to intervene in its commercial issues with third parties, and, in its reply to CAMMESA, the Company stated that the cash deficit that prevents it from canceling the total amount of the debt is a case of force majeure inasmuch as the Company does not have the possibility of approving its electricity rates, but, at the same time, has to maintain the priority given to the operation of the public service. If the conditions prevailing at the date of this annual report remain unchanged, the economic and financial situation will continue deteriorating. For fiscal year 2013, the Company also estimates negative cash flows and losses from operations, as well as a greater reduction in the financial ratios.

We are currently engaged in RTI with the ENRE, as required by the Adjustment Agreement, but the timeline for completing this process and the favorability to us of the final resolution are both uncertain. If we are not able to recover all of the incremental costs contemplated in the Adjustment Agreement and all such future cost increases or there is a significant lag time between when we incur the incremental costs and when we receive increased revenues, and/or if we are not successful in achieving a satisfactory re-negotiation of our tariff structure, we may be unable to comply with our financial and commercial obligations, we may suffer liquidity shortfalls and we may need to restructure our debt to ease our financial condition, any of which, individually or in the aggregate, would have a material adverse effect on our business and results of operations and may cause the value of our ADSs to decline. In this context and in light of the situation that affects the electricity sector, the ENRE issued Resolution No. 347/12 in November 2012, which establishes the application of fixed and variable charges that has allowed the Company to obtain additional revenue as from November 2012. However, such additional revenue is insufficient to make up the operating deficit due to the constant increase in operating costs and the estimated salary or third-party costs increases for the year 2013. Additionally, the Company cannot assure that it will be able to obtain additional financing on acceptable terms. As a result, there is substantial doubt with respect to the ability of the Company to continue as a going concern and our auditors' report included elsewhere in this annual report contains an explanatory paragraph expressing substantial doubt as to our ability to continue as a going concern. See "Item 5. Operating and Financial Review and Prospects—Factors Affecting our Results of Operations—Tariffs" and "Item 3. Key Information—Risk factors—Risks Relating to Our Business—Failure or delay to negotiate further improvements to our tariff structure, including increases in our distribution margin, and/or to have our tariff adjusted to reflect increases in our distribution costs in a timely manner, could have a material adverse effect on our capacity to perform our financial and commercial obligations. As a result, there is substantial doubt with respect to the ability of the Company to continue as a going concern."

Our principal uses of cash are expected to be operating costs, the servicing of our financial debt and our capital expenditures plan. We may need to incur indebtedness in the short term or increase our debt with the wholesale electricity market to cover operating costs, including further increases in our distribution costs and/or debt service payments. However, we are subject to limitations on our ability to incur new debt under the terms of our debt instruments so the Company cannot assure that it will be able to obtain additional financing on acceptable terms. See "—Debt". As of December 31, 2012 and 2011, our cash and cash equivalents amounted to Ps. 71.1 million and Ps. 130.5 million, respectively. We generally invest our cash in a range of instruments, including sovereign debt, corporate debt securities and other securities. The table below reflects our cash and cash equivalents position at the dates indicated and the net cash provided by (used in) operating, investing and financing activities during the years indicated:

	<b>Year ended December 31,</b>	
	<b>2012</b>	<b>2011</b>
	<i>(in millions of Pesos)</i>	
Cash and cash equivalents at the beginning of the year .....	Ps. 130.5	Ps. 246.0
Net cash flows provided by operating activities.....	635.1	659.0
Net cash flows used in investing activities .....	(565.5)	(794.0)
Net cash flows (used in) provided by financing activities .....	(165.8)	16.3
Gain from exchange differences in cash and cash equivalents.....	36.8	3.3
Changes in cash and cash equivalents.....	(96.2)	(118.8)
<b>Cash and cash equivalents at the end of the year .....</b>	<b>Ps. 71.1</b>	<b>Ps. 130.5</b>

### ***Net Cash flows provided by Operating Activities***

Net cash flows provided by operating activities decreased by 3.6% to Ps. 635.1 million in the year ended December 31, 2012, compared to Ps. 659.0 million in the year ended December 31, 2011.

This decrease is basically attributable to an increase in net loss from a net loss of Ps. 291.4 million for the year ended December 31, 2011, to a net loss of Ps. 1,013.4 million for the year ended December 31, 2012, mainly due to an increase in operating expenses during 2012, exchange rate differences and an interests in loans and other receivables, partially offset by a Ps. 99.8 million decrease in income tax. Moreover, the Company recognized a gain from acquisition of companies in 2011 and a loss on disposition of subsidiaries in 2012.

These negative impacts were partially offset by an increase in operating assets and liabilities, mainly due to a Ps. 410.7 million increase in funds collected through the Program on Rational Use of Electric Energy (PUREE), a Ps. 545.6 million increase in trade payables (including Ps. 189.9 million to the wholesale electricity market) and a Ps. 102.4 million increase in salaries and social security taxes payable. These increases in operating assets and liabilities were partially offset by a Ps. 342.0 million increase in trade receivables.

### ***Net Cash flows used in Investing Activities***

Net cash flows used in investing activities decreased 28.8% to Ps. 565.5 million in the year ended December 31, 2012 from Ps. 794.0 million in the year ended December 31, 2011.

Changes in net cash flows used in investing activities in 2012 were primarily due to variations in our capital expenditures and discontinued operations, partially offset by the collection of loans proceeds from borrowings (Ps. 142.4 million), and to the cash collected from the sale of Edesa (Ps. 83.0 million).

### ***Net Cash flows (used in) provided by Financing Activities***

In the year ended December 31, 2012, our cash flows from financing activities decreased by 1,117.1%, from a provision of Ps.16.3 million in the year ended December 31, 2011 to a use of Ps. 165.8 million in the year ended December 31, 2012, primarily as a result of the repayment of borrowings and discontinued operations, which was partially offset by the loans entered into during 2012 (68% lower than 2011).

### ***Edenor's Capital Expenditures***

Edenor's concession does not require us to make mandatory capital expenditures. Edenor's concession does, however, set forth specific quality standards that become progressively more stringent over time, which require us to make additional capital expenditures. Financial penalties are imposed on us for non-compliance with the terms of our concession, including quality standards.

Prior to our privatization, a low level of capital expenditures and poor maintenance programs adversely affected the condition of our assets. After our privatization in 1992, we developed an aggressive capital expenditure plan to update the technology of our productive assets, renew our facilities and expand energy distribution services,

automate the control of the distribution network and improve customer service. Following the crisis, however, the freeze of our distribution margins and the pesification of our tariffs and our inability to obtain financing, coupled with increasing energy losses, forced us to curtail our capital expenditure program and make only those investments that were necessary to permit us to comply with quality of service and safety and environmental requirements, despite increases in demand in recent years.

We are not subject to any limitations on the amount of capital expenditures we are required to make pursuant to our concession and applicable laws or regulations.

Our capital expenditures consist of net cash used in investing activities during a specified period plus supplies purchased in prior periods and used in such specified period. The following table sets forth our actual capital expenditures for the years indicated:

	<b>Year ended December 31,</b>	
	<b>2012</b>	<b>2011</b>
	<i>(in millions of Pesos)</i>	
Supplies.....	Ps. 287.4	Ps. 323.3
Network maintenance and improvements .....	208.9	55.7
Legal requirements <sup>(1)</sup> .....	11.7	6.1
Communications and telecontrol .....	5.5	9.1
Others.....	30.8	40.4
Total.....	Ps. 544.3	Ps. 434.7

(1) Capital expenditures required to be made to comply with the ENRE quality standard and other regulations.

In 2012, in accordance with our capital expenditure program, we invested Ps. 544.3 million, a substantial portion of which was dedicated to increasing the capacity of our grid in line with the growth of our customer base, which increased 1.0% in 2012. In addition, we made investments in order to meet our quality standards levels. Historical information on capital expenditures is not indicative of future capital expenditures.

### ***Debt***

The economic crisis in Argentina had a material adverse effect on our operations. The devaluation of the Peso caused the Peso value of our U.S. Dollar-denominated indebtedness to increase significantly, resulting in significant foreign exchange losses and a significant increase, in Peso terms, in our debt service requirements. At the same time, our cash flow remained Peso-denominated and our distribution margins were frozen and pesified by the Argentine government pursuant to the Public Emergency Law. Moreover, the 2001 and 2002 economic crisis in Argentina had a significant adverse effect on the overall level of economic activity in Argentina and led to deterioration in the ability of our customers to pay their bills. These developments caused us to announce on September 15, 2002 the suspension of principal payments on our financial debt. On September 26, 2005, our board of directors decided to suspend interest payments on our financial debt until the restructuring of this financial debt was completed.

The purpose of the restructuring was to restructure all, or substantially all, of our outstanding debt, in order to obtain terms that would enable us to service our financial debt. We believe that the restructuring was the most effective and equitable means of addressing our financial difficulties for our benefit and that of our creditors. We developed a proposal that we believed was necessary to address our financial and liquidity difficulties, while we continued to pursue tariff negotiations with the Argentine government to improve our financial condition and operating performance.

On January 20, 2006, we launched a voluntary exchange offer and consent solicitation to the holders of our outstanding financial debt. All of these holders elected to participate in the restructuring and, as a result, on April 24, 2006, we exchanged all of our then-outstanding financial debt for the following three series of newly issued notes, which we refer to as the restructuring notes:

- U.S. \$123,773,586 Fixed Rate Par Notes due December 14, 2016, with approximately 50% of the principal due and payable at maturity and the remainder due in semiannual installments commencing June 14, 2011, and bearing interest starting at 3% and stepping up to 10% over time;
- U.S. \$12,656,086 Floating Rate Par Notes due December 14, 2019, with the same payment terms as the Fixed Rate Par Notes and bearing interest at LIBOR plus a spread, which starts at 1% in 2008 and steps up to 2% over time; and
- U.S. \$239,999,985 Discount Notes due December 14, 2014, with 60% of the principal due and payable at maturity and the remainder due in semiannual installments commencing on June 14, 2008, and bearing interest at a fixed rate that starts at 3% and steps up to 12% over time.

As of the date of this annual report, all of the restructuring notes have been repaid and cancelled.

In October 2007, we completed an offering of U.S. \$220 million aggregate principal amount of our 10.5% Senior Notes due 2017, which we refer to as the Senior Notes due 2017. We used a substantial portion of the proceeds from that offering to redeem in full our Discount Notes due 2014 in several transactions throughout the period from October through December 2007.

During 2008, we repurchased and cancelled in several market transactions U.S. \$32.5 million principal amount of our Fixed Rate Par Notes due December 2016 and repurchased U.S. \$17.5 million of our Senior Notes due 2017, of which U.S. \$6 million Senior Notes due 2017 were cancelled.

In May 2009, we issued Ps. 75.7 million principal amount of Par Notes due 2013 under our Medium Term Note Program. The Par Notes due 2013 are denominated and payable in Pesos and accrue interest on a quarterly basis at a rate equal to the private BADLAR, as published by the Central Bank, for each such quarter plus 6.75%. Principal on the notes is payable in 13 quarterly installments, starting on May 7, 2010. As of December 31, 2012, the outstanding amount was Ps. 11.7 million.

During 2009, we repurchased and cancelled U.S. \$32.2 million Fixed Rate Par Notes due 2016 and repurchased U.S. \$53.8 million Senior Notes due 2017, U.S. \$24.5 million of which was transferred to us as a consequence of the dissolution of the discretionary trust described below.

On October 25, 2010, we issued Senior Notes due 2022 with a face value of U.S. \$ 230.3 million, of which U.S. \$ 140 million were subscribed under a cash offer and U.S. \$ 90.3 million were exchanged, as a result of an exchange offer, for Senior Notes due 2017, paying in cash U.S. \$ 9.5 million plus accrued unpaid interest on those Senior Notes due 2017. Edenor lunched an offer to purchase under which we purchased Senior Notes due 2017 with a face value of U.S. \$33.6 million for U.S. \$35.8 million, including payment of accrued and unpaid interest on the Senior Notes due 2017.

The Senior Notes due 2022 have a 12-year maturity and were issued at par, with interest accruing from the date of issuance at a fixed rate of 9.75% and payable semi-annually on October 25 and April 25 of each year, with the first interest payment on April 25, 2011.

During 2010 we repurchased and cancelled in several market transactions approximately U.S. \$7.3 million in principal amount of our Fixed Rate Par Notes due 2016 and U.S. \$0.04 million of our Senior Notes due 2017. Additionally, on October 18, 2010, we cancelled Senior Notes due 2017 with a nominal value of U.S. \$65.3 million.

In addition, on October 25, 2010, November 4, 2010, and December 9, 2010, we cancelled Senior Notes due 2017 for a face value of U.S. \$122.6 million, U.S. \$1.3 million, and U.S. \$0.04 million, respectively, representing approximately 83.3% of the Senior Notes due 2017 then outstanding. As of December 31, 2012, the outstanding amount of Senior Notes due 2017 was U.S. \$24.8 million.

On December 13, 2010, we cancelled the outstanding amount of our Fixed Rate Par Notes due 2016.

In February 2011, JPMorgan Chase Bank N.A., Sucursal Argentina, Deutsche Bank S.A., Banco Macro S.A., Banco de la Nación Argentina and Standard Bank Argentina S.A. granted us a series of short-term loans for a total of Ps. 280 million, at an average annual interest rate of 14.5% and for an average term of 90 days. The proceeds of these loans were used to grant short-term loans to certain of our affiliates. Such affiliates used the proceeds of these short-term loans to repay a portion of their own indebtedness. Below is a brief description of the Short-Term Loans we received and of the short-term loans we granted to certain of our affiliates.

Short-Term Loans received by Edenor:

- Banco Macro S.A. granted us a loan in an aggregate principal amount of Ps. 60 million (approximately U.S. \$15 million) maturing on May 13, 2011 and bearing interest at an annual rate of 15.16%, payable in a single installment at maturity;
- Deutsche Bank S.A. granted us a loan in an aggregate principal amount of Ps. 60 million (approximately U.S. \$15 million) maturing on May 13, 2011 and bearing interest at an annual rate of 14.85%. Accrued interest had been payable monthly and principal had been repaid in a single installment at maturity;
- Standard Bank Argentina S.A. granted us a loan in an aggregate principal amount of Ps. 55 million (approximately U.S. \$13.75 million) maturing on May 13, 2011 and bearing interest at an annual rate of 14.75%. Accrued interest had been payable monthly and principal had been repaid in a single installment at maturity;
- Banco de la Nación Argentina granted us loans in an aggregate principal amount of Ps. 81 million (approximately U.S. \$20.25 million), in three different tranches: (i) Ps. 50 million (approximately U.S. \$12.5 million) were disbursed on February 16, 2011; this tranche bore interest at an annual rate equal to the BADLAR Rate (as defined below) plus 400 bps and matured on August 16, 2011, (ii) Ps. 21 million (approximately U.S. \$5.25 million) were disbursed on February 16, 2011; this tranche bore interest at an annual rate of 11% and was renewable for fifteen-day periods until September 30, 2011, and (iii) Ps. 10.0 million (approximately U.S. \$2.5 million) were disbursed on March 4, 2011; this tranche bore interest at an annual rate equal to the BADLAR Rate plus 400 bps and matured on September 5, 2011. The BADLAR Rate was the interest rate for a 30 to 35 day fixed-term deposit of more than Ps. 1.0 million in Argentine private banks, which is published daily by the Central Bank; and
- JPMorgan Chase Bank N.A., Sucursal Argentina granted us a loan in an aggregate principal amount of Ps. 24 million (approximately U.S. \$6 million) which matured on May 13, 2011 and bore interest at an annual rate of 12%. Accrued interest was payable monthly and principal was repaid in a single installment at maturity.

Short-Term Loans granted by us to certain of our affiliates:

- Loan granted to Eden in an aggregate principal amount of Ps. 80.0 million (approximately U.S. \$20.0 million). This loan was canceled on May 2, 2012;
- Loan granted to Edelar in an aggregate principal amount of Ps. 31.2 million (approximately U.S. \$7.80 million);
- Loan granted to Edesa in an aggregate principal amount of Ps. 131.3 million (approximately U.S. \$32.83 million). This loan was cancelled when Edesa was sold to SIESA; and
- Loan granted to Edesal in an aggregate principal amount of Ps. 37.5 million (approximately U.S. \$9.37 million). This loan was canceled when Edesal was sold to Rovella.

The proceeds of these short-term loans were applied by Edelar, Edesa and Edesal to repay certain overdrafts of Edelar, Edesa and Edesal, and a portion of the balance under the loan agreement dated July 15, 2010, among Edelar, Edesa, Edesal, Standard Bank Argentina S.A., Banco Hipotecario S.A., Banco de Galicia y Buenos Aires S.A., Banco Ciudad de Buenos Aires y Banco Itaú Argentina S.A.

On March 4, 2011, as a result of the change of control in Eden triggered by our acquisition of Aeseba, Eden prepaid its loan with Standard Bank Argentina S.A. and HSBC Argentina S.A. Such repayment was made with Eden's funds and with the proceeds from the short-term loan that we granted to Eden in an aggregate amount equal to Ps. 80.0 million.

On the same date, we redeemed and cancelled all of our Floating Rate Par Notes due 2019.

In addition, on April 4, 2011, we and Pampa Energía S.A. entered into an agreement pursuant to which the Company would receive a U.S. \$ 5 million two-year term loan at an annual rate of 5%. The loan was used to finance several investments of the Company. This loan was repaid on November 3, 2011.

On April 26, 2011, we issued approximately U.S. \$69.7 million Senior Notes due 2022. This issuance constituted a reopening of the Senior Notes due 2022 originally issued in 2010; the new notes have the same terms as the Senior Notes due 2022 originally issued in 2010. The first interest payment on the new notes was made on October 25, 2011 and its cash proceeds were used to cancel the Short-Term Loans.

In the last week of April, we used the cash proceeds from the reopening of the Senior Notes due 2022 to cancel the Short-Term Loans.

On April 29, 2011, we entered into one-year term loans (with a maturity date of April 30, 2012) with each of Eden, Edesal, Edelar and Edesa to refinance the loans we granted to them at the time that we acquired them, with the purpose of allowing for the restructuring of their financial loans, in the amounts of Ps. 80.0 million, in the case of Eden, Ps. 31.2 million in the case of Edelar, Ps. 131.3 million in the case of Edesa and Ps. 37.5 million in the case of Edesal, each at an annual nominal rate of 16% with semiannual interest payments due on October 31, 2011 and April 30, 2012. These financing conditions are in accordance with those usually obtained in the market for this type of transaction.

At December 31, 2012, we recorded an allowance of Ps. 37.3 million for the total amount of the loan granted to Edelar, as we consider unlikely that such subsidiary, considering its current cash flows, will comply with payment when due. With the exception of this loan to Edelar, at the date of issuance of this annual report, the other loans have been totally repaid by the subsidiaries.

Furthermore, on November 3, 2011, we granted a loan to Eden for U.S. \$3.1 million at an annual rate of 8.50% and final maturity on November 2, 2012, which was used by Eden to pay its management fee to EASA.

Additionally, on July 8, August 5 and December 29, 2011, Eden made payments for Ps. 2.0 million, Ps. 2.5 million and Ps. 1.5 million, respectively, as early repayments of the loan granted by us, and in February 2012, Eden paid an additional Ps. 60.0 million. On May 2, 2012, Eden canceled the balance due under this loan.

Also, in June 2012 Eden canceled the U.S. \$ 3.1 million loan granted by us in November 2011. In April 2012, the Company capitalized in EDELAR's loan, the interest due and refinanced the loan on the same terms as the original agreement.

On May 10, 2012, the Edesa Sale was carried out, and as part of the transaction, Edesa fully repaid the loan granted by us for a total principal amount of Ps. 131.3 million, plus accrued interest.

On August 29, 2012, the Company signed a loan agreement with Emdersa for an amount of Ps.400 thousand maturing on November 29, 2012. It was granted at a nominal rate of 16%. At the maturity date, the accrued interests were capitalized and the loan was refinanced for a period of six months, under the same conditions.

Also, on November 20, 2012, the Company granted Emdersa loans for a total amount of Ps.1 million, at an annual fixed rate of 16%, with semiannual interest, to be paid in two amortizations due on May 31 and November 20, 2013. As of the date of this annual report, the amount due under this facility was Ps. 266 thousands.

#### ***Line of Credit –Edenor –Banco Ciudad Loan***

In order to optimize our management of working capital, in August 2011, as part of our line of credit with *Banco Ciudad*, we received a six-month loan for Ps. 5.8 million, with principal payment at the maturity. We made monthly interest payments on accrued interest at a fixed annual rate of 14.8%. This loan was paid in full and canceled before its maturity, which was scheduled for February 2014.

#### ***Line of Credit – Edenor–Banco de la Provincia de Buenos Aires Loans***

In March and June 2011, the company entered into loans for a total aggregate amount of Ps. 22 million, from Banco de la Provincia de Buenos Aires, with principal payments at maturity (March 2012, May 2012 and June 2014). We made monthly interest payments on accrued interest at a fixed annual rate of 14.0%.

As of December 31, 2012 and 2011, the outstanding balance under these loans amounted to Ps. 1.2 million and Ps. 13.9 million, respectively.

#### ***Line of Credit – Eden– Banco Nación Argentina – Banco Santander Río.***

On February 10, 2012, EDEN entered into a loan agreement of Ps. 60 million with Banco Nación Argentina, with monthly amortization and monthly interest payments at an annual interest rate at Badlar rate plus a spread of 4% and final maturity in February 2014. These funds were applied to the repayment of the financial loan granted by Edenor.

On June 22, 2012, EDEN entered into an overdraft agreement with Banco Santander Río, the main terms of which are the following: (i) the bank commits to provide financial assistance up to Ps.35 million which Eden may draw by no more than three requests under the agreement; (ii) the proceeds will be mainly used to refinance working capital; (iii) the final maturity of the first two drafts of Ps.5 million each, will be on July 23 and August 21, 2012, respectively; and the remaining draft of Ps.25 million, will fall due on February 27, 2013; (iv) the drafts will accrue compensatory interest at an annual nominal rate of 16.50%, 16.75% and 21.75% respectively; and (v) Eden will pay default interest at an annual nominal rate equivalent to 50% of the applicable interest rate.

#### ***Short–debt Securities Program – Eden***

On April 13, 2012, EDEN Shareholders' Meeting approved: (i) the creation of a short-term debt securities program of up to Ps.200.0 million (or its equivalent in other currencies) outstanding at any time, in the form of unsecured, subordinated or not, non-convertible into shares, with or without third-party guarantee, short-term corporate notes, promissory notes and/or short-term securities, under the umbrella of the special system of short-term debt securities established in the CNV's regulations; (ii) the issuance, under the framework of the Program, such short-term securities for up to the maximum amount permissible at any time, to be issued in one or more classes and/or series and denominated in pesos and/or in any other currency; and (iii) the application for the registration of this program in the special registry created by the CNV for the purpose of the issuance and public offering (to qualified investors only) of these short-term debt securities.

As of the date of this annual report, such short-debt securities program's approval by CNV is still pending.

## **Derivatives Contracts**

### ***Management of derivative financial instruments***

The Company has carried out transactions with derivative financial instruments with the aim of using them as economic instruments in order to mitigate the risk generated by the fluctuations in the US dollar rate of exchange.

a. Corporate Notes – Cash flows SWAP

In November 2010, the Company carried out a transaction with a derivative financial instrument with JP Morgan Chase Bank N.A. with the aim of hedging the foreign currency exchange rate of the cash flows and the interest payments to be made under its financial debt transactions.

This instrument provides an economic and financial hedge of the amounts in foreign currency that the Company must pay on the interest payment dates of its financial debt, arising from the Class 9 Fixed Rate Notes for up to US\$ 230.3 million, due on April 25, 2011, October 25, 2011, April 25, 2012 and October 25, 2012, in the event of fluctuations in foreign currency exchange rates.

Additionally, in April 2011, the Company carried out a transaction with a derivative financial instrument with Deutsche Bank S.A. with the aim of hedging the foreign currency exchange rate of the cash flows and interest payments arising from the new issuance of Class 9 Fixed Rate Notes for up to US\$69.7 million, payable on October 25, 2011, April 25, 2012 and October 25, 2012.

At December 31, 2012, the economic impact of these transactions resulted in a loss of Ps 2.2 million, which has been recorded in the financial expenses account of the Consolidated Statement of Comprehensive Loss.

b. Forward and Future Contracts

During the years ended December 31, 2012 and 2011, the Company entered into forward and futures contracts in order to mitigate the risk generated by the fluctuations in the US dollar rate of exchange.

As of December 31, 2011, the aforementioned transactions were fully settled. As of December 31, 2012, the Company did not enter into forward and future contracts.

## **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

A summary of our significant accounting policies is included in Note 6 to our Consolidated Financial Statements, which are included elsewhere in this annual report. The preparation of financial statements requires our management to make estimates and assumptions that affect the amounts reported in our financial statements and accompanying footnotes. Our estimates and assumptions are based on historical experiences and changes in the business environment. However, actual results may differ from estimates under different conditions, sometimes materially. Critical accounting policies and estimates are defined as those that are both most important to the portrayal of our financial condition and results of operation and require management's most subjective judgments. Our most critical accounting policies and estimates are described below.

### ***Allowances for the impairment of receivables***

The Company is exposed to impairment losses of receivables. Management estimates the final collectability of accounts receivable.

The allowance for the impairment of accounts receivable is evaluated based on the historical level of collections for services billed through the end of each year and collections subsequent thereto. Additionally, Management records an allowance based on an individual analysis of the recoverability of receivable accounts in litigation and of those customers included in the Framework Agreement.

### ***Revenue recognition***

Revenue is recognized on an accrual basis upon delivery to customers, which includes the estimated amount of unbilled distribution of electricity at the end of each year. We consider our accounting policy for the

recognition of estimated revenue critical because it depends on the amount of electricity effectively delivered to customers which is valued on the basis of applicable tariffs. Unbilled revenue is classified as current trade receivables.

### *Impairment of long-lived assets*

Long-term assets, including identifiable intangible assets, are tested for impairment at the lowest level at which independent cash flows can be identified (cash generating units, or CGU).

The Company's subsidiaries constitute a cash generating unit as they have a concession area for the distribution of electricity. Consequently, each subsidiary represents the lowest asset disaggregation level that generates independent cash flows.

The Company analyzes the recoverability of its non-current assets on a periodical basis or when events or changes in circumstances indicate that the recoverable amount of assets, which is measured as the value in use at the end of the year, may be impaired.

The value in use is determined based on projected and discounted cash flows, using discount rates that reflect the time value of money and the specific risks of the assets considered.

Cash flows are prepared on the basis of estimates concerning the future performance of certain variables that are sensitive to the determination of the recoverable amount, among which the following can be noted: (i) nature, opportunity and modality of electricity rate increases and cost adjustment recognition in accordance with the Adjustment Agreement; (ii) demand for electricity projections; (iii) evolution of the costs to be incurred, and; (iv) macroeconomic variables, such as growth rates, inflation rates and foreign currency exchange rates.

The future increase in electricity rates used by the Company to assess the recoverability of its long-lived assets as of December 31, 2012, is based on the Company's contractual right derived from the concession contract and the adjustment agreement described in Note No. 2. C. I. of our Consolidated Financial Statements. Furthermore, the actions taken to maintain and guarantee the provision of the public service, the filings made to the regulatory authorities, the status quo of the discussions that are being held with government representatives, the announcements made by government officials concerning possible changes in the sector's revenues to restore the economic and financial equation, and certain measures recently adopted, such as the new fixed and variable charges described in Note 2 of our Consolidated Financial Statements, have also been considered. In light of the aforementioned, the Company's Management estimates that it is reasonable to expect that new increases in revenues will be obtained as from 2013.

In spite of the current economic and financial situation, the Company has made its projections under the assumption that the electricity rates will be improved according to the circumstances. However, the Company may not ensure that the future performance of the variables used to make its projections will be in line with what it has estimated. Therefore, significant differences may arise in relation to the estimates used and assessments made as of the date of this annual report.

In order to contemplate the estimation risk contained in the projection of the aforementioned variables, the Company has considered three different probability-weighted scenarios. Although in all of them an acceptable agreement with the Argentine National Government resulting in gradual tariff increases is assumed, the Company has considered different timing and magnitude of expected VAD increases. The three scenarios consider VAD increases as a result of the RTI process since 2013. These three scenarios can be classified into optimistic, intermediate and pessimistic cash flows depending on the opportunity of the application and magnitude of the expected CMM. The Company has assigned for these scenarios the following percentages of probability of occurrence based primarily on the experience with past delays in the tariff renegotiation process: optimistic scenario: 30%, intermediate scenario: 50%, and pessimistic scenario: 20%.

Based on the above description, the Company has determined that the valuation of property, plant and equipment does not exceed their recoverable amount as of December 31, 2012.

### ***Current and deferred income tax/ Tax on minimum presumed income***

In order to determine the income tax provision, it is necessary to make estimates inasmuch as the Company will have to evaluate, on an ongoing basis, the positions taken in tax returns in respect of those situations in which the applicable tax legislation is subject to interpretation. Whenever necessary, the Company is required to make provisions based on the amount expected to be paid to the tax authorities.

When the final taxable result differs from the amounts initially recognized in the provision as a consequence of estimates, such differences will affect both income tax and the determination of deferred tax assets and liabilities.

If the final taxable result differs by 10% from the estimates made, the Company would need to:

- Increase the net deferred tax liability by Ps.11.4 million, if the difference was unfavorable; or
- Decrease the net deferred tax liability by Ps.11.4 million, if the difference was favorable.

A significant degree of judgment is required to determine the income tax provision. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for eventual tax claims based on estimates of whether additional taxes will be due in the future. When the final tax outcome of these matters differs from the amounts initially recognized, such differences will impact on current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets are reviewed at each reporting date and reduced in accordance with the low probability that the sufficient taxable base will be available to allow for the total or partial recovery of these assets. Deferred tax assets and liabilities are not discounted. In assessing the realization of deferred tax assets, management considers that it is likely that a portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets depends on the generation of future taxable income in the periods in which these temporary differences become deductible. To make this assessment, management takes into consideration the scheduled reversal of deferred tax liabilities, the projections of future taxable income and tax planning strategies.

### ***Going concern***

The Consolidated Financial Statements have been prepared in accordance with the accounting principles applicable to a going concern, assuming that the Company will continue to operate normally. Therefore, they do not include the effects of the adjustments or reclassifications, if there were any, which might be necessary to make if the situation described in Note 1 to our Consolidated Financial Statements is not resolved.

In the years ended December 31, 2012 and 2011, the Company recorded negative operating and net results, with its liquidity level and working capital having been affected as well. This situation is due mainly to both the continuous increase of its operating costs that are necessary to maintain the level of the service, and the delay in obtaining rate increases and higher costs recognition (“CMM”), requested in the presentations made until the date of this annual report by the Company in accordance with the terms of the Adjustment Agreement.

It is worth mentioning that the Company has not only maintained the quality of the distribution service but also satisfied the constant year-on-year increase in the demand for electricity that has accompanied the economic growth of recent years. Due to both the continuous increase recorded in the costs associated with the provision of the service and the need for additional investments to meet the increased demand, the Company has adopted a series of measures aimed at mitigating the negative effects of this situation on its financial structure, such as reducing certain specified costs, selling certain investments, reducing top management personnel’s fees, seeking new financing options, refinancing the financial debt with extended maturity terms and/or deferring the timing for certain estimated

capital expenditures; provided that these measures do not affect the sources of employment, the execution of the investment plan or the carrying out of the essential operation and maintenance works that are necessary to maintain the provision of the public service.

In this regard, and among other measures, the Company has (i) entered into an agreement with unions in order to grant interim advances, which were included in salaries as from January 2013; (ii) made arrangements and obtained payments in advance by the Federal Government of amounts relating to the Framework Agreement; (iii) collected the total amount of the loans granted to the subsidiary company EDEN, and (iv) sold its shareholding in connection with EDESA's assets and collected the totality of the loan granted to such subsidiary company.

Furthermore, the Company has made a series of presentations before control and regulatory authorities in order to jointly instrument the necessary mechanisms to contribute to an efficient provision of the distribution service, the maintenance of the level of investments and the compliance with the increased demand. In this context and in light of the situation that affects the electricity sector, the ENRE has issued Resolution No. 347/12 (see note 2.c.V to the Consolidated Financial Statements), which establishes the application of fixed and variable charges that have allowed the Company to obtain additional revenue as from November 2012. However, such additional revenue is insufficient to make up the aforementioned deficit due to the constant increase of operating costs and the expectations regarding salary or third-party costs increases for the year 2013.

In view of the foregoing, and given the inefficacy of the administrative and judicial actions pursued and presentations made by the Company, on December 28, 2012, an action for the protection of the Company's rights ("acción de amparo") was brought against the ENRE so that the Regulatory Authority, in the performance of its duties, could adopt those measures which, in the Company's opinion, are not only urgently needed but also essential for the provision of the public service of electricity distribution that the Company is required to provide under the concession agreement on a continuous, regular and safe basis. Specifically, this action was brought not only to abate the ENRE's unlawful omission, as the Application Authority, to adjust the electricity rate schedule in accordance with the variations recorded in costs, as established in the applicable agreement and the law, thus preventing the Company from receiving, in consideration of the service currently provided, sufficient revenues to face the necessary operating costs and the indispensable and imperative investments to provide the service in a continuous, regular, and, especially, safe manner, but also as a protection against corporate, personal and criminal liability that could eventually arise from the conditions under which the Company is forced to provide the service.

With the aim of maintaining and guaranteeing the provision of the public service, and in order to mitigate the effects of our adverse financial situation, given the aforementioned cash deficit, as from October 2012 the Company found itself forced to partially cancel, on a temporary basis, the obligations with the Wholesale Electricity Market with surplus cash balances after having complied with the commitments necessary to guarantee the provision of the public service, including the investment plans underway and operation and maintenance works. We consider this situation as a transitional measure to be applied until the new regulatory model announced by the National Authorities, aimed at restoring the economic and financial equation of the Concession Agreement, is implemented. In connection with the foregoing, the Company has been ordered by the ENRE and CAMMESA to cancel such debt. In its reply to the ENRE, the Company rejected the Regulatory Authority's competence to intervene in its commercial issues with third parties, and, in its reply to CAMMESA, the Company stated that the cash deficit that prevents it from canceling the total amount of the debt is a case of force majeure inasmuch as the Company does not have the possibility of approving its electricity rates, but, at the same time, has to maintain the priority given to the operation of the public service.

Should the conditions existing at the date of the Consolidated Financial Statements continue, the Board of Directors believes that the Company's economic and financial situation will continue to deteriorate and cash flows and operating results for the year 2013, and financial ratios, will be negatively impacted.

Furthermore, the negative results recorded by the Company as of December 31, 2012, require the use of 100% of the Company's reserves and more than 50% of its capital stock. Section 206 of the Commercial Companies Act provides for a compulsory reduction of capital stock when this situation occurs and, therefore this loss of capital stock must be dealt with and resolved by the Company's shareholders.

In light of the foregoing the Company's Board of Directors continues analyzing different scenarios and possibilities to mitigate or reduce the negative impact of the Company's situation on its operating cash flows and thereby present the shareholders with diverse courses of action. Nevertheless, the improvement of revenues so as to balance the economic and financial equation of the concession continues to be the most relevant aspect.

The outcome of the overall electricity rate review is uncertain as to both its timing and final form. Therefore, the uncertainties of the year 2011 continued during 2012. Thus if in fiscal year 2013: (i) the new electricity rate schedules are not issued by the ENRE; (ii) the Company is not granted another mechanism to compensate for its cost increases, in addition to the revenue obtained as a result of Resolution 347/12 or the funds derived from the PUREE, and/or; (iii) the Company does not obtain from the Federal Government another mechanism that provides it with financing for cost increases, it is likely that the Company will have insufficient liquidity and will therefore be obliged to implement various measures to preserve cash and enhance its liquidity. Additionally, the Company may not assure you that it will be able to obtain additional financing on acceptable terms. Therefore, should any of these measures, individually or in the aggregate, not be achieved; there is significant risk that such situation will have a material adverse impact on the Company's operations. Edenor may need to enter into a renegotiation process with its suppliers and creditors in order to obtain changes in the terms of its obligations to ease the aforementioned financial situation.

Given the fact that the realization of the projected measures to revert the manifested negative trend depends, among other factors, on the occurrence of certain events that are not under the Company's control, such as the requested electricity rate increases or their replacement by a new remuneration system, the Board of Directors has raised substantial doubt about the ability of the Company to continue as a going concern in the term of the next fiscal year.

Nevertheless, the Consolidated Financial Statements have been prepared in accordance with the accounting principles applicable to a going concern, assuming that the Company will continue to operate normally. Therefore, they do not include the effects of the adjustments or reclassifications, if there were any, that might result from the outcome of this uncertainty.

#### ***Benefit plans***

The liability recognized by the Company is the best estimate of the present value of the cash flows representing the benefit plan obligation at the closing date of the year together with the adjustments for actuarial losses. Cash flows are discounted using the interest rate of high-quality corporate bonds denominated in the same currency in which the benefits will be paid. Such estimate is based on actuarial calculations made by independent professionals in accordance with the projected unit credit method.

#### ***ENRE Penalties and Discounts - PUREE***

We consider our accounting policy for the recognition of ENRE Penalties and Discounts critical because it depends on the penalizable events which are valued on the basis of management best estimate, at the date of the Consolidated Financial Statements, of the expenditure required to settle the present obligation. The balances corresponding to ENRE Penalties and Discounts are adjusted in accordance with the regulatory framework applicable thereto.

The balances corresponding to the Program for the Rational Use of Electric Power (PUREE) are the best estimate of the expenditure required to settle the present obligation.

#### ***Allocation of the purchase price in business combinations***

The Company accounts for business combinations by applying the acquisition method, which requires that identifiable assets acquired and liabilities assumed be recorded at their respective fair value at the acquisition date. The determination of the fair values of identifiable assets acquired and liabilities assumed requires management to make estimates and use valuation techniques, including the use of independent appraisers, when the market value is

not easily available. The excess of the acquisition cost over the fair value of the net identifiable assets acquired is allocated to goodwill.

If the fair value of the net identifiable assets acquired is higher than their acquisition cost, Management must reassess whether all acquired assets and all liabilities assumed have been properly identified before recognizing a bargain purchase in order to ensure that the measurements properly reflect the consideration of all the available information as from the acquisition date. Once the Company is certain that measurements are appropriate, the resulting gain must be recognized on the acquisition date. The gain is attributed to the acquiring entity.

The valuation assumptions underlying each of these valuation methods are based on the current available information, including discount rates, estimated cash flows, market risk rates and other.

The purchase price allocation is subject to changes during the twelve-month period subsequent to the acquisition date, with the adjustments reflected prospectively. At present, there are no balances related to purchase accounting subject to change. We consider our accounting policy for the valuation of acquisitions critical because the judgments made to determine the estimated fair value and expected useful lives assigned to each class of assets and liabilities acquired may impact the value of the asset or liability, including the impact on deferred taxes, the respective amortization periods and ultimately net income (loss). Therefore, the use of other valuation methods, as well as other assumptions underlying these valuation methods, could impact the determination of our financial position and results of operations.

On March 4, 2011, our Board of Directors approved an offer from the Company's indirect controlling company Pampa Energía. As a consequence, Edenor was appointed by Pampa as the acquiring party under the Pampa-AEI Agreement. Therefore, on March 4, 2011, we acquired from AEI Utilities, S.L. ("AEIU") (i) 182,224,095 common shares of Emdersa representing 77.19% of Emdersa's capital stock and votes ("Emdersa's Shares"), (ii) 2 common shares of Empresa Distribuidora de San Luis S.A. ("Edesal") representing 0.01% of Edesal's capital stock and votes, (iii) 600 common shares of Emdersa Generación Salta S.A. ("EGSSA") representing 0.02% of EGSSA's capital stock and votes, (iv) 1 common share of Empresa Distribuidora de Electricidad de la Rioja S.A. ("EDELAR") representing 0.01% of EDELAR's capital stock and votes, (v) 1 common share of Empresa de Sistemas Eléctricos Abiertos S.A. ("ESED") representing 0.01% of ESED's capital stock and votes, (all of the shares mentioned in items (ii) through (v) hereinafter referred to as the "Residual Shares") and (vi) 29,118,127 common shares of AESEBA S.A. representing 99.99% of AESEBA's capital stock and votes ("AESEBA's Shares"). The price paid by us for the aforementioned assets amounted to U.S. \$ 90 million for Emdersa's Shares and the Residual Shares acquired from AEIU and to U.S. \$50 million for AESEBA's Shares acquired from AEIU.

Within the framework of the offer made by Pampa and accepted by us, the parties additionally agreed that if within 3 years following acquisition date of Emdersa's Shares, the Residual Shares and AESEBA's Shares, we sold either totally or partially any of such shares, Pampa would be entitled to receive from the Company a payment equivalent to 50% of the amount received for the sale thereof in excess of the amount paid to AEIU for any of such Shares (Emdersa's Shares and/or Residual Shares and/or AESEBA's Shares).

In compliance with current regulations, we formally consulted the CNV about the steps to be followed with regards to the public offering for the acquisition of Emdersa's Shares that we are required to make to Emdersa's minority shareholders due to the change in Emdersa's control and in accordance with the provisions of the Capital Markets Law and the CNV's regulations.

The acquisitions have been recorded in accordance with the purchase method on the basis of the fair value measurements of the acquired assets and liabilities.

The consideration paid, the amount of the net acquired assets recognized at the acquisition date and the generated gain are as follows:

	<i>(In thousand of Ps.)</i>
<b>Consideration:</b>	
Cash	(561,953)
<b>Consideration transferred</b>	<u>(561,953)</u>
Fair value of net assets acquired	<u>996,912</u>
<b>Gain bargain purchase</b>	<u><u>434,959</u></u>

In addition, under IFRS the excess of the fair value of the net assets acquired, including those recognized in the reassessment of the purchase price allocation, over the consideration paid and the non-controlling interest has been considered as a gain in bargain purchase, because the seller had started a process for divesting its net assets in the region and, consequently, it sold them at values lower than their respective fair value.

This gain from acquisition of companies is included in the consolidated statement of comprehensive loss.

The fair value of the assets acquired and liabilities assumed, recognized at the date of acquisition, as well as the fair value of the non-controlling interest are as follows:

	<i>(In thousand of Ps.)</i>
	<b>Fair value</b>
	<u>                    </u>
Cash and cash equivalents	119,042
Property, plant and equipment	1,120,925
Intangible assets	760,479
Inventories	4,256
Trade receivables	255,260
Other receivables	84,649
Trade payables	(257,770)
Borrowings	(450,018)
Deferred tax liability	(78,845)
Other liabilities	(331,026)
<b>Net assets</b>	<u>1,226,952</u>
Non-controlling interests	<u>(230,040)</u>
<b>Net assets acquired</b>	<u><u>996,912</u></u>

#### *Assets available for sale*

As a consequence of the tariffs delay, and with the aim of mitigating unfavorable financial and economic aspects, the Company considered the disposition of certain subsidiaries. In this context, it has decided to sell certain subsidiaries with the consequent loss of control. In accordance with IFRS, when the following criteria are met (even if the entity retains a non-controlling interest in its former subsidiary after the sale), the Company will classify all the associated assets and liabilities as available for sale:

- i. Its carrying amount will be recovered mainly through a sale transaction, rather than by its continued use.
- ii. It must be available, in its current conditions, for immediate sale, subject exclusively to the usual terms for the sale of this subsidiary.
- iii. Its sale must be highly probable, for which purpose management must be committed to a plan to sell, and an active program to locate a buyer and complete such plan must have been initiated. Moreover, the sale of the subsidiary must be actively negotiated at a sale price reasonable in relation to its present fair value. Furthermore,

it must be expected that the sale will comply with the conditions to be recognized as a completed sale within a year of classification as held for sale (unless the delay is caused by events or circumstances that are not under the entity's control, and sufficient evidence exists that the entity is still committed to its plan to sell the subsidiary), and the actions required to complete the plan indicate that it is unlikely that the plan will be significantly changed or withdrawn.

The assets and liabilities associated to those subsidiaries that the Company intends to sell, which comply with the aforementioned conditions, were reclassified in a single line item within current assets and current liabilities, denominated "Assets of disposal groups classified as held for sale" and "Liabilities of disposal groups classified as held for sale", respectively. In addition, these assets and liabilities have been valued at the lower of carrying amount or fair value less costs to sell, recognizing a loss when the first value is higher than the second.

Measurement on fair value less costs to sell implies assumptions that are determined based on current available information, such as offers, if any, and market conditions.

### ***Contingencies and provisions for lawsuits***

The Company is a party to several complaints, lawsuits and other legal proceedings, including customer claims, in which a third party is seeking payment for alleged damages, reimbursement for losses or compensation. The Company's potential liability with respect to such claims, lawsuits and legal proceedings may not be accurately estimated. Management, with the assistance of its legal advisors (attorneys), periodically analyzes the status of each significant lawsuit and evaluates the Company's potential financial exposure. If the loss deriving from a complaint or legal proceeding is considered probable and the amount can be reasonably estimated, a provision is recorded.

Provisions for contingent losses represent a reasonable estimate of the losses that will be incurred, based on the information available to management at the date of the financial statements preparation, taking into account the Company's litigation and settlement strategies. These estimates are mainly made with the help of legal advisors. However, if the management's estimates proved wrong, the current provisions could be inadequate and result in a charge to profits that could have a material adverse effect on the statements of financial position, comprehensive income, changes in equity and cash flows.

## OFF-BALANCE SHEET ARRANGEMENTS

We did not have any off-balance sheet arrangements as of December 31, 2012 and 2011.

### TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The following table summarizes our contractual liabilities and commitments as of December 31, 2012. Peso amounts have been translated from U.S. Dollar amounts at the buying rate for U.S. Dollars quoted by Banco Nación on December 31, 2012 of Ps. 4.918 to U.S. \$1.00.

	Payments due by period				
	Total	Less than 1 year	1-3 years	4-5 years	More than 5 years
	(in millions of Pesos)				
Long term debt obligations and commercial debt obligations <sup>(1)</sup> .....	Ps.4,082.2	1,457.0	171.9	561.8	1,891.4
Accrued fines and penalties <sup>(2)</sup> .....	662.0	45.0	617.0	—	—
Financial assistance fees <sup>(3)</sup> .....	12.2	12.2	—	—	—
Operating leases <sup>(4)</sup> .....	53.2	16.7	31.6	4.9	—
Capital expenditures <sup>(5)</sup> .....	—	—	—	—	—
Total .....	Ps.4,809.6	Ps. 1,530.9	Ps. 820.5	Ps. 566.7	Ps. 1,891.4

1) Includes amortization of principal and interest payments. All of our financial indebtedness is unsecured. None of our financial indebtedness is guaranteed. See “—Debt” in this section for a broader description of our financial debt.

2) Includes adjustments made to reflect the ratification of the Adjustment Agreement. We were required to make an adjustment to a portion of our accrued fines and penalties totaling (i) Ps. 47.0 million to reflect the increase to our VAD pursuant to the Adjustment Agreement and the May 2006 CMM and (ii) Ps. 17.2 million and Ps. 18.1 million to reflect the CMM adjustment for the years ending December 31, 2008 and 2007, respectively. In addition, pursuant to the terms of the Adjustment Agreement, the Argentine government agreed, subject to the fulfillment of certain conditions, to forgive, upon the completion of the RTI, approximately Ps. 71.4 million of our accrued fines and penalties and allow us to pay the balance of these fines and penalties in semi-annual installments over a 7-year period commencing 180 days after the RTI comes into effect. Because the Adjustment Agreement was not ratified until January 2007, we have recalculated the amounts of accrued fines and penalties subject to the payment plan under the terms of the Adjustment Agreement as well as the amounts subject to forgiveness. See “Business—Our Concession—Fines and Penalties.”

3) Fees payable under our financial services agreement with EASA, our controlling shareholder. This agreement expired in 2010 and was renewed for a five-year period. See “Related Party Transactions—Financial Services Agreement with EASA.”

4) Represents our minimum required lease payments.

5) Our concession does not require us to make any specified amount of capital expenditures, but requires us to meet certain quality and other service standards. See “—Liquidity and Capital Resources—Capital Expenditures.”

#### **Item 6. Directors, Senior Management and Employees**

## **DIRECTORS AND SENIOR MANAGEMENT**

### **Board of Directors**

Our business and affairs are managed by our board of directors in accordance with our bylaws and the Argentine Companies Law. Our bylaws provide that our board of directors will consist of twelve directors and up to the same number of alternate directors. Pursuant to the Argentine Companies Law, a majority of our directors must be residents of Argentina.

Edenor bylaws provide that holders of our Class A common shares are entitled to elect seven directors and up to seven alternate directors, one of which must be independent in accordance with CNV regulations, holders of our Class B and Class C common shares are entitled to elect five directors and up to five alternate directors, one of which must be independent in accordance with CNV regulations. Holders of Class C common shares vote jointly as a single class with the holders of Class B common shares in the election of directors. In the absence of a director elected by holders of a class of shares, any alternate director elected by holders of the same class may legally attend and vote at meetings of our board of directors. The board of directors elects among its members a chairman and a vice president.

Directors and alternate directors serve for one-year periods, indefinitely renewable. Our directors and alternate directors are as follows:

<u>Name</u>	<u>Position</u>	<u>Age</u>	<u>Year of appointment (class electing director)</u>
Ricardo Torres	Chairman	55	2013 (Class A)
Gustavo Mariani	Vice Chairman	42	2013(Class A)
Pablo Díaz	Director	45	2013 (Class A)
Marcos Marcelo Mindlin**	Director	48	2013 (Class A)
Maximiliano Alejandro Fernández*	Director	52	2013 (Class A)
Eduardo Llanos*	Director	68	2013 (Class A)
Edgardo Alberto Volosín	Director	59	2013 (Class A)
Emmanuel Alvarez Agis*	Director	31	2013 (Class B/C)
Patricia Charvay *	Director	30	2013 (Class B/C)
Marcela Sacavini*	Director	27	2013 (Class B/C)
Victoria Von Storch*	Director	35	2013 (Class B/C)
Valeria Martofel*	Director	34	2013 (Class B/C)
Diego Martín Salaverri	Alternate Director	48	2013 (Class A)
Jaime Barba	Alternate Director	49	2013 (Class A)
Damian Miguel Mindlin **	Alternate Director	46	2013 (Class A)
Leandro Montero	Alternate Director	37	2013 (Class A)
Daniel Flaks	Alternate Director	48	2013 (Class A)
Mariano Batistella	Alternate Director	30	2013 (Class B/C)
Diana Mondino*	Alternate Director	54	2013 (Class A)
Eduardo Setti*	Alternate Director	[ ]	2013 (Class B/C)
Edgardo Ruibal *	Alternate Director	39	2013 (Class B/C)
Diego Leiva *	Alternate Director	37	2013 (Class B/C)
Eduardo Endeiza *	Alternate Director	37	2013 (Class B/C)
Pablo Martínez Burket*	Alternate Director	47	2013 (Class B/C)

\* Independent under Argentine law and under Rule 10A-3 under the Securities Exchange Act of 1934, as amended.

\*\* The following family relationships exist within the board of directors: Marcos Marcelo Mindlin and Damián Miguel Mindlin are brothers.

The following is a brief description of our current directors' and alternate directors' background, experience and principal business activities:

**Ricardo Alejandro Torres** was born on March 26, 1958. He has been a member of our board of directors since November 2005 and was reelected as a director in 2011. From 1993 and 2001 Mr. Torres served as Financial Director of Inversiones y Representaciones S.A. and as a director of Alto Palermo, Brazil Realty, Emprendimientos e Participaciones S.A., Abril S.A. and Inversora Bolivar S.A. Mr. Torres is, since March 2012 President of Edenor. Mr. Torres has also held a post as a professor of Tax and Finance at the School of Economics of the Universidad de Buenos Aires. He currently serves as director of Pampa Real Estate S.A., Pampa Participaciones II S.A., HINISA, HIDISA, Inversora Nihuales S.A, Inversora Diamante S.A, Darwin Chile Inversora Inmobiliaria S.A., Veredit S.A., Central Térmica Güemes, Powerco S.A. Darwin Chile II Inversora Inmobiliaria S.A., Loma de la Lata, Central Piedra Buena, Corporación Independiente de Energía S.A., Dolphin Energía S.A, IEASA S.A, Inversora Ingentis S.A., Energía Distribuida S.A., Pampa Generación S.A., Petrolera Pampa S.A., Pampa Participaciones S.A., Central Hidroeléctrica Lago Escondido S.A., Empresa Distribuidora de Salta S.A., Inversora Ingentis S.A., Empresa Distribuidora de La Rioja S.A., Esed S.A. and Bodega Loma de la Lata S.A. and as alternate director of Emdersa, Citelec, Transba and Transener. Mr. Torres holds a degree in Public Accounting from the Universidad de Buenos Aires and a Masters degree in Business Administration from the Instituto de Altos Estudios Empresariales—Escuela de Negocios de la Universidad Austral.

**Marcos Marcelo Mindlin** was born on January 19, 1964. He has been Chairman of our board of directors since June 16, 2006, and was reelected as Chairman in 2009. From 1989 to 2004, Mr. Mindlin served as the founder, Senior Portfolio Manager and a shareholder of Grupo Dolphin. From 1991 to 2003, Mr. Mindlin was also a shareholder, Vice-Chairman and Chief Financial Officer of Inversiones y Representaciones S.A. (IRSA), a leading Argentine real estate company listed on the New York Stock Exchange. In November 2003, Mr. Mindlin resigned from IRSA to focus his work on Grupo Dolphin. Mr. Mindlin has extensive expertise in Latin America through his role as Chairman of the board of directors of Grupo Dolphin and several of its affiliates. From 1999 to 2004, Mr. Mindlin also served as Vice President of Alto Palermo S.A. (a leading owner and operator of shopping centers in Buenos Aires), Vice President at Cresud S.A.I.C. (one of the largest listed agricultural companies in Argentina) and as Director and member of the Executive Committee of Banco Hipotecario, the leading mortgage bank in Argentina. Mr. Mindlin also serves as director of Edenor, Grupo Dolphin S.A., Dolphin Energía S.A., Electricidad Argentina S.A., IEASA S.A., Citelec, Transba, HINISA, HIDISA, Transelec Argentina S.A., Loma de la Lata, Comunicaciones y Consumos S.A., Préstamos y Servicios S.A., Powerco S.A., Central Térmica Güemes, Inversora Diamante S.A., Inversora Nihuales S.A., Dolphin Créditos S.A., Dolphin Créditos Holding S.A., Dolphin Inversora S.A., Grupo ST S.A., Inversora Ingentis S.A., Central Piedra Buena, Corporación Independiente de Energía S.A., Petrolera Pampa S.A., Pampa Participaciones II S.A., Energía Distribuida S.A., Pampa Generación S.A., Central Hidroeléctrica Lago Escondido S.A., Pampa Participaciones S.A., Bodega Loma de la Lata S.A., Pampa Real Estate S.A. and Enron Pipeline Company Argentina S.A.. In 2008, Mr. Mindlin founded and since that time has directed a charity foundation called “*Fundación Todo X los Chicos*,” whose purpose is to improve childhood development and education. Mr. Mindlin is also a member and was Chairman of the Board of the Executive Committee of Tzedaka, a leading Jewish-Argentine foundation. He is a member of the Council of the Americas. Mr. Mindlin received a Master of Science in Business Administration from the Universidad del CEMA (Center of Macroeconomic Studies). He also holds a degree in Economics from the Universidad de Buenos Aires.

**Pablo Díaz** was born on June 26, 1957. Mr. Díaz has been member of our board of directors since 2012. Previously he has served as alternate director. Mr. Díaz currently serves as an advisor to the president of Grupo Dolphin S.A. He also serves as an alternate director at Transba S.A. and a Director of Inversora Ingentis S.A., Inversora Nihuales S.A., Inversora Diamante S.A., Pampa Participaciones II S.A., Central Térmica Güemes S.A., Corporación Independiente de Energía S.A., Hidroeléctrica Diamante S.A., Hidroeléctrica Nihuales S.A., Citelec S.A. and Transener S.A. Previously, he was an Advisor at the Argentine Undersecretary for Electrical Energy (*Subsecretaría de Energía Eléctrica*) and has held various positions in the electricity industry.

**Gustavo Mariani** was born on September 9, 1970. He has been a member of our board of directors since November 2005 and was reelected as a director in 2012. Mr. Mariani joined Grupo Dolphin in 1993 as an analyst and also served as an investment portfolio manager. He currently serves as Director of Grupo Dolphin S.A., Dolphin Energía S.A., Dolphin Finance S.A, Electricidad Argentina S.A., Edenor, HINISA, HIDISA, Inversora Nihuales S.A, Inversora Diamante SA, Enron Pipeline Company Argentina S.A., TGS, Compañía de Inversiones de

Energía S.A., Central Térmica Güemes, IEASA S.A., Transelec Argentina S.A., Loma de la Lata, Pampa Participaciones S.A., Pampa Real Estate S.A., Comunicaciones y Consumos S.A., Compañía Buenos Aires S.A., Dolphin Créditos S.A., Dolphin Créditos Holding S.A., Dolphin Inversora S.A., Inversora Ingentis S.A., Central Piedra Buena, Corporación Independiente de Energía S.A., Petrolera Pampa S.A., Pampa Participaciones II S.A., Energía Distribuida S.A., Pampa Generación S.A., Central Hidroeléctrica Lago Escondido S.A., and Bodega Loma de la Lata S.A., and as alternate director of Citelec, Transba, Préstamos y Servicios S.A. y Grupo ST S.A. Mr. Mariani holds a degree in Economics from the Universidad de Belgrano and a Masters degree in Business Administration from the Universidad del CEMA.

**Maximiliano Alejandro Fernández** was born on April 21, 1960. He has been a director of Edenor since 2007 and has served as a director of EASA from 2005 to 2007. Mr. Fernández has been an associate at Impsat Fiber Network since 1998, and currently serves as president of Red Alternative S.A. Mr. Fernández served as the chairperson of Alternativa Gratis S.A, which he founded along with IRSA, until its merger in 2005. Since 1991, he has worked as an independent contractor in the telecommunications industry. Mr. Fernández is an industrial engineer and graduate of the Universidad de Buenos Aires.

**Eduardo Llanos** was born on April 29, 1944. He has been a Director of Edenor since 2008. Mr. Llanos served as a member of the Supervisory Committee of Televisión Federal S.A. (Telefé), Telefónica de Argentina S.A. y Telefónica Holding Argentina S.A. From 1969 to 2000, Mr. Llanos worked at Arthur Andersen / Pistrelli, Diaz y Asociados, in the Auditing Division and the Tax Division. When he left Arthur Andersen, Mr. Llanos was an International Partner, the Director of Tax Practice for Argentina, Chile, Uruguay, Paraguay and Bolivia and the Director of Operations in Bolivia. From 2000, Mr. Llanos is a partner at Estudio E. Llanos y Asociados. Throughout his career, Mr. Llanos has taught tax and public finance classes at Universidad de Buenos Aires, Universidad Nacional de Lomas de Zamora and Universidad de Morón. Mr. Llanos graduated with a degree in public accounting from the Universidad de Buenos Aires in 1971.

**Edgardo Alberto Volosín** was born on May 18, 1953. He has been a member of the board of directors of Edenor since 2005. In addition, Mr. Volosín served as Director of Human Resources and Legal Affairs of Edenor since our privatization in 1992 through July 2002 and as Director of Corporate Affairs since August 2002. Since 2012 he has served as Chief Executive Officer at Edenor. Mr. Volosín holds a degree in Law from the Universidad de Belgrano in Buenos Aires.

**Emmanuel Alvarez Agis** was born on May 9, 1981. Mr. Alvarez Agis has been a member of our board of directors since 2012. He is also director of Pampa and Transener. He holds a degree in Economics from the Universidad de Buenos Aires.

**Patricia Charvay** was born on November 9, 1982. She has been a member of our board of directors since 2012. She is also director of Sectorial Development of the Ministry of Economy and Public Finances. She holds a degree in Economics from the Universidad de Buenos Aires.

**Marcela Sacavini** was born on September 23, 1985. He has been a member of our board of directors since 2013.

**Victoria Von Storch** was born on November 7, 1977. He has been a member of our board of directors since 2013.

**Valeria Martofel** was born on January 18, 1979. He has been a member of our board of directors since 2013.

**Diego Martín Salaverri** was born on August 7, 1964. He has been a member of our board of directors since June 2006. He is a founding partner of the Argentine law firm of Errecondo, Salaverri, Dellatorre, González & Burgio. He earned a degree in law in 1988 from the Universidad Católica Argentina, Buenos Aires. He is member of the board of directors of Edenor, Estancia María S.A. and ARPHC S.A. He is also a member of the supervisory committee of Dolphin Créditos S.A., Dolphin Créditos Holding S.A., Grupo Dolphin Holding S.A., Dolphin Finance S.A., Orígenes Seguros de Retiro S.A., Socotherm Américas S.A., Compañía de Inversiones en Energía

S.A., TGS, and Grupo ST S.A. Until 2007, he was a member of the board of directors of EASA. Mr. Salaverri resigned from his position as director of EASA at the November 14, 2007 meeting of the board of directors of EASA. Mr. Salaverri is also an alternate member of the statutory audit committee of GSF S.A. and Partners I S.A.

**Jaime J. Barba** was born on October 14, 1963. He has been a member of our board of directors since 2009. Mr. Barba also served as legal manager and secretary of the board of directors at Edenor, since April 2012. Mr. Barba serves as Director of Corporate Affairs of Edenor. In addition, he is a director and member of the executive committee at CAMMESA, and a member of the supervisory committees at Petropack S.A. and SACME. Between 1996 and 2004 he worked in various positions at EDEERSA (*Empresa Distribuidora de Energía Entre Ríos SA*). Mr. Barba holds a degree in law from the Universidad Nacional del Litoral and a master's from the Direct Development Program at IAE.

**Damián Miguel Mindlin** was born on January 3, 1966. He has been a member of our board of directors since November 2005 and was reelected as a director in 2012. Mr. Mindlin joined Grupo Dolphin in 1991 as a shareholder and a director. Since November 2003, Mr. Mindlin has served as Investment Portfolio Manager of Grupo Dolphin. Additionally, he currently serves as director of Edenor, Grupo Dolphin S.A., Dolphin Energía S.A., Dolphin Finance S.A., Electricidad argentina S.A., IEASA S.A., CAM S.A., HINISA, HIDISA, Transelec Argentina S.A., Pampa Participaciones S.A., Pampa Real Estate S.A., Comunicaciones y Consumos S.A., Préstamos y Servicios S.A., Powerco S.A., Central Térmica Güemes, Inversora Diamante S.A., Inversora Nihuales S.A., Central Piedra Buena, Corporación Independiente de Energía S.A., Compañía Buenos Aires S.A., Dolphin Créditos S.A., Dolphin Créditos Holding S.A., Dolphin Inversora S.A., Petrolera Pampa S.A., Pampa Participaciones II S.A., Energía Distribuida S.A., Pampa Generación S.A., Pampa Inversiones S.A., Central Hidroeléctrica Lago Escondido S.A., Bodega Loma de la Lata S.A., Emdersa S.A., Empresa Distribuidora de Salta S.A., Empresa Distribuidora de La Rioja S.A., Empresa Distribuidora de San Luis S.A. and Esed S.A.

**Leandro Carlos Montero** was born on February 11, 1976. Mr. Montero has been a member of our board of directors since 2012. He is the chief financial officer of Edenor and previously served in the investment group of Pampa Energía S.A. Prior to joining Pampa Energía in 2008, Mr. Montero held various positions in the Administration and Finance areas of Pampa Energía and Petrobras Argentina S.A., both public and SEC-listed companies. Mr. Montero worked at Ernst & Young - Pistrelli, Henry Martin y Asociados in the Advisory and Auditing Division. Mr. Montero holds a degree in Public Accounting from the Universidad de Buenos Aires and a Master degree in Business Administration from the Instituto de Altos Estudios Empresariales (IAE), school of business of the Universidad Austral.

**Mariano Batistella** was born on July 31, 1982. He has been a member of our board of directors since 2012. He joined Pampa Energía, Edenor's parent company, in 2006. He currently works as Investor Relations Officer, Planning Manager and Special Projects Manager of Pampa Energía. Prior to joining Pampa, Mr. Batistella worked in investment banking at Goldman Sachs. Mr. Batistella holds a degree in business administration from the Universidad de San Andres in Argentina and has a postgraduate degree in finance from the same institution.

**Diana Elena Mondino** was born on August 8, 1958. Ms. Mondino has been an alternate director of Edenor since 2012. She is also a director of ISE, an agribusiness company based in Argentina. Previously, she was based in New York, as Regional Head for Latin America for Standard & Poor's Credit Market Services, reporting to the executive vice president. Before joining Standard & Poor's, she was one of the principal and founding members of the leading credit rating agency in Argentina which Standard & Poor's acquired in 1997. Previously, Ms. Mondino held various advisory positions in finance, marketing and strategic planning for various companies and was Dean of Studies for the MBA program at CEMA-Buenos Aires. Ms. Mondino holds an MBA from IESE in Spain. She received a B.A. in Economics from the University of Cordoba, Argentina.

**Eduardo Setti** was born on . She has been a member of our board of directors since 2013.

**Edgardo Ruibal** was born on 1974. He has been a member of our board of directors since 2012.

*Diego Leiva* was born on 1976. He has been a member of our board of directors since 2012.

*Eduardo Endeiza* was born on 1976. He has been a member of our board of directors since 2012.

*Pablo Martínez Burket:* was born on 1966. He has been a member of our board of directors since 2012.

*Daniel Eduardo Flaks* was born on November 19, 1964. Mr. Flaks has been a member of our board of directors since 2012. He joined Edenor in 1993. Between 1993 and 2003, Mr. Flaks served as department head and assistant manager in the areas of San Justo and Olivos. Between 2003 and 2006, he worked first as business manager and later as operations manager of the areas of Olivos and Pilar. Between 2006 and 2010, he worked as manager of distribution, responsible for directing, coordinating and controlling the technical and commercial operations of Edenor relating to the operation of the high, medium and low voltage facilities, control centers and commercial operations referring mainly to the attention of customers and the relationship with municipal governments and the ENRE. He currently serves as technical director of Edenor. Between 1993 and 1998, he was assistant professor of electrical power systems at Universidad Tecnológica Nacional. Mr. Flaks has a degree in electrical engineering from the Universidad Tecnológica Nacional and holds an MBA from the Universidad del Salvador in Argentina.

## COMPENSATION

Our board of directors does not have a compensation or remuneration committee. The aggregate remuneration paid to the members and alternate members of our board of directors, the members and alternate members of our supervisory committee and our senior management during 2012 was Ps. 2.4 million, Ps. 0.2 million and Ps. 22.3 million, respectively.

## BOARD PRACTICES

The duties and responsibilities of the members of our board of directors are set forth in Argentine law and our by-laws. Under Argentine law, directors must perform their duties with loyalty and the diligence of a prudent business person. Directors are prohibited from engaging in activities that compete with our company without express authorization of a shareholders' meeting. Certain transactions between directors and our company are subject to ratification procedures established by Argentine law.

On November 29, 2012, the Argentine Government enacted law No. 26,831 (the "Capital Markets Law") which revokes law No. 17,811 and Decree No. 677/01. However, Capital Markets Law took most of the provisions established in those regulations. The Capital Markets Law was enacted with the aim of creating an adequate legal framework to strengthen the level of protection of investors in the market. Other objectives of the Capital Markets Law were to promote the development, liquidity, stability, solvency and transparency of the market, generating procedures to guarantee the efficient distribution of savings and good practices in the administration of corporations.

The Capital Markets Law imposes the following duties on members of the board of directors of Argentine public companies:

- a duty to disclose all material events related to the company, including any fact or situation which is capable of affecting the value or trading of the securities of the company;
- a duty of loyalty and diligence;
- a duty of confidentiality; and
- a duty to consider the general interests of all shareholders over the interests of controlling shareholders.

There are no agreements between our company and the members of our board of directors that provide for any benefits upon termination of their designation as directors.

None of our directors maintains service contracts with us except as described in "Item 7. Major Shareholders and Related Party Transactions – Related Party Transactions."

The significant differences between our corporate governance practices and the NYSE standards are listed on our website in compliance with the NYSE requirements. For a summary of these differences see item 16; Corporate Governance.”

**Executive Committee**

On October 4, 2007, our board of directors created an executive committee, as contemplated by our by-laws and Law 19.550, and delegated to the executive committee the authority to take certain actions on behalf of the board. The executive committee complements the work of the board by executing certain day-to-day tasks required to oversee our activity. By creating an executive committee, the board sought to increase the efficiency of our management. The Executive Committee consists of Ricardo Torres, Marcos Marcelo Mindlin, Damián Mindlin, Gustavo Mariani and Edgardo Volosin.

**Audit Committee**

Pursuant to the Capital Markets Law and CNV rules, Argentine public companies must appoint a *comité de auditoría* (audit committee) composed of at least three members of the board of directors, a majority of which must be independent in accordance with the criteria set forth by Argentine law.

Pursuant to our by-laws, one director is appointed by holders of our Class A common shares and one by holders of our Class B common shares. Our audit committee’s duties include:

- monitoring our internal control, administrative and accounting systems;
- supervising the application of our risk management policies;
- providing the market adequate information regarding conflicts of interests that may arise between our company and our directors or controlling shareholders;
- rendering opinions on transactions with related parties;
- supervising and reporting to regulatory authorities the existence of any kind of conflict of interest;
- supervising external audit and evaluating their independence, plans and performance;
- evaluating plans and performance of the internal audit, and
- supervising the operations of the complaints channel.

The members of our audit committee are:

Name	Position	Class electing member
Eduardo Llanos <sup>(1)</sup> .....	Member	Class A
Maximiliano Alejandro Fernández <sup>(1)</sup> .....	Member	Class A
Valeria Martofel <sup>(1)</sup> .....	Member	Class B/C

(1) Independent under Argentine law and under Rule 10A-3 under the Securities Exchange Act of 1934.

## Senior Management

The following table sets forth information regarding our senior management:

<u>Name</u>	<u>Current Position</u>	<u>Age</u>
Ricardo Torres.....	Chairman	55
Edgardo Alberto Volosin.....	Chief Executive Officer	59
Leandro Carlos Montero.....	Chief Financial Officer	37
Daniel Eduardo Flaks.....	Technical Director	48
Eduardo Maggi .....	Director of Operations	57
Jaime Javier Barba.....	Director of Corporate Affairs	49
Gerardo Tabakman.....	Director of Information Technology and Telecommunications	38
Victor Augusto Ruiz .....	Principal Accounting Officer	52

**Eduardo Maggi** was born on December 31, 1955. Mr. Maggi was appointed director of operations of Edenor in 2001. Mr. Maggi currently serves as a director of SACME, which is responsible for the management of regional high-voltage distribution in the greater Buenos Aires metropolitan area and for coordinating, controlling and supervising the operation of the generation, transmission and sub-transmission network in the City of Buenos Aires. Previously, Mr. Maggi served as director of operations of two of Edenor's operation areas, San Martín and Morón. Mr. Maggi began his career at Edenor as a technical manager. Mr. Maggi received a degree in engineering from the Universidad Tecnológica Nacional and an MBA from the Universidad del Salvador y Deusto in Spain.

**Gerardo Tabakman** was born on January 22, 1975. He is Director of Information Technology and Telecommunications of Edenor since April 2012. He has also served as Manager of Edenor area between September 2011 and April 2012. Previously, he served as Manager of Systems in Pampa Energía, between February 2008 and September 2011, and Accenture, where he worked from June 1997 to February 2008. Mr. Tabakman has a degree in Business Administration from the Universidad de Buenos Aires and an MBA in Management Development Program from the Instituto de Altos Estudios Empresariales (IAE), school of business of the Universidad Austral.

**Víctor Augusto Ruiz** was born on December 20, 1959. He began working at Edenor in 1992. Mr. Ruiz was one of the original partners from the consortium that participated in the privatization of our company. He was part of the Grupo ASTRA CAPSA (Astra Compañía Argentina de Petróleo S.A.). Between 1992 and 2006, he worked as financial statements sub-manager and accounting sub-manager at Edenor. Between 2006 and 2008, he worked as tax manager and since August 2008 he has worked as principal accounting officer. He is a consultant member of the Tax Commission and the Accounting Rules and Public Offering Commission at la *Cámara de Sociedades Anónimas* (Chamber of Businesses). Mr. Ruiz holds a CPA from la Universidad de Buenos Aires and an MBA from la Universidad del Salvador in Argentina and Deusto in Spain.

## Supervisory Committee

Argentine law requires certain corporations, such as us, to have a *Comisión Fiscalizadora* (supervisory committee). The supervisory committee is responsible for overseeing compliance with our by-laws, shareholders' resolutions and Argentine law and, without prejudice to the role of external auditors, is required to present to the shareholders at the annual ordinary general meeting a written report on the reasonableness of the financial information included in our annual report and in the financial statements presented to the shareholders by our board

of directors. The members of the supervisory committee are also authorized to attend board of directors' audit committee' and shareholders' meetings, call extraordinary shareholders' meetings, and investigate written complaints of shareholders holding at least 2% of our outstanding shares. Pursuant to Argentine law, the members of the supervisory committee must be licensed attorneys or certified public accountants.

Our by-laws provide that our supervisory committee must consist of three members and three alternate members, elected by our shareholders at an ordinary meeting. Members of our supervisory committee are elected to serve one-year terms and may be re-elected. Pursuant to our by-laws, holders of our Class A common shares are entitled to appoint two members and two alternate members of the supervisory committee and holders of our Class B and Class C common shares are entitled to collectively appoint one member and one alternate member.

The members and alternate members of our supervisory committee are:

<u>Name</u>	<u>Position</u>	<u>Year of appointment (class electing member)</u>
José Daniel Abelovich <sup>(1)</sup> .....	Member	2012 (Class A)
Damián Burgio .....	Member	2012 (Class A)
Jorge Roberto Pardo <sup>(1)</sup> .....	Member	2012 (Class B/C)
Santiago Dellatorre .....	Alternate member	2012 (Class A)
Marcelo Fuxman <sup>(1)</sup> .....	Alternate member	2012 (Class A)
Fernando Sanchez <sup>(1)</sup> .....	Alternate member	2012 (Class B/C)

(1) Independent under Argentine law.

**José Daniel Abelovich** was born on July 20, 1956. He has been a member of our supervisory committee since June 2006. Mr. Abelovich is a founding partner of Abelovich, Polano & Asociados/Nexia International, an auditing firm. Previously, he served as Manager of Coopers & Lybrand and as Senior Consultant to the World Bank in Argentina. He currently serves as statutory auditor of BHH Sociedad de Inversión S.A., Compañía Buenos Aires S.A., Dolphin Créditos Holding S.A., Dolphin Créditos S.A., Energía Distribuida S.A., Powerco S.A., Electricidad Argentina S.A., HINISA, HIDISA, Pampa Generación S.A., Petrolera Pampa S.A., Central Térmica Güemes, Edenor, Emdersa Generación Salta S.A., Emdersa Holdings S.A., Agropoly S.A., Alto Palermo S.A., BHN Seguros Generales S.A., BHN Vida S.A., Cactus Argentina S.A., Cresud SACIF y A, Cyrsa S.A., Dolphin Inversora S.A., E-Commerce Latina S.A., Empalme S.A., Emprendimiento Recoleta S.A., Exportaciones Agroindustriales Argentinas S.A., Fibes S.A., Futuros y opciones.Com S.A., FYO Trading S.A., Grupo Dolphin S.A., Inversora Bolívar S.A., IRSA Inversiones y Representaciones S.A., Llao – Llao Resorts S.A., Nuevas Fronteras S.A., Palermo Invest S.A., Panamerican Mall S.A., Patagonian Investment S.A., Quality Invest S.A., Alto Palermo S.A. (SAPSA), Shopping Neuquén S.A., Solares de Santa María S.A., and Tarshop S.A. Mr. Abelovich holds a degree in Public Accounting from the Universidad de Buenos Aires.

**Damián Burgio:** Mr. Burgio has a degree in law from the Universidad Católica Argentina. He has been a member of our supervisory committee since June 2012.

**Jorge Roberto Pardo** was born on March 31, 1953. Between 1993 and 2008, Mr. Pardo worked at General Union of the Republic of Argentina (*la Sindicatura General de la Nación*, or SIGEN) in several positions, including as Joint General Statutory Auditor of the Nation. Between 1983 and 1992 he worked in General Union of State-Owned Companies (*la Sindicatura General de Empresas Públicas*, or SIGEP). Mr. Pardo holds a CPA from la Universidad de Buenos Aires.

**Santiago Dellatorre** was born on January 26, 1967. He is a founding partner of the Argentine law firm Errecondo, Salaverri, Dellatorre, González & Burgio. Between 1994 and 1995, Mr. Dellatorre worked as an international associate at the United States law firm Shearman & Sterling LLP. Mr. Dellatorre received his law degrees with honors from the Universidad Católica Argentina in 1990. He is a director of Cablevisión S.A., Dico S.A., Embotelladoras ARCA Argentina S.A., Envases Plásticos S.A., Formosa Refrescos S.A. and Salta Refrescos S.A.; and an alternate director of AEI Servicios Argentina S.A., Patagonia Oil and Gas S.A., PSA Energy Mendoza

S.A., and Urbanizadora del Sur S.A. In addition, he is a member of the statutory audit committee of Empresa de Energía Río Negro S.A. (EdERSA); and an alternate member of the statutory audit committee of Dolphin Energía S.A., GSF S.A., Canepa Hermanos SAICAF, Chain Services S.A., EASA, Grupo Los Grobo S.A., LM Los Grobo S.A., Los Grobo Agropecuaria S.A., Los Grobo Inversora S.A., Los Grobo San Pedro S.A., Los Grobo Servicios S.A., Los Silos del 13 de Abril S.A., Maltería del Puerto S.A., Partners I S.A. and TGLT S.A.

**Marcelo Fuxman** was born on November 30, 1955. He has been a member of our supervisory committee since June 2006. Mr. Fuxman is a partner of Abelovich, Polano & Asociados/ NEXIA INTERNATIONAL, an auditing firm, and managing partner of Real Estate Investments S.R.L. He currently serves as Director of Agencia Marítima Bluemar S.A. and Agra Argentina S.A., and as a statutory auditor of Agro Investment S.A., BHN Sociedad de Inversión S.A., Pampa Real Estate S.A., Agropoly S.A., Agropecuaria Cervera S.A., BHN Seguros Generales S.A., BHN Vida S.A., Comercializadora Los Altos S.A., Credud SACIF y A, Cyrsa S.A., E- Commerce Latina S.A., Empalme S.A., Emprendimiento Recoleta S.A., Fibesa S.A., Futuros y Opciones.Com S.A., FYO Trading S.A., Inversiones Ganaderas S.A., Inversora Bolívar S.A., IRSA Inversiones y Reparaciones S.A., Llaolao Resorts S.A., Nuevas Fronteras S.A., Palermo Invest S.A., Panamerican Mall S.A., Patagonian Investment S.A., Quality Invest S.A., Shopping Alto Palermo S.A., Shopping Neuquén S.A., Solares de Santa María S.A., Tarshop S.A. and Powerco S.A. and as alternate member of the statutory audit committee of, Compañía Buenos Aires S.A., Dolphin Créditos S.A., Dolphin Créditos Holding S.A., Myland S.A., Pampa Generación S.A., Petrolera Pampa S.A., Alto Palermo S.A., Cactus Argentina S.A., Dolphin Inversora S.A., Grupo Dolphin S.A. and Central Térmica Güemes, Electricidad Argentina S.A., Hidroeléctrica Diamante S.A. and Edenor. Mr. Fuxman holds a degree in Public Accounting from the Universidad de Buenos Aires.

**Fernando Sanchez** was born on June 24, 1962. He has been a member of our supervisory committee since 2011. He currently serves as an officer of Sindicatura General de la Nación en la Gerencia de Fiscalización de Empresas, Sociedades y Entidades Financieras. He is also the Consultant Corporate Trustee in Consultatio S.A., in Talleres Navales Darsena Norte S.A.C.I.yN., and in Nacion Servicios S.A. Mr. Sanchez is a CPA and has a Bachelor of Administration degree from the University of Buenos Aires.

## EMPLOYEES

As of December 31, 2012, Edenor had 2,929 full-time employees and Eden had 727 full time employees. As of December 31, 2011, Edenor had 2,822 full-time employees and Eden had 740 full time employees.

As of December 31, 2012, approximately 83% of our full-time employees were subject to two collective bargaining agreements. After our privatization, we implemented an employee reduction plan to reduce the number of employees from 6,368 employees at the time of the privatization. The employee reductions were primarily effected through an early retirement program. In addition, we implemented an early retirement plan for employees who had already contributed the retirement payments required by law and had less than five years before retirement, offering them monthly payments of 80% of their pre-retirement net salary. Access to this plan is conditioned upon our own approval and the prior separation from us pursuant to a contract signed before the Argentine Ministry of Labor and Social Security or before a public notary according to the legal requirements. In July 1995, we signed two collective bargaining agreements with *Sindicato de Luz y Fuerza* and *Asociación del Personal Superior*, the two unions that represent our employees, which are currently in force pursuant to collective bargaining agreements 817/06 “E” (LYF) y 805/06 “E” (APSEE). The union agreements have a commission to interpret the agreements and analyze claims and unresolved issues that arise in our daily activities. The most common issues that arise are related to changes to employment categories, relocation of employees, detailed situations with personnel and the analysis of the suitability of different technological advances. In case of dispute and lack of agreement between the parties, a mediation or arbitration procedure is available. Currently, our relations with the unions are stable. However, we cannot guarantee that we will not experience any conflicts with our employees in the future, including with our unionized employees in the context of future negotiations of our collective bargaining agreements, which could result in events such as strikes or other disruptions that could have a negative impact on our operations. On February 26, 2013, the Company, the Ministry of Labor, the Economic Policy and Development Planning Secretariat of the Economy Ministry, the Management Coordination and Control Under-Secretariat of the Federal Planning Ministry, the Sindicato de Luz y Fuerza (Electric Light and Power Labor Union) and other companies of the electric power sector entered into a salary agreement for a term of eighteen months which establishes a 18%

increase as from January 2013, a 5% non-cumulative increase as from June 2013 and a 7% cumulative increase as from January 2014.

We have outsourced a number of activities related to our business to third party contractors in order to achieve a lower and more flexible cost base and to provide us with the ability to respond more quickly to changes in our market. During 2011, several contractors have subscribed collective bargaining agreements with the production union, and their employees have acquired benefits similar to our employees. Edenor had approximately 2,777 third-party employees under contract as of December 31, 2012, 2,704 as of December 31, 2011 and 2,682 as of December 31, 2010. Eden had approximately 307 third party employees under contract as of December 31, 2012, and 300 as of December 31, 2011. We calculate our need for third-party employees based on our number of employees and the needs that arise in order to provide an adequate service. We only pay for services of third-party employees on the basis of services actually rendered. Although we have very strict policies regarding compliance with labor and social security obligations by our contractors, we are not in a position to ensure that, if conflicted, contractors' employees will not initiate legal actions to seek indemnification from us based upon a number of judicial rulings issued by labor courts in Argentina recognizing joint and several liability between the contractor and the entity to which it is supplying services under certain circumstances. As of December 31, 2012 contractors' employees were seeking indemnification from us for an aggregate amount of Ps. 70.0 million, and as of December 31, 2011, the amount was Ps. 53.0 million. As of December 31, 2012, based on legal advice, we have recorded allowances for an aggregate amount of Ps. 27.7 million to cover the liabilities we may have in connection with such claims.

## SHARE OWNERSHIP

None of the members of our board of directors, our audit committee or our senior management beneficially own any shares of our capital stock, except for Messrs. Marcos Marcelo Mindlin, Damián Miguel Mindlin and Gustavo Mariani who, through Pampa Energía, are controlling shareholders of Dolphin Energía and IEASA, which makes them indirect beneficiaries of all of our Class A common shares. In addition, Messrs. Diego Martín Salaverri and Gustavo Mariani are each, individually, the beneficial owners of less than one percent of our capital stock represented by Class B common shares. See "Item 7. Major Shareholders and Related Party Transactions."

### **Item 7. Major Shareholders and Related Party Transactions**

The following table sets forth information relating to the ownership of our common shares as of the date of this annual report.

	Class <sup>(1)</sup>	Shares	Percent Ownership
Electricidad Argentina S.A. <sup>(2)</sup> .....	A	462,292,111	51.0%
Employee Stock Participation Program.....	C	1,952,604	0.2%
Public.....	B	154,798,798	17.1%
Pampa Inversiones.....	B	34,999,534	3.9%
ANSES <sup>(3)</sup> .....	B	242,999,553	26.8%
Treasury Shares.....	B	9,412,500	1.0%
Total.....		906,455,100	100.0%

(1) Each class of shares entitles holders to one vote per share.

(2) All of our Class A common shares have been pledged to the Argentine government to secure our obligations under our concession and cannot be transferred without the prior approval of the ENRE. See "Item 4. Information on the Company—Business Overview —Our obligations." Electricidad Argentina S.A. (EASA) is an Argentine corporation wholly owned by Dolphin Energía and IEASA. Dolphin Energía holds 90% of the voting stock and 92.3% of the total outstanding stock of EASA, and IEASA holds the remainder. Pampa Energía S.A. currently owns 100% of the capital stock of Dolphin Energía and IEASA.

(3) On November 20, 2008, the Argentine Congress passed a law unifying the Argentine pension and retirement system into a system publicly administered by the ANSES and eliminating the retirement savings system previously administered by private pension funds under the supervision of a governmental agency. In accordance with the new law, private pension funds transferred all of the assets administered by them under the retirement savings system to the ANSES. These transferred assets included 242,999,553 of our Class B common shares, representing 26.8% of our capital stock. The ANSES is subject to the same investment rules, prohibitions and restrictions that were applicable to the Argentine private pension funds under the retirement savings system, except as described in the following sentence. On April 12, 2011, the Executive Power issued Emergency Decree No. 441, which annulled the restrictions under Section 76(f) of Law No. 24,241 on the exercise of more than 5% of the voting power in any local or foreign company, such as us, in any meeting of shareholders, irrespective of the actual interest

held in the relevant company's capital stock. The annulment of the restrictions under Section 76(f) of Law No. 24,241 came into effect on April 14, 2011. As of such date, ANSES may exercise its voting power in any local or foreign company, such as us, based on the actual interest held in the relevant company's capital stock.

All of our shares have the same voting rights. As of December, 31 2012, there was one resgistered shareholder of our ADSs in the United States and 3,921,334 of our ADSs were outstanding. Since certain of our ADSs are held by brokers or other nominees, the number of direct record holders in the United States may not be fully indicative of the number of direct beneficial owners in the United States or of where the direct beneficial owners of such shares are residents. We have no information concerning holders with registered addresses in the United States that hold our shares not represented by ADSs.

### **Acquisition by Dolphin Energía and IEASA**

In September 2005, Dolphin Energía and IEASA purchased an indirect controlling stake in us from EDFI. Until September 28, 2007, Dolphin Energía and IEASA were controlled by the principal members of Grupo Dolphin, Marcos Marcelo Mindlin, Damián Miguel Mindlin and Gustavo Mariani. Such principal members had significant experience investing in the Argentine energy sector dating back to 2004.

### **Initial Public Offering**

In April 2007, we completed the initial public offering of our Class B ordinary shares in the form of American Depository Shares (ADSs). We and a group of our shareholders sold 18,050,097 ADSs, representing 361,001,940 ordinary Class B common shares, in an offering in the United States and other jurisdictions outside of Argentina, and the Employee Stock Participation Program sold 81,208,416 ordinary class B shares in a simultaneous offering in Argentina. The ADSs are listed on the New York Stock Exchange under the symbol "EDN" and the Class B common shares are listed on the Buenos Aires Stock Exchange (BASE) under the same symbol. We received approximately U.S. \$61.4 million from the initial public offering, before costs. Of this amount, we used approximately U.S. \$36 million to repurchase some of our Discount Notes due 2014. The remainder of the proceeds from the initial public offering was used to repurchase some of our Fixed Rate Par Notes due 2016 and for capital expenditures. After the initial public offering, our controlling shareholder continues to own 51% of our ordinary shares.

### **Acquisition by Pampa Energía S.A. (Formerly Pampa Holding S.A.)**

On June 22, 2007, the principal members of Grupo Dolphin, Marcos Marcelo Mindlin, Damián Miguel Mindlin and Gustavo Mariani, signed a stock subscription agreement with Pampa Energía S.A., pursuant to which they agreed to transfer all of the stock of Dolphin Energía and IEASA to Pampa Energía S.A. in exchange for common stock of Pampa Energía S.A. On August 30, 2007, the shareholders of Pampa Energía S.A. approved this transfer of shares, and the CNV and the BASE approved the public offering and listing of its shares in September 2007. The transaction was consummated on September 28, 2007, and as a result, Pampa Energía S.A. now owns 100% of the capital stock of each of Dolphin Energía and IEASA, which in turn collectively own all of the capital stock of EASA, our controlling shareholder. The ratio of exchange of common shares of Pampa Energía S.A. and shares of Dolphin Energía and IEASA was determined using the respective averages of the closing prices of Pampa Energía S.A.'s and our shares on the Buenos Aires Stock Exchange during a 10-trading day period ending on August 15, 2007, taking into account, in the case of shares of Dolphin Energía and IEASA, EASA's stake in us, the net present value of EASA's outstanding indebtedness and the net present value of fees to be paid by us to EASA under the Financial Services Agreement dated April 4, 2006 between us and EASA. See "Related party transactions—Financial services agreement with EASA."

The former shareholders of Dolphin Energía and IEASA, Messrs. Marcos Marcelo Mindlin, Damián Mindlin and Gustavo Mariani, are the controlling shareholders of Grupo Dolphin and are managers of Pampa Energía S.A., an Argentine public company with a market capitalization (net of repurchases) of U.S. \$181 million as of December 31, 2011. Pampa Energía S.A. was acquired in November 2005 by certain principals of Grupo Dolphin to serve as a corporate vehicle for private equity investments in Argentina. Through companies under their control, Messrs. Marcos Marcelo Mindlin, Damián Mindlin and Gustavo Mariani currently control approximately 22.77% of the common stock of Pampa Energía S.A. In addition, Messrs. Marcos Marcelo Mindlin, Damián Mindlin and Gustavo

Mariani, together with Pampa Energía S.A.'s chief executive officer Mr. Ricardo Alejandro Torres, hold warrants to purchase, in the aggregate, approximately 22.5% of the common stock of Pampa Energía S.A. (on a fully diluted basis). The board of directors of Pampa Energía S.A. consists of nine directors, of which five are affiliated with Grupo Dolphin, including Mr. Marcelo Mindlin, who serves as chairman of the board of directors, Damián Mindlin and Gustavo Mariani, members of the board of directors. The principal executive officers of Pampa Energía S.A., excluding its chief executive officer, are also affiliated with Grupo Dolphin.

In addition to its indirect stake in us, Pampa Energía S.A. currently owns several investments in the Argentine electricity sector, including a 50% interest in the controlling shareholder of the principal electricity transmission company in Argentina, Transener and controlling stakes in six generation plants located in the Buenos Aires, Salta, Mendoza and Neuquén provinces (Central Piedra Buena S.A., Hidroeléctrica Los Nihuiles S.A., Hidroeléctrica Diamante S.A., Central Térmica Güemes S.A., EGSSA and Loma de la Lata S.A.).

### **Share Buy-Back Program**

On October 23, 2008, we launched a tender offer in Argentina for our Class B common shares at a purchase price of Ps. 0.65 per share 400,000 Class B common shares were validly tendered and purchased pursuant to the offer.

On November 14, 2008, we commenced an open-market share purchase program. Under the terms of the program, we were authorized to purchase our Class B common shares for up to Ps. 45 million, subject to certain volume and price restrictions. The open market share purchase program expired on March 17, 2009. Pursuant to the program we purchased 9,012,500 Class B common shares, at an average price of Ps. 0.65 per share, representing approximately 1% of our capital stock. We currently hold 9,412,500 Class B common shares as treasury stock.

### **Employee Stock Participation Program**

At the time of the privatization of SEGBA (our predecessor), the Argentine government allocated all of our Class C common shares, representing 10% of our outstanding capital stock, to establish a *Programa de Propiedad Participada* (employee stock participation program, or PPP), pursuant to Law No. 23,696 and regulations thereunder, through which certain eligible employees (including former employees of SEGBA who became our employees) were each entitled to receive a specified number of our Class C common shares, calculated in accordance with a formula that considered a number of factors, including the employee's salary level, position and seniority. In order to implement the PPP, a general transfer agreement, a share syndication agreement and a trust agreement were executed.

Pursuant to the transfer agreement, participating employees were allowed to defer payment for the Class C common shares over time. As a guarantee for the payment of the deferred purchase price, the Class C common shares were pledged in favor of the Argentine government. Furthermore, under the original trust agreement, the Class C common shares were placed in trust by the Argentine government with Banco Nación, acting as trustee for the Class C common shares, for the benefit of the participant employees and the Argentine government. In addition, pursuant to the share syndication agreement, all political rights of the participant employees (including the right to vote at our ordinary and extraordinary shareholders' meetings) were to be exercised collectively until the payment in full of the deferred purchase price and the release of the pledge in favor of the Argentine government. On April 27, 2007, the participant employees paid the deferred purchase price of all of the Class C common shares in full to the Argentine government and, accordingly, the pledge was released and the share syndication agreement was terminated.

According to the regulations applicable to the Employee Stock Participation Program, participating employees who terminated their employment with us before the payment in full of the deferred purchase price to the Argentine government were required to transfer their shares to the Guarantee and Repurchase Fund, at a price calculated pursuant to a formula set forth in the transfer agreement. As of the date of payment of the deferred purchase price, the Guarantee and Repurchase Fund had not paid in full the amounts due to the former participating employees for the transfer of their Class C common Shares.

A number of our and SEGBA's former employees have brought claims against the Guaranty and Repurchase Fund, the Argentine government and, in certain limited cases, us, in each case relating to the administration of our Employee Stock Participation Program. The plaintiffs who are former employees of SEGBA were not deemed eligible by the relevant authorities to participate in the Employee Stock Participation Program at the time of its creation, which determination these plaintiffs dispute and are seeking compensation for. The plaintiffs who are our former employees are either seeking payment of amounts due to them by the Guaranty and Repurchase Fund for share transfers that occurred upon their retirement from our employment or disputing the calculation of the amounts paid to them by the Guaranty and Repurchase Fund. In several of these claims, the plaintiffs have obtained attachment orders or injunctive relief against the Guaranty and Repurchase Fund over approximately 1,567,231 Class C common shares and Ps. 709,149 of the funds on deposit in the fund, in each case up to the amount of their respective claims. Because the outcome of these proceedings has not yet been determined, the Argentine government has instructed Banco Nación to create a Contingency Fund to hold a portion of the proceeds of the offering of Class B common shares by the Employee Stock Participation Program pending the outcome of these legal proceedings.

According to the agreements, laws and decrees that govern the Employee Stock Participation Program, our Class C common shares may only be held by our employees. Upon the closing of our initial public offering, substantially all of our Class C common shares were converted into Class B common shares and sold. In accordance with these agreements, laws and decrees, the rights previously attributable to the Class C common shares have been combined with those attributable to the Class B common shares, and holders of the remaining Class C common shares will vote jointly as a single class with the holders of Class B common shares in the election of directors. Only 1,952,604 Class C common shares remain outstanding, representing 0.2% of our capital stock.

## **RELATED PARTY TRANSACTIONS**

### **Financial Services Agreement with EASA**

On April 4, 2006, we entered into a Financial Services Agreement with EASA pursuant to which EASA shall provide us with advisory services, as well as services related to the potential development of new lines of business compatible with our corporate objectives. The services to be performed by EASA include providing assistance and advice in respect of our financial performance, our finance management team and our financial decision-making process, our engagement of financial advisory services firms and the development of new financial products, the restructuring of our commercial and financial debt, feasibility, profitability and implementation of new businesses, hedging and derivatives strategies, relationship with foreign and local financial institutions, financial aspects of tariffs renegotiation and concession contract process and our annual budget.

The term of the agreement is five years from September 2005, with each party having the right to terminate it at any time without cause with 60 days prior notice. The consideration to be received by EASA is U.S. \$2 million per year, plus Argentine value added tax, and is payable in advance in October of each year, or as otherwise agreed by the parties. The Board of Directors of both EASA and us has approved the agreement, and our audit committee has indicated that the agreement was entered into on a commercial arms' length basis. The payment related to the first year of services was made on April 19, 2006.

In April 2008, our board of directors approved an amendment to the EASA agreement increasing the amount to be paid by us in consideration for the services provided by EASA to U.S. \$2.5 million, plus Argentine value added tax, payable retroactively from January 1, 2008.

On August 31, 2010, we signed an amendment to the EASA agreement extending the term of the agreement to five years following September 19, 2010. Our Board of Directors approved the amendment on August 31, 2010. No other terms of the contract have been modified.

### **Agreement with Comunicaciones y Consumos S.A.**

On March 16, 2007 we entered into an agreement with Comunicaciones y Consumos S.A. (CYCSA), an Argentine company wholly owned by Mr. Marcelo Mindlin, pursuant to which we granted CYCSA the exclusive right to provide telecommunication services to our customers through the use of our network in accordance with

Federal Decree 764/2000, which contemplates the integration of voice, data and imaging services through the existing infrastructure of electricity distribution companies such as us. Under the terms of this agreement, CYCSA is responsible for all expenses relating to the maintenance and adaptation of our network for use in providing its telecommunications services. The agreement is valid for ten years commencing on July 11, 2008. The agreement also provides for automatic renewal at the expiration of each term for subsequent five-year periods, unless either party gives notice not less than 120 days prior to the expiration of such term. Under the agreement, CYCSA is required to make periodic requests for access to our network, which we will evaluate and grant based on available capacity in our network. In return for the use of our network, CYCSA will compensate us with 2% of its annual charges to customers, before taxes, as well as 10% of any profits derived from its services. In addition, CYCSA will indemnify us for any liability arising from the rendering of its services through our network. In October 2008, we entered into an amendment to the agreement with CYCSA granting CYCSA the right to use poles and towers of our overhead lines to lay a network of fiber optic cables. The amendment also grants us the right to use part of the capacity of the fiber optic cables

In November 2008, we extended the term of our initial agreement with CYCSA from ten to twenty years.

#### **Agreement with Préstamos y Servicios S.A.**

On March 16, 2007, we entered into an agreement with Préstamos y Servicios S.A. (PYSSA), a company indirectly controlled by Messrs. Marcelo Mindlin, Damian Mindlin and Gustavo Mariani, pursuant to which we granted PYSSA the exclusive right to conduct its direct and marketing services through the use of our facilities and mailing services. Under the terms of the agreement, we agree to provide PYSSA with office space and allow them to communicate financial and loan offers directly to our customers. In addition, we include PYSSA's marketing material in the invoices and other mail we send to our customers. The term of the agreement is five years, which automatically renews for subsequent five-year periods unless terminated by one of the parties with 120 days prior notice. In accordance with the terms of the agreement, PYSSA pays us 2% of the monthly charges collected from our customers, before taxes, and 10% of profits. PYSSA has agreed to indemnify us for any obligation arising from the rendering of its services. This agreement required authorization from the ENRE, which was received through Resolution No. 381/2007 on June 15, 2007.

However, the work in our office space related to this agreement has been temporarily suspended.

As of the date of this annual report, Mr. Marcelo Mindlin holds 3% of the stocks of PYSSA.

#### **Technical Assistance Agreement between Emdersa, Eden and EASA.**

As of March 4, 2011, as a consequence of the acquisition of AEIServicios by Pampa Energía, we ceded the total of the rights and obligations arising from the technical assistance agreement formerly in effect among Emdersa Eden and AEIServicios to Electricidad Argentina S.A. ("EASA").

As of January 9, 2012, due to the sale of Emdersa's subsidiaries, the agreement with EASA has been cancelled.

As of February 27, 2013, due to the sale of Eden, the agreement with EASA has been cancelled.

#### **Loans with subsidiaries and related companies**

See "Item 5. Operating and Financial Review and Prospects – Liquidity and Capital Resources – Debt."

#### **Item 8. *Financial Information***

See "Item 18. Financial Statements" beginning on page F-1.

## LEGAL AND ADMINISTRATIVE PROCEEDINGS

### Legal Proceedings

In the normal course of our business, we are a party to lawsuits of various types. Our management evaluates the merit of each claim and assesses its likely outcome, recording an allowance in our financial statements for the related contingent liability when an unfavorable decision is probable and the amount may be reasonably estimated. At December 31, 2012, we had established allowances in the aggregate amount of Ps. 90.5 million, out of which Ps.83.1 million correspond to Edenor on a standalone basis, to cover potential losses from such claims and legal proceedings. Except as disclosed below, we are not a party to any legal proceedings or claims that may have a material adverse effect on our financial position or results of operations.

We are not aware of any other contingencies that are reasonably possible and, as of December 31, 2012, there were no losses in excess of the contingencies that we recognized in our Consolidated Financial Statements as of and for the year ended December 31, 2012.

#### *Proceedings Challenging the Renegotiation of our Concession*

In November 2006, two Argentine consumer associations, ACIJ and Consumer's Cooperative for Community Action, brought an action against us and the Argentine government before a federal administrative court seeking to block the ratification of the Adjustment Agreement on the grounds that the approval mechanism was unconstitutional. On March 26, 2007, the federal administrative court dismissed these claims and ruled in our favor on the grounds that the adoption of Executive Decree No. 1957/06, which ratified the Adjustment Agreement, rendered the action moot. ACIJ appealed this decision on April 12, 2007, and the appeal was decided in our favor. However, on April 14, 2008, ACIJ filed another complaint challenging the procedures utilized by the Argentine Congress in approving the Adjustment Agreement. Specifically, the claim alleges that Article 4 of Law No. 24,790, which authorized the Congress to tacitly approve agreements negotiated between the Argentine government and public service companies, such as us, violated the congressional procedures established in the Argentine Constitution. ACIJ has requested that the Adjustment Agreement be renegotiated and submitted to Congress for its express approval. We have responded to this complaint. The federal administrative court ruled in our favor on May 26, 2011. This sentence was not appealed by the ACIJ, thus, is final and has the force of *res judicata*.

In December 2009, an Argentine consumer association, *Unión de Usuarios y Consumidores*, brought an action against us and the Argentine government before a federal administrative court seeking to (i) abrogate Clause 4.6 of Annex I of the Adjustment Agreement, which provides that the rate increase has retroactive effects; (ii) annul ENRE Resolution No. 51/07, which authorizes the retroactive increase of rates in our favor; and (iii) obtain an order that requires that we reimburse our customers the full amounts paid by them based on the retroactive rate increase and that such reimbursement be made by crediting our customers' accounts.

On November 11, 2010, the judge upheld the claim and ordered that (i) Clause 4.1 of Annex I of Decree No. 1957/06 and Articles 2, 3 and 4 of ENRE Resolution 51/07, which had authorized the retroactive rate increase for the period between 11/1/2005 and 1/31/2007, be annulled; (ii) the fees collected retroactively during such period be repaid to our customers; (iii) the ENRE be instructed to control our distribution of refunds and to report the results to the court; and (iv) each party bear its own court-related costs. On November 25, 2010, we appealed the court's order and requested that the court's order be stayed pending a decision on the appeal. On December 2, 2010, the court stayed its order pending a decision on the appeal. On June 1, 2011, the Administrative Court of Appeals (*Cámara Nacional de Apelaciones en lo Contencioso Administrativo Federal – Sala V*) overturned the judgment of the lower administrative court. The plaintiff filed an Extraordinary Appeal, which was granted as of November 3, 2011. The case is currently in the Supreme Court of Justice.

We cannot assure you regarding how these complaints will be resolved nor can we assure you that other actions or requests for injunctive relief will not be brought by these or other groups seeking to reverse the adjustments we have obtained or to block any further adjustments to our tariffs.

### ***Preliminary Injunction of the Public Ombudsman***

On October 31, 2008, the Secretary of Energy approved the seasonal reference prices of power and energy in the Wholesale Electricity Market. Consequently, the ENRE applied the new rate schedule as of October 1, 2008. The new rate schedule passed the purchase price of electricity as well as the other costs related to the Wholesale Electricity Market, including transmission, onto the final customer.

In response to the new tariff schedule, the *Defensor del Pueblo de la Nación* (National Public Ombudsman) filed a claim opposing the resolutions that approved the October 1, 2008 tariff schedule and naming us as a third-party defendant. On January 27, 2009, the ENRE notified us of a preliminary injunction, as a result of the Ombudsman's claim, pursuant to which we were ordered to refrain from cutting the energy supply to customers challenging the October 2008 tariff increase until a decision is reached with respect to the claim. We, along with the Argentine government, have appealed this injunction through various legal actions. As of the date of this annual report, a Supreme Court decision is pending.

On August 14, 2009, the Secretary of Energy issued Resolution No. 652/09, which ordered the suspension of the then applicable reference market prices of energy, and established new reference prices for the periods from June to July 2009 and from August to September 2009, reinstating partial government subsidies to the electricity generation sector. Furthermore, the resolution also established the unsubsidized reference market prices of energy for the months of June and July 2009 and August to October 2009.

On October 26, 2009, we received notice of a complaint filed by a consumer association, the Consumer's Cooperative for Community Action, against the Argentine government, the ENRE, Edesur, Edelap and us. In accordance with the terms of the complaint, two additional associations for the defense of consumer rights, Association for the Legal Defense of Consumers (*Asociación de Defensa de los Derechos de los Usuarios y Consumidores*) and Consumers Union Legal Defense (*Unión de Usuarios y Consumidores en Defensa de sus Derechos*), have joined the complaint.

The remedies sought in the complaint are as follow:

- that all the most recent tariff resolutions be declared null and unconstitutional (ENRE Resolution No. 324/08 – 365/08 – 628/08, 645/08 and Secretary of Energy No. 1169/08 – 797/08 – 1170/08 and its annexes) and, as a consequence, that the amounts billed by virtue of these resolutions be refunded;
- that all the defendants be required to carry out the RTI;
- that the resolutions issued by the Secretary of Energy that extend the transition period of the Adjustment Agreement be declared null and unconstitutional;
- that the defendants be ordered to carry out the sale process, through an international public bidding, of their respective class "A" shares, due to the fact that the management period of the respective concessions has ended;
- that the resolutions as well as any act performed by a governmental authority that modify contractual renegotiations be declared null and unconstitutional;
- that the resolutions that extend the management periods contemplated in the defendant's respective concessions be declared null and unconstitutional; and
- that, alternatively, should the main claim be rejected, the defendants be ordered to bill all customers on a bi-monthly basis.

Additionally, the plaintiffs requested that the court issue a preliminary injunction suspending the rate hikes established in the resolutions questioned by the plaintiffs and that, alternatively, the application of the resolutions be partially suspended. Finally, the plaintiffs also requested that the application authority be ordered not to approve

new increases other than within the framework of the RTI process. As of the date of this annual report, the court has neither granted nor rejected these requests.

We can give no assurance that these actions or other potential future actions or requests for injunctive relief will not reverse the adjustments we have obtained or block any further adjustments to our tariffs.

### ***Breach of Contract Claims***

In March 2010 *Consumidores Financieros, Asociación Civil Para Su Defensa*, a consumers' association, instituted an action against us and Edesur in the National Court of First Instance in Federal Administrative Claims Tribunal No. 2, Secretariat 3 (*Juzgado Nacional de Primera Instancia en lo Contencioso Administrativo Federal N° 2, Secretaría 3*) seeking repayment to customers for alleged excess charges over the course of the past 10 years. The action is based on three claims. First, the plaintiffs claim a refund for the percentage payment of VAT over a taxable base they allege was inappropriately increased to include an amount that exceeded our and Edesur's own payments to the wholesale electricity market. Second, the plaintiffs claim a refund for charges relating to interest on payments by customers that the plaintiffs claim we and Edesur failed to adjust to reflect the actual number of days the payment was outstanding. Finally, the plaintiffs claim a refund for late payment charges from 2008 onwards calculated at the rate of the *tasa pasiva* (the interest rate that *Banco de la Nación Argentina* pays on deposits) in alleged contravention of the Law of Consumer Defense (*Ley de Defensa del Consumidor*) in April 2008. We have given express directions to our legal advisors to contest the suit and all related claims and, on April 22, 2010, we answered the complaint and filed a motion to dismiss for lack of standing on the part of the plaintiffs, requesting, at such opportunity, that a summons be served upon the Federal Government, the AFIP and the ENRE as third-party defendants. Although plaintiffs' opposition to the requested summons has not been resolved, the proceedings were brought to trial, in response to which we filed a motion for reversal with a supplementary appeal. As of the date of this annual report, the proceedings are awaiting resolution, as a step prior to open the trial to testimony and other evidence. While we expect to prevail in this matter, an adverse decision could have a material adverse effect on our results of operations.

On October 21, 2011, we were notified of a lawsuit filed by the Association for the Defense of Rights of Users and Consumers (*Asociación de Defensa de Derechos de Usuarios y Consumidores ADDUC*) requesting that the interviewing Court (i) order the reduction or moderation of penalty interest rates or late payment interests that we charge to customers, because such rates allegedly violate Art. 31 of Law 24,240, and (ii) declare the non-implementation of the agreements or conventions which have stipulated the interest rates that we apply to our customers, and of the administrative regulations on the basis of which we justify the interest charging and (iii) orders the restitution of wrongfully perceived interests of customers provided since 08/15/2008 until the day that we comply with the order of interest reduction. The plaintiff also requested the reinstatement of VAT (21%) and other taxes charged on the portion of charges unlawfully perceived. On November 11, 2011, we answered the complaint and filed a motion to dismiss for both lack of standing and the fact that the claims at issue were being litigated in another lawsuit.

We can give no assurance that these actions or other potential future actions or requests for injunctive relief will not reverse the adjustments we have obtained or block any further adjustments to our tariffs.

### ***Legal actions brought by Edenor***

On February 9, 2011, the Company challenged Resolution No. 32/11 of the ENRE which, within the framework of the power cuts that occurred between December 20 and December 31, 2010, established the following:

- That the Company be fined in the amount of Ps. 750,000 due to its failure to comply with the obligations arising from the Concession Agreement and Section 27 of Law No. 24,065.

- That the Company be fined in the amount of Ps. 375,000 due to its failure to comply with the obligations arising from Section 25 of the Concession Agreement and Resolution No. 905/1999 of the ENRE.

- That Company customers be paid the following amounts as compensation for the power cuts suffered: Ps. 180 to each small-demand residential customer who suffered power cuts that lasted more than 12 continuous hours, Ps. 350 of each of to those who suffered power cuts that lasted more than 24 continuous hours, and Ps. 450 to of each of those who suffered power cuts that lasted more than 48 continuous hours. The resolution stated that such compensation did not include damages to customer facilities and/or appliances, which were to be dealt with in accordance with a specific procedure.

On July 8, 2011, the Company requested that notice of the substance of the case be served on the ENRE, which has effectively taken place. The proceedings have been “awaiting resolution” since the date on which the ENRE answered the notice served. Furthermore, on October 28, 2011, we filed an appeal ( “*recurso de queja por apelación denegada*” ) to the Federal Supreme Court requesting that the rejected extraordinary federal appeal be sustained.

On April 24, 2013, the Company was notified that such direct appeal had been denied by the Appellate Court in Contentious and Administrative Federal Matters No. 1. As of the date of this annual report, the Company, together with its legal counsel, is assessing the situation, which involves the precautionary measure and the appeal of this last resolution.

As of December 31, 2012, the provision recorded in relation to the aforementioned compensations amounted to Ps. 30.4 million, including principal amount and accrued interest. For further information on this legal proceeding, see “Item 4. Business Overview—Fines and penalties.”

On December 7, 2012, the Company challenged Resolution No. 336/12 of the ENRE pursuant to which:

-the Company is to determine the customers affected by the power cuts that occurred as a consequence of failures between October 29 and November 14, 2012;

-the Company is to determine the discounts to be recognized to each of the customers identified in accordance with the preceding caption;

- the Company is to credit such discounts on account of the final discounts that will result from the evaluation of the

Technical Service Quality relating to the six-month control period;

- the Company is to compensate each small-demand residential customer (T1R) who has been affected by the power cuts occurred during the aforementioned period. The amount of the compensation will depend on the length of the power cut, provided, however, that such power cut lasted more than 12 continuous hours.

As of December 31, 2012, the provision recorded in relation to the aforementioned penalties and compensations amounted to Ps. 16.7 million. It is estimated that this case will not come to an end during 2013.

On December 28, 2012, the Company filed a judicial remedy (*acción de amparo*) against the ENRE seeking to protect the company's constitutional rights relating to the provision of a secure and continuous public service of distribution of energy. To file the *amparo*, the Company has considered that ENRE's omission to implement the necessary measures to guarantee the provision of the public service of distribution of energy, such as its failure to recognize the CMM adjustments that the Company has requested and the delay to implement the new tariff structure under the RTI, has led to an unstable situation which threatens the regular provision of the public service. As a consequence, the Company is seeking to obtain the necessary funds to provide the public service of distribution of energy as contemplated in its concession agreement.

On February 19, 2013, the National Court of First Instance in Federal Administrative Claims Tribunal No. 12 (Juzgado Nacional de Primera Instancia en lo Contencioso Administrativo Federal No 12) served summons to ENRE and at the same time denied the preliminary injunction requested by the Company. This resolution has been timely appealed by the Company.

### ***Petition against AFIP – DGI***

On May 15, 2012, the Company filed a petition for declaratory relief against AFIP - DGI pursuant to Section 322 of the Federal Civil and Commercial Procedural Code in order to obtain assurance as to the application of the minimum presumed income tax based on the decision by the Supreme Court in Hermitage” passed on June 15, 2010. In this precedent, the Court had declared this tax unconstitutional.

As of December 31, 2012 and 2011, the Company held a provision for the minimum presumed income tax for the fiscal years 2012 and 2011 and for the proportional tax estimated for such years for a total amount of Ps. 34.15 million and Ps. 40.8 million, respectively, including compensatory interest.

### ***Legal actions brought by Eden***

Eden brought an administrative reimbursement claim (*acción de repetición*) against the AFIP, for the excess amounts paid by AESEBA as Minimum Presumed Income Tax during the fiscal years 1998 through 2003.

Eden has filed two special appeals (*Recursos de reconsideración*) against the AFIP’s resolutions claiming not only the approval of the amounts not approved by the tax authorities but also that interest be calculated as from the filing date of the administrative claim.

In August 2011, the AFIP corrected the interest calculation and on August 17, 2011, it made payment for the fiscal years 1998 through 2001. The appeal concerning fiscal years 2002 and 2003 is still pending resolution.

## **DIVIDENDS**

Under Argentine corporations’ law, declaration and payment of annual dividends, to the extent the distribution of available earnings complies with the requirements of applicable Argentine corporate law, is determined by our shareholders at the annual ordinary shareholders’ meeting. Generally, but not necessarily, the board of directors makes a recommendation with respect to the payment of dividends. Edenor has not declared or paid any dividends since August 14, 2001.

### **Amount available for distribution**

Dividends may be lawfully declared and paid only out of our retained earnings stated in our yearly financial statements prepared in accordance with Argentine GAAP and CNV regulations and approved by the annual ordinary shareholders’ meeting.

According to Argentine Corporations Law and our by-laws we are required to maintain a legal reserve of 20% of our outstanding capital stock. The legal reserve is not available for distribution to shareholders. Under Argentine corporations’ law and our by-laws, our yearly net income (as adjusted to reflect changes in prior results) is allocated in the following order:

- (i) to comply with the legal reserve requirement;
- (ii) to pay the accrued fees of the members of our board of directors and supervisory committee;
- (iii) to pay any amounts owed to our employees under the “Bonos de Participación para el Personal” (which are bonds issued to our employees according to the provisions of our by-laws, that entitle each holder to a pro rata portion of 0.5% of our earnings, after payment of taxes);

- (iv) for voluntary or contingent reserves, as may be resolved from time to time by our shareholders at the annual ordinary shareholders' meeting; and
- (v) remainder of the net income for the year may be distributed as dividends on common shares or as otherwise decided by our shareholders at the annual ordinary shareholders' meeting.

Our board of directors submits our financial statements for the preceding fiscal year, together with reports thereon by the supervisory committee, at the annual ordinary shareholders' meeting for approval. Within four months of the end of each fiscal year, an ordinary shareholders' meeting must be held to approve the financial statements and determine the allocation of our net income for such year.

Under applicable CNV regulations, cash dividends must be paid to shareholders within 30 days of the shareholders' meeting approving any dividends. In the case of stock dividends, shares are required to be delivered within three months of our receipt of notice of the authorization of the CNV for the public offering of the shares arising from such dividends. The statute of limitations for any shareholder to receive dividends declared by the shareholders' meeting is 3 years from the date in which they have been made available to the shareholder.

Pursuant to the Adjustment Agreement, Edenor cannot make any dividend payments without the ENRE's prior approval during the period in which Edenor is conducting the RTI.

### SIGNIFICANT CHANGES

Except as identified in this annual report on Form 20-F, no significant change in our financial condition has occurred since the date of the most recent audited Consolidated Financial Statements contained in this annual report. See "Item 5. Operating and Financial Review and Prospects—Factors Affecting our Results of Operations", "Item 5. Operating and Financial Review and Prospects—Liquidity and Capital Resources" and "Item 3. Key Information—Risk factors—Risks Relating to Our Business—Failure or delay to negotiate further improvements to our tariff structure, including increases in our distribution margin, and/or to have our tariff adjusted to reflect increases in our distribution costs in a timely manner, could have a material adverse effect on our capacity to perform our financial and commercial obligations."

#### **Item 9. *The Offer and Listing***

Since April 26, 2007, our Class B common shares and the ADSs have been listed on the Buenos Aires Stock Exchange and the NYSE, respectively. The ADSs have been issued by the Bank of New York as depositary. Each ADS represents 20 Class B common shares.

### OFFER AND LISTING DETAILS

The following table sets forth, for the periods indicated, the annual high and low market prices for the ADSs on the New York Stock Exchange and for the shares on the Buenos Aires Stock Exchange.

	Buenos Aires Stock Exchange		New York Stock Exchange	
	Pesos per Share		U.S. Dollars per ADS	
	High	Low	High	Low
2008 .....	3.50	0.56	22.16	3.06
2009 .....	1.70	0.61	9.02	3.20
2010 .....	2.90	1.26	14.32	6.36
2011 .....	2.71	1.27	13.49	5.26
2012 .....	1.65	0.52	7.03	1.71

The following tables set forth, for the periods indicated, the reported high and low sales prices for our shares on the Buenos Aires Stock Exchange and the reported high and low sales prices for the ADSs on the New York Stock Exchange.

	<b>Buenos Aires Stock Exchange</b>		<b>New York Stock Exchange</b>	
	<b>Pesos per Share</b>		<b>U.S. Dollars per ADS</b>	
	<b>High</b>	<b>Low</b>	<b>High</b>	<b>Low</b>
<b>2011</b>				
First Quarter.....	2.71	2.12	13.49	9.97
Second Quarter .....	2.37	1.78	11.31	8.24
Third Quarter .....	2.28	1.42	10.85	6.06
Fourth Quarter .....	2.08	1.27	8.40	5.26

	<b>Buenos Aires Stock Exchange</b>		<b>New York Stock Exchange</b>	
	<b>Pesos per Share</b>		<b>U.S. Dollars per ADS</b>	
	<b>High</b>	<b>Low</b>	<b>High</b>	<b>Low</b>
<b>2012</b>				
First Quarter.....	1.65	0.96	7.03	3.70
Second Quarter .....	1.00	0.60	3.77	1.98
Third Quarter .....	0.88	0.69	2.66	2.06
Fourth Quarter .....	0.71	0.52	2.40	1.71

	<b>Buenos Aires Stock Exchange</b>		<b>New York Stock Exchange</b>	
	<b>Pesos per Share</b>		<b>U.S. Dollars per ADS</b>	
	<b>High</b>	<b>Low</b>	<b>High</b>	<b>Low</b>
<b>2012</b>				
December.....	0.68	0.60	2.05	1.85
<b>2013</b>				
January.....	1.14	0.66	2.98	1.99
February.....	1.13	0.85	2.85	2.06
March.....	0.97	0.90	2.50	2.12
April <sup>(1)</sup> .....	0.96	0.90	2.48	1.92

<sup>(1)</sup> Represents the corresponding sale prices from April 1 through April 29, 2013.

## MARKETS

### Trading on the Buenos Aires Stock Exchange

#### *Trading in the Argentine securities market*

The securities market in Argentina is comprised of 11 stock exchanges consisting of the BCBA, Bahía Blanca, Corrientes, Córdoba, La Plata, La Rioja, Mendoza, Rosario, Santa Fe, Mar del Plata and Tucumán. Six of these exchanges (Buenos Aires, Rosario, Córdoba, Mendoza, Santa Fe, and La Rioja) have affiliated stock markets and, accordingly, are authorized to quote publicly offered securities. Securities listed on these exchanges include corporate equity and bonds and government securities.

The BCBA is the principal and longest-established exchange in Argentina and is currently the fourth largest exchange in Latin America in terms of market capitalization. The BCBA began operating in 1854 and accounts for approximately 95% of all equity trading in Argentina. Bonds listed on the BCBA may simultaneously be listed on the Mercado Abierto Electrónico, the Argentine over-the-counter market, or MAE, pursuant to an agreement between BCBA and MAE which stipulates that equity securities are to be traded exclusively on the BCBA while debt securities (both public and private) may be traded on both the MAE and the BCBA. In addition, through separate agreements with the BCBA, all of the securities listed on the BCBA may be listed and subsequently traded on the Córdoba, Rosario, Mendoza, La Plata and Santa Fe exchanges, by virtue of which many transactions originating on these exchanges relate to BCBA-listed companies and are subsequently settled in Buenos Aires. Although companies may list all of their capital stock on the BCBA, controlling shareholders in Argentina typically retain the majority of a company's capital stock, resulting in a relatively small percentage of active trading of the companies' stock by the public on the BCBA.

The Buenos Aires Stock Market or Mercado de Valores de Buenos Aires (MERVAL) is the largest stock market in Argentina and is affiliated with the BCBA. MERVAL is a corporation consisting of 133 shareholder members who are the sole individuals or entities authorized to trade, either as principals or agents, in the securities listed on the BCBA. Trading on the BCBA is conducted either through the traditional auction system from 11:00 a.m. to 5:00 p.m. on trading days, or through the *Sistema Integrado de Negociación Asistida por Computación* (Computer-Assisted Integrated Negotiation System, or SINAC). SINAC is a computer trading system that permits trading in both debt and equity securities and is accessed by brokers directly from workstations located in their offices. Currently, all transactions relating to listed negotiable obligations and listed government securities can be effectuated through SINAC. In order to control price volatility, MERVAL imposes a 15-minute suspension on trading when the price of a security registers a variation in price between 10% and 15% and between 15% and 20%. Any additional 5% variation in the price of a security will result in additional 10-minute successive suspension periods.

#### *Regulation of the Argentine securities market*

The Argentine securities market is regulated and overseen by the CNV, pursuant to Capital Markets Law No. 26,831, as well as stockbroker transactions, market operations, the public offering of securities, corporate governance matters relating to public companies and the trading of futures and options. Argentine insurance companies are regulated by a government agency, the *Superintendencia de Seguros de la Nación*, whereas financial institutions are regulated primarily by the Central Bank.

In Argentina, debt and equity securities traded on an exchange or the over-the-counter market must, unless otherwise instructed by their shareholders, be deposited with *Caja de Valores S.A.* ("Caja de Valores"), a corporation owned by the Buenos Aires Stock Exchange, MERVAL and certain provincial exchanges. Caja de Valores is the central securities depository of Argentina and provides central depository facilities and acts as a clearinghouse for securities trading and as a transfer and paying agent for securities transactions. Additionally, Caja de Valores handles the settlement of securities transactions carried out by the Buenos Aires Stock Exchange and operates the computerized exchange information system mentioned above.

Despite a change in the legal framework of Argentine securities trading in the early 1990s, which permitted the issuance and trading of new financial products in the Argentine capital markets, including commercial paper, new types of corporate bonds and futures and options, and significant corporate governance regulations introduced in 2001 as further described below, there is still a relatively low level of regulation of the market for Argentine securities and investors' activities in such markets and enforcement of them has been extremely limited. Because of the limited exposure and regulation in these markets, there may be less publicly available information about Argentine companies than is regularly published by or about companies in the United States and certain other countries. However, the CNV has taken significant steps to strengthen disclosure and regulatory standards for the Argentine securities market, including the issuance of regulations prohibiting insider trading and requiring insiders to report on their ownership of securities, with associated penalties for noncompliance.

In order to improve Argentine securities market regulation, the Argentine Government issued Decree No. 677/01 on June 1, 2001, which provided certain guidelines and provisions relating to capital markets transparency and best practices. Decree No. 677/01 applies to individuals and entities that participate in the public offering of securities, as well as to stock exchanges. Among its key provisions, the decree broadens the definition of a "security," governs the treatment of negotiable securities, mandatory and voluntary tender offers, authorizes market stabilization transactions under certain circumstances, governs insider trading, market manipulation and securities fraud, regulates going-private transactions and acquisitions of voting shares, including controlling stakes in public companies and set forth a number of corporate governance standards including regulations regarding treatment of related party transactions and establishment of independent audit committees in publicly traded companies. Further improvements to Argentine securities market regulations were introduced in December 2011 when the Argentine Congress enacted changes to the Argentine Criminal Code to include insider trading as a criminal offense. Also, on November 29, 2012, the Argentine Government enacted law No. 26,831 (the "Capital Markets Law") which revokes law No. 17,811 and Decree No. 677/01. However, Capital Markets Law took most of the provisions established in those regulations.

Before offering securities to the public in Argentina, an issuer must meet certain requirements established by the CNV with regard to the issuer's assets, operating history and management, among others, and only securities for which an application for a public offering has been approved by the CNV may be listed on a stock exchange. Despite these requirements imposed by the CNV, CNV approval does not imply any kind of certification as to the quality of the securities or the solvency of the issuer, although issuers of listed securities are required to file unaudited quarterly financial statements and audited annual financial statements and various other periodic reports with the CNV and the stock exchange on which their securities are listed, as well as to report to the CNV and the relevant stock exchange any event related to the issuer and its shareholders that may affect materially the value or trading volume of the securities traded.

#### **Item 10. Additional Information**

##### **MEMORANDUM AND ARTICLES OF INCORPORATION**

Set forth below is a brief summary of certain significant provisions of our by-laws and Argentine law. This description does not purport to be complete and is qualified by reference to our by-laws, which have been filed as an exhibit to this annual report. For a description of the provisions of our by-laws relating to our board of directors and statutory auditors, see "Item 6. Directors, Senior Management and Employees."

#### **Description of Capital Stock**

We are a public service company incorporated on July 21, 1992 as a *sociedad anónima*, a limited liability corporation, duly incorporated under the laws of Argentina for a 95-year period and registered on August 3, 1992 with the Public Registry of Commerce of the City of Buenos Aires under Nr. 7041 of Book 111, Volume A of *Sociedades Anónimas*.

As of the date of this annual report, our capital stock consists of Ps. 906,455,100, represented by 462,292,111 book-entry Class A common shares, with a par value of one Peso each and the right to one vote per share, 442,210,385 book-entry Class B common shares, with a par value of one Peso each and the right to one vote per share, and 1,952,604 book-entry Class C common shares, with a par value of one Peso each and the right to one

vote per share. Under our by-laws, we are required to ensure, unless the ENRE approves otherwise, that Class A common shares represent 51% of our outstanding capital stock and that new Class A, Class B and Class C common shares are issued *pro rata* to the percentage of the outstanding capital stock represented by them prior to a capital increase, unless a general or special shareholder's meeting approves otherwise. All of our outstanding shares are currently fully paid.

Our shareholders authorized a capital increase of 83,161,020 common shares on June 7, 2006 composed of 42,412,120 Class A common shares, 32,432,797 Class B common shares and 8,316,102 Class C common shares. Our Class B common shares have been listed on the Buenos Aires Stock Exchange since 1995 although they have never been traded effectively on that exchange or any other market. Holders of Class A common shares may convert any Class B common shares they may hold into Class A common shares, on a one-for-one basis, if such conversion would be required to maintain at all times 51% of our outstanding capital stock. Our Class A common shares have been pledged in favor of the Argentine government to secure our obligations under our concession and may not be transferred, not even to shareholders of the same class, without the prior approval of the ENRE. Under the Adjustment Agreement, these shares may not be transferred until the approval of the RTI.

Upon the closing of our IPO, substantially all our Class C common shares were converted into Class B common shares. The rights previously attributable to our Class C common shares were combined with those attributable to our Class B common shares, and holders of our remaining Class C common shares vote jointly as a single class with the holders of our Class B common shares in the election of directors.

### **Corporate Purpose**

Article 4 of our by-laws establishes that our corporate purpose is to engage in the distribution and sale of electricity within our concession area. We can also acquire the capital stock of other electricity distribution companies, subject to regulatory approval, lease our network to provide power line communication or other voice, data and image transmission services, and render operating, advisory, training, maintenance, consultancy, management services and know-how related to the distribution of electricity both in Argentina and abroad. These activities may be conducted directly by us or through subsidiaries or affiliates. In addition, we may act as trustees of trusts created under Argentine law to the extent they are related to credit facilities granted to vendors and service providers acting in the distribution and sale of electricity who have guaranties granted by reciprocal guaranty companies owned by us.

### **Shareholders' Liability**

Under Argentine corporate law, shareholder liability for a company's losses is limited to the value of the shareholder's shareholding in the company. However, shareholders who have a conflict of interest with the company with respect to certain matters and who do not abstain from voting on such matters may be held liable for damages to the company, provided that their votes were involved in the adoption of the relevant decision. In addition, shareholders who voted in favor of a resolution that is subsequently declared void by a court as contrary to Argentine law or the company's by-laws (or regulations, if any) may be held jointly and severally liable for damages to the company, other shareholders or third parties resulting from the resolution. See also "Item 3. Key Information—Risk factors—Risks related to our ADSs and common shares—Our shareholders may be subject to liability for certain votes of their securities."

### **Appraisal Rights**

Whenever our shareholders approve:

- a merger or spin-off in which we are not the surviving corporation, unless the acquiror shares are authorized for public offering or listed on any stock exchange;
- a transformation of our corporate legal status;
- a fundamental change in our by-laws;

- a change in our domicile outside Argentina;
- a voluntary termination of the public offering or listing authorization;
- a decision in favor of our continuation upon delisting or cancellation of our public offering authorization; or
- a total or partial recapitalization following a mandatory reduction of our capital or liquidation

any shareholder that voted against such action or did not attend the relevant meeting may exercise appraisal rights, that is, the rights to withdraw as our shareholder and have its shares cancelled in exchange for the book value of its shares, determined on the basis of our latest balance sheet prepared, or that should have been prepared, in accordance with Argentine laws and regulations, provided that such shareholder exercises its appraisal rights within the time frame set forth below.

Appraisal rights must be exercised within five days following the meeting at which the relevant resolution was adopted, in the event of a dissenting shareholder that voted against such resolution, or within 15 days following such meeting in the case of a dissenting shareholder that did not attend the meeting and who can prove that it was a shareholder at the date of the meeting. In the case of mergers or spin-offs involving an entity authorized to make public offering of its shares, appraisal rights may not be exercised if the shares to be received as a result of the transaction are listed in any stock exchange. Appraisal rights are terminated if the resolution giving rise to such rights is overturned at another shareholders' meeting held within 60 days as from the meeting at which the resolution was adopted.

Payment of appraisal rights must be made within one year of the date of the shareholders' meeting at which the resolution was adopted, except where the resolution was to delist our capital stock, in which case the payment period is reduced to 60 days from the date of the relevant resolution.

Because of the absence of legal precedents directly on point, there is doubt as to whether holders of ADSs would be able to exercise appraisal rights either directly or through the depositary with respect to our Class B common shares represented by ADSs.

### **Redemption or Repurchase**

According to the Capital Markets Law, a *sociedad anónima* may acquire its own shares, provided that the public offering and listing thereof has been authorized, subject to the following terms and conditions and other regulations that may be issued by the CNV. The conditions are: (a) the shares to be acquired should be fully paid; (b) there shall be a resolution of the board of directors to such effect, (c) the acquisition shall be made out of net profits or voluntary reserves; (d) the total amount of shares acquired by the company, including previously acquired shares, shall not exceed 10% of the capital stock or such lower percentage determined by the CNV. The shares acquired in excess of such limit shall be disposed of within 90 days after the date of the acquisition originating the excess.

The shares acquired by the company shall be disposed of by the company within a maximum term of three years counted as from the date of the acquisition thereof. Upon disposition of the shares, the company shall make a preemptive rights offering of such shares. The offer is not mandatory if the shares are issued in connection with a compensation plan or program for the company's employees or if the shares are distributed among all shareholders in proportion to their shareholding. If shareholders do not exercise in whole or in part, their preemptive rights, the sale shall be made in a stock exchange.

In 2008, we repurchased our class B common shares in Argentina through a public tender offer and through open market repurchases. Through both operations, we repurchased 9,412,500 shares. On October 31, 2008, we launched a public tender offer in Argentina for our Class B common shares. According to the terms of the tender offer, we were permitted to purchase up to 65 million shares, or 7.17% of our outstanding Class B common shares,

at a price of Ps. 0.65 per share for a total maximum expenditure of Ps. 45 million. The CNV approved the tender offer on October 30, 2008. The offer expired on November 14, 2008.

### **Preemptive and Accretion Rights**

Under Argentine law, shareholders of any given class of common shares have preemptive rights, on a *pro rata* basis, to subscribe shares of the same class owned by them, and accretion rights, on a *pro rata* basis, to subscribe additional shares of its class or other classes of shares not subscribed by other shareholders of the same class. Preemptive rights and accretion rights may be waived only by each shareholder on a case-by-case basis. Pursuant to the Argentine corporations law, in exceptional cases and on a case by case basis when required for the best interest of the relevant company, its shareholders at an extraordinary meeting with a special majority may decide to limit or suspend preemptive rights, provided that the resolution is included in the meeting's agenda and the shares to be issued are paid in kind or are issued to cancel preexisting obligations.

In the event of a capital increase, our by-laws provide that holders of Class A, Class B and Class C common shares have preemptive rights, on a *pro rata* basis, to subscribe new Class A, Class B or Class C common shares, as the case may be, in order to maintain their *pro rata* interest in our capital stock, unless otherwise decided at our general or extraordinary shareholders' meeting. The holders of our Class A common shares, in any capital increase, must exercise their preemptive rights to maintain at least 51% of our capital stock outstanding after giving effect to the capital increase, unless otherwise authorized by the ENRE or to the extent any other legal mechanism is used to secure the 51% ownership of our capital stock. In order for the participant employees of the PPP to participate in such an offering, all of our Class C common shares (including shares of PPP participants who will not participate in such an offering) shall be converted into Class B common shares.

Pursuant to Argentine law, if approved by an extraordinary shareholders' meeting, companies authorized to make a public offering of their securities may shorten the period during which preemptive rights may be exercised from 30 to 10 days following the publication of the offering in the Argentine Official Gazette and a newspaper of wide circulation in Argentina. Preemptive rights are exercisable following such publication (which must be made for three days) for a period of 30 days, provided the period is not reduced in the manner described above.

Shareholders who have exercised their preemptive rights have the right to exercise accretion rights, on a *pro rata* basis, with respect to any unsubscribed shares. Shares not subscribed by shareholders by virtue of preemptive or accretion rights may be offered to third parties. EASA and certain of our selling shareholders have assigned their preemptive and accretion rights to the international underwriters. Holders of ADSs may be restricted in their ability to exercise preemptive rights if a prospectus under the Securities Act relating thereto has not been filed or is not effective or an exemption is not available.

### **Voting Rights**

Under our by-laws, each class of common shares entitles its holder to one vote per share at any meeting of our shareholders. Under Argentine corporations' law, a shareholder is required to abstain from voting any resolution in which his direct or indirect interest conflicts with that of, or is different from, the company. In the event that such shareholder votes on such resolution, and such resolution would not have been approved without such shareholder's vote, the resolution may be declared void by a court and such shareholder may be held liable for damages to the company, other shareholders and third parties.

### **Registration Requirements of Foreign Companies Holding Class B Shares**

Under Argentine regulations, foreign companies that hold shares directly (and not indirectly through ADSs) in an Argentine company must register with the *Inspección General de Justicia* (the City of Buenos Aires Public Registry of Commerce) to exercise certain shareholder rights, including voting rights. The registration requires the filing of certain corporate and accounting documents in order to demonstrate that the foreign shareholder is not a special purpose vehicle organized solely to conduct business in Argentina that it is entitled to conduct business in its place of incorporation and meets certain foreign assets requirements.

## **Liquidation Rights**

In case of liquidation or dissolution, our assets will be applied to satisfy our outstanding liabilities and then be proportionally distributed among holders of our common stock without distinction of classes.

## **Ordinary and Extraordinary Shareholders' Meetings**

Shareholders' meetings may be either ordinary meetings or extraordinary. We are required to convene and hold an ordinary meeting of shareholders within four months of the close of each fiscal year to consider the matters specified in the first two paragraphs of Section 234 of the Argentine corporations law, such as the approval of our financial statements, allocation of net income for such fiscal year, approval of the reports of the board of directors and the statutory audit committee and election, performance and remuneration of directors and members of the statutory audit committee. In addition, pursuant to the Capital Markets Law, at an ordinary shareholders' meetings, our shareholders must consider (i) the disposition of, or creation of any lien over, our assets as long as such decision has not been performed under the ordinary course of our business and (ii) the execution of administration or management agreements and whether to approve any agreement by virtue of which the assets or services provided to us are paid partially or totally with a percentage of our income, results or earnings, if the payment is material when measured against the volume of the ordinary course of business and our shareholders' equity. Other matters which may be considered at an ordinary meeting convened and held at any time include the responsibility of directors and members of the statutory audit committee, capital increases and the issuance of certain corporate bonds. Extraordinary shareholders' meetings may be called at any time to consider matters beyond the authority of an ordinary meeting including, without limitations, the amendment of our by-laws, issuance of debentures, early dissolution, merger, spin off, reduction of capital stock and redemption of shares, transformation from one type of entity to another, appointment, removal and retribution of the liquidators and limitation or suspension of shareholders' preemptive rights.

## **Special Shareholders Meetings of Classes of Shares**

In the event a shareholder's meeting is held to adopt any resolution affecting the rights of a class of shares, the consent or ratification of shareholders of that class is required and a special shareholder's meeting shall be held. The special shareholder's meetings shall be governed by the rules provided for the ordinary shareholder's meetings.

## **Notices of Meetings**

Notices of shareholders' meetings are governed by the provisions of Argentine Corporations Law. Furthermore, notice of shareholders' meetings must be published for five days in the Official Gazette, in an Argentine newspaper of wide circulation and in the bulletin of the Buenos Aires Stock Exchange, at least 20 but not more than 45 days prior to the date on which the meeting is to be held. Such notice must include information regarding the type of meeting to be held, the date, time and place of such meeting and the agenda. If quorum is not available at such meeting, a notice for a second meeting, which must be held within 30 days of the date on which the first meeting was called, must be published for three days, at least eight days before the date of the second meeting. The above-described notices of shareholders' meetings may be held simultaneously for the second meeting to be held on the same day as the first meeting, only in the case of ordinary meetings and special shareholder's meetings of a relevant class of shares. Shareholders' meetings may be validly held without notice if all shares of our outstanding capital stock are present and resolutions are adopted by unanimous vote of shares entitled to vote.

## **Quorum and Voting Requirements**

The quorum for ordinary meetings of shareholders on first call is a majority of the shares entitled to vote, and action may be taken by the affirmative vote of an absolute majority of the shares present that are entitled to vote on such action. If a quorum is not available at the first meeting a second meeting may be held at which action may be taken by the holders of an absolute majority of the shares present, regardless of the number of such shares. The quorum for an extraordinary shareholders' meeting on first call is 70% of the shares entitled to vote, and if such quorum is not available, a second meeting may be held, for which the quorum is 35% of the shares entitled to vote.

Action may be taken at extraordinary shareholders' meetings by the affirmative vote of an absolute majority of shares present that are entitled to vote on such action, except that: the approval of a majority of shares with voting rights (for these purposes non-voting preferred shares shall have voting rights), without application of multiple votes, is required at both the first and second meeting for: (i) the transfer of our domicile outside Argentina, (ii) a fundamental change of the corporate purpose set forth in our bylaws, (iii) our anticipated dissolution, (iv) the total or partial redemption of shares, or (v) the transformation of our corporate legal status, in which cases resolutions shall be adopted by the affirmative vote of the majority of shares with the right to vote. Preferred shares will be entitled to one vote in these circumstances. Moreover, pursuant to our by-laws, the extension of the company's duration, the withdrawal from public offering or delisting, the total or partial recapitalization, the merger or spin-off (including if we are the surviving entity) or the termination of the concession agreement for the distribution and sale of electricity, on first and second calls, shall be taken by the affirmative vote of shares representing at least 80% of the outstanding shares entitled to vote, whether present or not at the shareholder's meeting, without application of multiple votes, if applicable. An amendment to our by-laws requires the prior approval of the ENRE. Shareholder's meetings shall approve amendments "ad-referendum" of the ENRE.

Shareholders' meetings may be called by the board of directors or the members of the statutory audit committee whenever required by law or whenever they deem it necessary. Also, the board or the members of the statutory audit committee are required to call shareholders' meetings upon the request of shareholders representing an aggregate of at least five percent of our outstanding capital stock in which case the meeting must take place within 40 days of such shareholders' request. If the board or the statutory audit committee fails to call a meeting following such a request, a meeting may be ordered by the CNV or by the courts. In order to attend a meeting, a shareholder must also deposit with us a certificate of book-entry shares registered in its name and issued by *Caja de Valores S.A.* at least three business days prior to the date on which the meeting is to be held. If so entitled to attend a meeting, a shareholder may be represented by proxy. Proxies may not be granted to our board, members of the statutory audit committee, officers or employees.

### **Election of Directors**

Our board of directors must have 12 acting directors and the number of alternate directors that the shareholders may resolve in a general annual ordinary meeting or at a class annual ordinary meeting, such number not to exceed the number of acting directors. All directors are elected to serve for one fiscal year. Holders of Class A common shares are entitled to elect, at a general annual ordinary meeting or at an annual ordinary meeting of Class A holders 7 directors, two of which must be independent in accordance with CNV regulations and our by-laws. Holders of Class B common shares are entitled to elect, at a general annual ordinary meeting or at an annual ordinary meeting of Class B holders, 4 directors one of which must also be independent in accordance with CNV regulations and our by-laws. Holders of Class C common shares are entitled to elect, at a general annual ordinary meeting or at an annual ordinary meeting of Class C holders 1 director until the percentage of our capital stock represented by Class C common shares decreases below 6% at which moment holders of Class C common shares will be required to vote together with holders of Class B common shares to elect, as a common class, 5 directors. Upon the closing of the Argentine offering (to the extent consummated), substantially all Class C common shares will have been converted into Class B common shares and a nominal amount of Class C common shares will remain outstanding. Accordingly, any rights previously attributable to the Class C common shares will have been combined with those attributable to the Class B common shares, and holders of the remaining Class C common shares will vote jointly as a single class with the holders of Class B common shares in the election of directors.

### **Form and Transfer**

Our current capital stock is represented by book-entry shares. Our shareholders are required to hold their shares through book-entries directly made by *Caja de Valores* in the stock registry of the company carried by *Caja de Valores* or through book-entries with brokers, banks and other entities approved by the CNV that have accounts with *Caja de Valores*, or with the participants of the *Caja de Valores*. *Caja de Valores* is in charge of maintaining a stock registry on our behalf based on information received from shareholders that chose to hold their shares directly by registration on the stock registry of the company and from participants of the *Caja de Valores*, and in accordance with Argentine law only those holders listed in the stock registry either directly or through participants of the *Caja de Valores* will be recognized as shareholders. Shares held by participants of the *Caja de Valores* -have the same rights as shares recorded in our shareholders' register.

## MATERIAL CONTRACTS

We are party to various contracts in the ordinary course of business. For a discussion of the agreements relating to (i) our acquisition of Emdersa and Aeseba and (ii) the ongoing divestiture of Aeseba and the subsidiaries of Emdersa, see “Item 4. Information on the Company—History and Development of the Company.”

## EXCHANGE CONTROLS

Prior to December 1989, the Argentine foreign exchange market was subject to exchange controls. From December 1989 until April 1991, Argentina had a freely floating exchange rate for all foreign currency transactions, and the transfer of dividend payments in foreign currency abroad and the repatriation of capital were permitted without prior approval of the Central Bank. From April 1, 1991, when the Convertibility Law became effective, until December 21, 2001, when the Central Bank decided to close the foreign exchange market, the Argentine currency was freely convertible into U.S. Dollars.

On December 3, 2001, the Argentine government imposed a number of monetary and currency exchange control measures through Decree 1570/01, which included restrictions on the free disposition of funds deposited with banks and tight restrictions on transferring funds abroad without the Central Bank’s prior authorization subject to specific exceptions for transfers related to foreign trade.

In January 2002, pursuant to the Public Emergency Law, the Argentine Executive Branch was empowered to establish a system to determine the exchange rate between the Argentine Peso and foreign currencies and to formulate exchange regulations. On February 8, 2002, pursuant to Decree No. 260/2002, the Argentine Executive Branch established a single free currency market (*mercado único y libre de cambios*, hereinafter the “MULC”) through which all foreign currency exchange operations were to take place, and provided that foreign currency exchange operations would be made at a freely determined exchange rate, subject to certain requirements and regulations of the Central Bank.

In January 2003, the Central Bank gradually eased the restrictions mentioned above and expanded the list of transfers of funds abroad that did not require its prior authorization. However, in June 2003 the Argentine government instituted restrictions on capital flows into Argentina, which mainly consisted of a prohibition against the transfer abroad of any funds until 180 days after their entry into the country.

In June 2005, the Argentine Executive Branch issued Decree 616/05, which established additional restrictions on capital flows. Pursuant to the decree, all indebtedness of Argentine residents within the private sector is required to be agreed upon and repaid not prior to 365 days from the date of entry of the funds into Argentina, regardless of the form of repayment. The decree outlines several types of transaction that are exempt from its requirements, including foreign trade financings, foreign trade balances of those entities authorized to carry out foreign exchange, and primary offerings of debt securities issued pursuant to a public offering and listed on a self-regulated market.

In addition, the decree, as supplemented by subsequent regulations, stipulates that all capital inflows of residents exceeding U.S. \$2 million per month, as well as all capital inflows of non-residents settled in the local exchange market destined for local money holdings, acquisition of active or passive private sector financings and investments in securities issued by the public sector that are acquired in secondary markets (excluding foreign direct investment, which includes capital contributions to local companies of direct investments (namely, a company in which the foreign direct investor holds at least 10% of ordinary shares or voting rights, or its equivalent), and primary offerings of debt securities issued pursuant to a public offering and listed on a self-regulated market), must meet certain requirements, including those outlined below:

- (i) such funds may be transferred only outside the local exchange market after a 365-day period from the date of entry of the funds into Argentina;
- (ii) any Pesos resulting from the exchange of such funds are to be credited to an account within the Argentine banking system; and
- (iii) except for certain types of capital inflows, a non-transferable, non-interest-bearing U.S. dollar-denominated mandatory deposit must be maintained for a term of 365 calendar days, in an amount equal to 30% of any inflow of

funds to the local foreign exchange market arising from certain enumerated transactions (which mandatory deposit may not be used as collateral or guaranty for any transaction).

In addition, on November 16, 2005, the Ministry of Economy and Production issued Resolution 637/05, pursuant to which Decree 616/05 was regulated, providing that any inflow of funds to the local exchange market in connection with an initial public offering of securities, bonds or certificates issued by a trustee under a trust, whether or not such trust is publicly offered and listed in a self-regulated market, shall comply with all requirements provided in section 4 of Decree 616/05 whenever such requirements are applicable to the inflow of funds to the local exchange market in connection with the acquisition of any of the assets under the trust (Communication "B" 8599).

The transfer abroad of dividend payments is currently authorized by applicable regulations to the extent such dividend payments are made in connection with audited consolidated financial statements and are approved by a shareholders' meeting. Any breach of the provisions of Decree No. 616/05 or any other foreign exchange regulation is subject to criminal penalties of the laws governing the Argentine exchange market.

Below are the most important aspects of Central Bank regulations, concerning inflows and outflows of funds in Argentina.

### **Capital Inflows**

#### *Current income and transfers*

Any income received by residents on investments is not required to be settled through the MULC, except in the case of companies that purchase foreign direct investment assets totally or partially financed through indebtedness incurred abroad, in which case, due to the amount involved in the investment, prior authorization from the Central Bank is required in order to have access to the exchange market. In this latter case, those companies must, before accessing the foreign exchange market to make any payment under such financing provide evidence of such settlement of any income received on investments made with the proceeds of indebtedness incurred abroad.

#### *Capital*

Any transactions involving debts incurred abroad by the private non financial and financial sectors in relation to bonds, financial loans (including reverse repurchase transactions) and external financial credit facilities must be entered into and settled through the MULC (Communications "A" 3,712, "A" 3,972 and "A" 5265).

Any issues of debt securities by the private (financial and non financial) sector in a foreign currency where the principal and interest are not solely payable in Argentine Pesos within the country must be denominated in such foreign currency, and the proceeds of such issues must be settled through the MULC (Communications "A" 3,820 and "A" 5,265).

Transfer and settlement of such funds through the foreign exchange market shall be made within 30 calendar days after the date of disbursement of the relevant amount and shall be subject to the rules and regulations in force on the date the foreign currency is settled through the MULC (Communication "A" 5,265).

Any new financial indebtedness entered into in the domestic foreign exchange market and the renewal of any debts payable abroad by Argentine residents of the financial and private non financial sectors must be agreed upon and maintained for not less than 365 calendar days. Such debts may not be repaid prior to the expiration of the aforementioned period, whichever the form of repayment of the obligation abroad, and whether repayment is made with or without access to the local foreign exchange market (Communication "A" 4,359, as amended by Communication "A" 5,265).

The balances of any transactions between correspondent entities authorized to conduct foreign exchange transactions are exempted from the above rules only to the extent that they do not involve financial credit facilities, in which case they will be required to comply with the requirements applicable to the inflows of financial loans. Also exempted are any primary issues of debt securities that are authorized for public offering and listed on self-regulated markets.

Communication “A” 4,359 established regulations for the creation of a deposit pursuant to the description included in Communication “A” 4,360. Such deposit must be made in U.S. Dollars for 30% of the U.S. Dollar equivalent of the total amount entering into the foreign exchange market in the following transactions:

- Financial debts of the financial and private non financial sectors, other than primary issues of debt securities that are authorized for public offering and listed on self-regulated markets.
- Primary issues of shares of resident companies which are not authorized for public offering and are not listed on self-regulated markets, provided that they are not direct investment funds.
- Portfolio investments by non residents designed to acquire holdings of domestic currency and financial assets and liabilities of the financial and private non financial sectors, provided that they are not made for the primary subscription of debt securities authorized for public offering and listed on self-regulated markets, and/or the primary subscription of shares of resident companies which are authorized for public offering and listed on self-regulated markets.
- Portfolio investments by non residents designed to purchase any rights in secondary markets with respect to securities issued by the public sector.

Pursuant to Resolution No. 365/2005 of the Ministry of Economy, by Communication “A” 4,377 the following transactions were included in Communication “A” 4,359 from June 29, 2005:

- Portfolio investments by non residents for the primary subscription of securities issued by the Argentine Central Bank.
- Amounts entering into the domestic foreign exchange market from sales of foreign assets owned by private sector residents, for any amount exceeding the equivalent of U.S.\$2,000,000 for each calendar month, among all the entities authorized to conduct foreign exchange transactions.

In addition, pursuant to Resolution No. 637/2005 of the Ministry of Economy, the following transactions were also included in Communication “A” 4,359 as from November 17, 2005:

- Any capital inflows into the domestic foreign exchange market for the purpose of subscribing the primary issue of notes, bonds or certificates of participation issued by the trustee of a trust, whether or not authorized for public offering and whether listed or not on any self-regulated markets, when such requirements are applicable to the purchase of any of the trust assets.

In the case of capital inflows in foreign currencies other than the U.S. Dollar, for purposes of determining the amount of the required deposit the repurchase transaction rates quoted by Banco Nación at closing of the foreign exchange market on the business day immediately preceding the date of the deposit must be taken into consideration.

The following transactions, among others, are exempted from the requirement of a non interest bearing deposit:

- Foreign currency amounts settled by residents and derived from foreign currency denominated loans extended by local financial entities.
- Inflows of foreign currency amounts into the foreign exchange market from a contribution of direct investments in the country and sales of equity interests in local companies to direct investors, provided that the entity taking part in the transaction has executed the documents required under Communication “A” 4,933, as amended and supplemented.
- Any indebtedness as to Multilateral and Bilateral Lending Agencies and Governmental Lending Agencies (listed in an Annex to Communication “A” 4,662), as amended by Communications “A” 4,832 and “A” 5,011, whether directly or through related agencies (Communication “A” 4,377) when incurred for the performance of their specific purpose.

- Financial indebtedness of the financial and private non financial sectors as to foreign creditors, provided that the proceeds of the foreign exchange settlement, net of taxes and expenses, are at the same time allocated to (i) the purchase of foreign currency for the repayment of the principal under external debt, and/or (ii) the creation of long term external assets (Communication “A” 4,377).
- Financial indebtedness of the private non financial sector as to foreign creditors, provided that such indebtedness is incurred and repaid within an average life of not less than two years, including in the respective calculation any payments of principal and interest, and allocated to an investment in non financial assets (Communication “A” 4,377).
- The proceeds of sales of external assets owned by resident legal entities, when they are allocated by the company to the purchase of non financial assets falling within the scope of the purchases listed in Communications “C” 42,303, 42,884, 44,670 and 46,394.
- The proceeds of sales of external assets owned by resident individuals or legal persons, when they are allocated to new capital contributions of resident companies, and the recipient company uses such funds for the purchase of non financial assets listed in Communications “C” 42,303, 42,884, 44,670 and 46,394.

## **Capital Outflows**

### *Payment of services*

No restrictions are applicable to payments made abroad for services provided by non residents, under any concept (freight, insurance, royalties, technical advice, professional fees, etc.) (Communication “A” 3,826 as amended by Communication “A” 5,264). Access to the MULC for such payments requires the filing of documentation by residents evidencing the authenticity of the transaction, the type of service rendered and the amount to be transferred abroad.

### *Rent payments (interest, profits and dividends)*

Access to the MULC is admitted for the payment of interest by the financial and private non financial sectors (Communication “A” 4,177 as amended by Communication “A” 5,264), subject to the satisfaction of the following requirements:

- Access is not permitted prior to 15 calendar days in anticipation of the maturity date of each interest payment.
- Access is only permitted to pay interest accrued any time during the current interest period.
- As from the date of disbursement of the funds abroad up to the relevant settlement through the MULC, access to the MULC is permitted solely for the difference between any accrued interest and the income earned on the funds deposited abroad.

Access to the MULC for the payment of interest on any debt will be allowed for any income accrued as from the date of the agreement concerning the exchange rate for the sale of foreign currency in the MULC, or the effective date of disbursement of the funds if they are credited in correspondent accounts of entities authorized to settle such funds through the MULC, within 48 business hours after the date of disbursement (Communication “A” 5,264).

Before taking action in relation to any payment of interest on any kind of debts abroad, the entities involved must verify that the debtor has filed, if applicable, a statement of debt pursuant to the information reporting regulations established under Communication “A” 3,602, dated May 7, 2002, and comply with all other requirements set forth in paragraph 4 of Communication “A” 4,177 and in Communication “A” 5,264.

Also, access to the MULC is allowed for the purpose of remitting abroad profit and dividend payments, provided they are derived from closed and audited financial statements (Communication “A” 3,859 as amended by Communication “A” 5,264).

#### *Financial debts*

The repayment of the principal of financial debts incurred abroad by Argentine residents of the financial and private non financial sectors (except for the payment of primary issues of debt securities that are authorized for public offering and listed on self-regulated markets) may only be made through access to the MULC after 365 calendar days have elapsed after the date of settlement in the relevant foreign currency in such market, or the most recent renewal thereof (Communication “A” 5,265).

Access to the local exchange market for the payment of principal installments under indebtedness incurred abroad by participants in the private non financial sector, pursuant to the rules published under Communication “A” 4,177, as amended and restated by Communication “A” 5,265, is allowed under the following terms:

- At any time within 30 calendar days prior to the relevant due date, provided any applicable minimum permanence period has been complied with.
- On an early date within periods longer than 30 days, provided any applicable minimum permanence period has been complied with and one of the following conditions is satisfied:
  - If the payment involved is not part of a debt restructuring process, the foreign currency amount to be prepaid under the external indebtedness must not be higher than the current value of the prepaid portion of such indebtedness, or else such prepayment must be 100% set off by the entry of new foreign financing for a current amount not exceeding the debt being prepaid.
  - If the payment involved is part of a restructuring of indebtedness incurred abroad, the new terms of the indebtedness and cash payment being made must not entail an increase in the current indebtedness amount. Communication “A” 4,960 describes clearly the method to be used for the calculation of the current debt value based on the interest rate implied in the exchange rates quoted in any futures markets operating in the country.
- Payments may be made in advance of when due as may be necessary for operating purposes in order to effect payment to the relevant creditor, of any principal installments when the relevant payment obligation depends on the fulfillment of specific conditions expressly contemplated in any external refinancing agreements made and implemented with foreign creditors beginning on February 11, 2002, this being the date of initial operation of the MULC.

#### *Dividends*

The transfer of dividend payments abroad is currently authorized under applicable regulations, provided such payments are made in relation to financial statements that have been audited and approved by a shareholders’ meeting.

#### *Other provisions*

##### *Sales of foreign currency to non residents*

Communication “A” 4,662 and amending Communications “A” 4,692, “A” 4,832 and “A” 5,011 published a rearrangement of certain regulations and new applicable rules governing access to the foreign exchange market by non residents (as defined in the IMF Balance of Payments Manual – fifth edition, chapter IV).

In this respect, no prior Central Bank approval is required for any of the following transactions conducted by non residents in so far, provided that all the requirements established in each case have been satisfied:

- Purchase of foreign currency to be transferred abroad, provided the purchaser has executed the documents required under the above regulations, including, in the cases set forth below, when the relevant transactions are conducted or correspond to payments received in the country in relation to:
  - Financial indebtedness derived from foreign loans from non residents.
  - Recovery of claims arising from the bankruptcy of domestic companies and collection of debts under reorganization proceedings, provided that the non resident customer has been the owner of the claim and such claim has been recognized in court under the bankruptcy or insolvency proceedings by a final and conclusive judgment.
  - The repatriation of direct investments in the private non financial sector, in companies that are not the controlling entities of domestic financial entities and/or real estate, provided that the investor is recorded as having maintained such investment in the country for at least 365 calendar days, under the following concepts:
    - Sale of the direct investment.
    - Final liquidation of the direct investment.
    - Capital decrease by decision of the domestic company.
    - Reimbursement of irrevocable contributions made by the local company.
  - Receipt of payments for services or settlement of the sale of other portfolio investments (and any income derived therefrom), provided that such payments in conjunction do not exceed the equivalent of U.S.\$500,000 per calendar month for each individual or legal entity, in relation to all the entities authorized to conduct foreign currency transactions. Such repatriation of portfolio investments include, among others: portfolio investments in shares and equity interests in local companies, investments in local mutual funds and trusts, purchase of loan portfolios consisting of loans extended to residents by local banks, purchase of invoices and promissory notes for domestic commercial transactions, investments in domestic bonds issued in Argentine Pesos and foreign currency and payable locally, and purchase of other domestic loans.
  - Indemnities under rulings entered by local courts in favor of non residents.
- Purchase of foreign currency or foreign currency banknotes, provided the amount does not exceed the equivalent of U.S. Dollars 5,000 per calendar month for all the entities authorized to conduct foreign exchange transactions.
- Purchase of foreign currency by international agencies and entities acting as public export financing agencies, which are listed in Communication “A” 4,662 (as amended and supplemented).

Any transactions not falling within the scope of the above paragraphs may only be conducted with the prior authorization of the Argentine Central Bank.

In particular, as from October 28, 2011, access to the MULC for purposes of repatriation of direct investments is subject to evidencing that any funds involved in new investments derived from new contributions to local companies and the purchase of interests therein as well as from the purchase of real property, which are made in a foreign currency, have been entered through the MULC (Communication “A” 5,237). This requirement is also applicable to: (i) any transfers of investment rights between foreign residents; and (ii) any direct investments in Argentina by means of a purchase by non-residents of domestic assets belonging to foreign companies directly or indirectly owned by Argentine residents, to the extent such domestic assets were included as assets of the seller company.

In case the requirement above cannot be complied with as of the date of access to the MULC, prior consent of the Argentine Central Bank shall be necessary to effect the repatriation of the relevant direct investment.

*Creation of foreign assets belonging to residents*

Communication “A” 5,085 (as amended by Communications “A” 5,126 and “A” 5,198), effective as of June 8, 2010, rearranged and updated the rules applicable to resident individuals and legal entities not included in the financial sector for their access to the MULC for the purpose of purchasing, subject to a monthly limit, foreign currency under the following types of transactions: real estate transactions abroad, loans extended to non residents, contributions under direct investments by residents abroad, portfolio investments of individuals abroad, other investments by residents abroad, portfolio investments of legal entities abroad, purchase of foreign currency banknotes in the country for holding purposes and purchase of traveler checks, portfolio investments of mutual funds, purchase of banknotes from mutual funds and gifts.

The monthly limit applicable to the above transactions, for all financial entities, is currently of U.S. \$2 million (Communication “A” 4,871).

Under Communication “A” 4,803 local governments were exempted from the limit established for the purchase of foreign currency banknotes, provided such purchases are made for purposes of a deposit in accounts maintained in domestic financial entities in the framework of the conditions established for the disbursement of loans by International Agencies.

Also, some extensions of the above limit have been contemplated for purposes of creating portfolio investments abroad, provided such funds are allocated to a specific use and certain requirements prescribed under Communication “A” 4,822, as amended and supplemented, are complied with.

Mutual funds may have access to the MULC under the foreign exchange regulations in effect at the time the relevant transactions are made (Communication “A” 4,086).

In order to have access to the MULC for the creation of external assets in accordance with the rules and limits established under Communication “A” 3,722 and supplementary regulations, as of the date of access to the foreign exchange market the customer must not have on record any overdue and unpaid debts as to foreign creditors in relation to the repayment of principal and payment of interest on indebtedness of any kind. This condition shall not apply to the purchase of banknotes and traveler checks for amounts not exceeding the equivalent of U.S. \$10,000 per calendar month (Communications “A” 4,349 and “A” 4,390).

Subsequently, Communication “A” 5,236 established that entities taking part in transactions involving persons whose transactions exceed U.S.\$ 250,000 per calendar year will be required to determine that the amounts of any purchased foreign currency do not exceed:

(i) For individuals: (a) their respective assets reported as investments in local financial assets and their Argentine Peso cash holdings, as reflected in their most recent personal assets tax return, (b) the amounts resulting from the sale in Argentina and in Argentine Pesos of any non financial assets subject to registration and of foreign currency, as reflected in the individual’s most recent tax return and its income for the period, (c) income for the calendar year and subject to income tax withholdings, (d) income for the year on financial assets and not subject to income tax, and (e) amounts received during the year as inheritance. Evidence of the entity’s determination accompanied by any relevant supporting documents showing that the purchase of foreign currency was effected with funds derived from the aforementioned sources shall remain in the entity’s records for inspection by the Argentine Central Bank; and

(ii) For legal entities: the amount of their respective shareholders’ equity as shown in their financial statements for the most recently ended fiscal year, minus any investments in foreign assets as of such date, foreign currency denominated deposits in local entities, interests held in other local entities, distribution of profits and dividends approved after the balance sheet date, plus any earnings obtained after the end of the fiscal year and any sales of foreign currency in the domestic market.

Similarly, Communication “A” 5,236 established that foreign currency purchased may not be used to purchase notes and securities issued by residents or representatives thereof, or issued by non-residents but traded within the country, in the secondary market.

AFIP Resolution 3210/2011 and Communication “A” 5,239 established a “Foreign Exchange Transaction Inquiry System” (“*Consulta de Operaciones Cambiarias*”) applicable to all forms of transactions involving the purchase of foreign currency, whichever the purpose thereof. In this respect, AFIP will conduct a real-time assessment of each transaction to determine whether the intended transaction by a prospective foreign-currency purchaser is consistent with such purchaser’s background and decide whether the transaction is authorized or not.

### *Capital markets*

Transactions involving securities that are conducted in stock exchanges and self-regulated securities markets must be paid by any of the following means: (a) in Argentine Pesos, in any of the different manners permitted under payment systems, (b) in a foreign currency by means of an electronic transfer of funds from and to demand deposit accounts maintained in local financial entities, and (c) by wire transfer from a foreign account. These transactions for the sale and purchase of securities may in no event be settled by means of a payment in foreign currency banknotes or by a deposit in custody or third-party accounts (Communication “A” 4308).

### *Survey of security issues and other external obligations of the private financial and non financial sectors*

By Communication “A” 3,602, dated May 7, 2002, the implementation of an External Liabilities and Security Issues Survey was decided. The statements included in this survey correspond to the existing indebtedness at the end of each calendar month and must be filed by any individuals and legal entities of the private financial and non financial sectors with any kind of liabilities as to foreign residents. All individuals and legal entities in the private financial and non-financial sector must report their outstanding foreign indebtedness (whether in Argentine Peso or foreign currency-denominated) at the end of each quarter. Such reports must be filed through financial entities, with the nature of sworn statements. The debts incurred and repaid within the same calendar quarter need not be reported.

### *Survey of direct investments*

Communication “A” 4,237, dated November 10, 2004, implemented a Survey of Direct Investments by Non Residents in the country and by Argentine Residents abroad. A direct investment is an investment that reflects a long-standing interest of a resident of a country (direct investor) in an entity that is resident of another country (direct investment company), such as an ownership interest representing at least 10% of a company’s capital stock or voting rights. The reporting requirements prescribed by this Communication “A” 4,237 are to be met on a bi-annual basis.

## **Money Laundering**

The concept of money laundering is generally used to denote transactions aimed at introducing funds from illicit activities in the institutional system and thus transform profits from illegal activities in assets of a seemingly legitimate source.

On April 13, 2000, the Argentine Congress enacted Law No. 25,246 (as amended by Laws No. 26,087, 26,119 and 26,268, and No. 26,683, hereinafter jointly referred to as the “Law of Money Laundering”), which establishes an administrative criminal system and supersedes various sections of the Argentine Criminal Code relating to money laundering. The Law of Money Laundering defines money laundering as a crime, stating that a crime is committed whenever a person converts, transfers, manages, sells, encumbers, or otherwise uses money, or any other assets, connected with a crime with the possible result that the original or substituted assets may appear to be of a legitimate origin, provided the value of the assets exceeds Ps. 300,000, whether such amount results from one or more transactions. Also, under Law No. 26,683 money laundering is defined as a separate crime against the economic and financial order, independent from the legal concept of concealment, which is an offense against the Public

Administration. Thus, the separate money laundering crime may be penalized independently, whether or not the money launderer took part in the crime from which the proceeds of which are being laundered.

In addition, the Law of Money Laundering created the Financial Information Unit (hereinafter “UIF”), under the Argentine Ministry of Justice, Security and Human Rights, which is in charge of handling and transmitting information in order to prevent the laundering of assets originating from:

- Crimes related to illegal trafficking and commercialization of narcotics (Law No. 23,737);
- Crimes related to arms trafficking;
- Crimes related to the activities of an illegal association as defined in Section 210 bis of the Argentine Criminal Code;
- Illegal acts committed by illegal associations (Section 210 of the Argentine Criminal Code) organized to commit crimes with political or racial objectives;
- Crimes of fraud against the Public Administration (Section 174, Paragraph 5 of the Argentine Criminal Code);
- Crimes against the Public Administration under Chapters VI, VII, IX and IX bis of Title XI of Book Two of the Argentine Criminal Code;
- Crimes of underage prostitution and child pornography under Sections 125, 125 bis, 127 bis and 128 of the Argentine Criminal Code;
- Crimes involving terrorist financing (Section 213 quater of the Argentine Criminal Code);
- Extortion (Section 168 of the Argentine Criminal Code);
- Tax crimes contemplated by Law No. 24,769; and
- Human trafficking.

Argentina’s Law of Money Laundering, like other international money laundering laws, does not designate sole responsibility to the Argentine government for the monitoring of these criminal activities, but rather also delegates certain obligations to various private sector entities such as banks, stockbrokers, stock market entities, and insurance companies. These obligations essentially consist of information gathering functions, such as:

- obtaining from clients documents that indisputably prove the identity, legal status, domicile and other information, concerning their operations needed to accomplish the intended activity;
- reporting any suspicious activity or operation;
- keeping any monitoring activities in connection with a proceeding pursuant to the Money Laundering Law confidential from both clients and third parties.
- periodically produce reports of suspicious operations.

In addition, Central Bank regulations require that Argentine banks undertake certain minimum procedures to prevent money laundering. Each entity must designate a top level administrative officer as the person responsible for the prevention of money laundering and place that officer in charge of centralizing any information that the Central Bank may require for itself or on behalf of any other governmental authority. Financial entities must inform the *Unidad de Información Financiera* (“UIF”) about any suspicious or unusual transactions, or transactions lacking

economical or legal justification, or being unnecessarily complex. The Central Bank publishes a list of “non-cooperating” jurisdictions, so that Argentine financial institutions carefully analyze transactions from and to such jurisdictions.

On August 19, 2011, UIF Resolution No. 121/2011 came into effect. This Resolution repealed former Resolution No. 37/2011 and updated regulations under Argentine Law No. 26,683. Consequently, financial and foreign exchange entities have a duty to prevent, detect and report any events, acts, transactions or omissions that might involve money laundering and terrorist financing crimes. The above resolution established that financial entities are required to adopt a money laundering and terrorist financing prevention policy, consisting mainly in the conduct of an exhaustive analysis and recording of all transactions made through them. In this respect, financial entities are responsible for, among others, implementing a prevention manual detailing the mechanisms and procedures to be observed in their practice, organizing periodic training activities for their employees, implementing periodic audits, preparing an analysis and risk management record of unusual and suspicious transactions detected, appointing a member of the board of directors as the compliance officer, implementing measures aimed at consolidating all transactions conducted with customers into an electronic file and developing technological tools to examine or monitor certain behaviors and detect suspicious transactions, requesting information and, if applicable, supporting documents from its customers, and also adopting reinforced identification methods applicable to customers with specific features as provided by applicable regulations.

In this sense, the guide on unusual or suspected money laundering or terrorist financing transactions in the financial and foreign exchange system (pursuant to UIF Resolution No. 121/2011) requires the reporting of unusual transactions suspected of pursuing money laundering or terrorist financing purposes, based on the relevant capabilities of the entity subject to the reporting obligation and on the analysis performed. In particular, the following special circumstances, among others, shall be considered: (a) if the amount, type, frequency and nature of a transaction made by a customer holds no relationship to such customer’s previous history and financial activity; (b) amounts that are unusually high or transactions that are of a complexity and type not usual for the relevant customer; (c) if a customer refuses to provide information or documents required by the entity or the information furnished is found to have been altered; (d) if a customer fails to comply with any applicable regulation; (e) if a customer appears to show an unusual disregard for risks it may be assuming and/or costs involved in the transactions, and this is incompatible with the customer’s financial profile; (f) if a country or jurisdiction that are considered “tax havens” or have been identified as non cooperative by the Financial Action Task Force (“FATF”) are involved; (g) if a same address appears registered for different legal entities or the same natural persons have been empowered by and/or act as attorneys-in-fact for different legal entities and such circumstance is not justified by any financial or legal reason, in particular taking into account whether any such companies or entities are located in “tax havens” and their main business involves off-shore transactions; (h) if transactions of a similar nature, amount, type or which are conducted simultaneously, it may be presumed that a single transaction that has been split into several for the purpose of avoiding the application of transaction detection and/or reporting procedures; (i) if continued profits or losses are derived from transactions repeatedly conducted between the same parties; or (j) if certain signs suggest an illegal source, handling or use of funds involved in the transactions, and the entity subject to the legal obligation does not have any explanation for this.

In the context of the capital markets, in addition to the Argentine Money Laundering Law, any individual and/or legal entity authorized to act as agent, broker-dealer, agent of the Mercado Abierto Electrónico (“MAE”), futures and options broker, manager of mutual funds or intermediary for the purchase, lease or loan of securities acting in stock exchanges, with or without follower markets, shall observe the provisions of UIF Resolution No. 229/2011, notwithstanding any other regulations issued by the CNV on this matter.

On January 21, 2009, under paragraph 15 of Section 20 of the Money Laundering Act, the CNV issued General Resolution No. 547 (hereinafter the “Resolution 547”), amending Chapter XXII (Prevention of Money Laundering and Counter-terrorism) with “Chapter XXII—Prevention of Money Laundering and the Financing of Terrorism,” of the CNV Norms (which was later amended by CNV General Resolutions No. 554/09, 572/10 and 580/10). CNV regulations provide that entities involved in the public offering of securities (other than issuers), including, among others, underwriters of any primary issuance of securities, must comply with the standards set by the UIF. In particular, they must comply with the obligation regarding customer identification and required information, record-keeping, precautions to be taken to report suspicious operations and policies and procedures to prevent money laundering and financing of terrorism. With respect to issuers, CNV regulations provide that any entity performing

significant capital contributions or loans must be identified as to whether or not it is a shareholder at the time of the contributions, and must meet the requirements for general participants in the public offering of securities, provided in the CNV regulations and the UIF regulations, especially with regards to the identification of such persons and to the origin and legality of the funds and loans provided.

In compliance with recommendations made by the Financial Action Task Force (“FATF”) on money laundering prevention, on June 1, 2011 the Argentine Congress enacted Argentine Law No. 26,683. Under this law, money laundering is now a crime per se, and laundering one’s own money is also penalized. Also, this law extends reporting duties to certain members of the private sector who were formerly not under such obligation, and extends from 30 to 150 days the period during which suspicious activities or transactions must be reported, in order to give private entities an opportunity to investigate such activities or transactions in greater detail before reporting them to the enforcement authorities.

The underwriters and sub-underwriters shall formally declare that they have proper knowledge of their customers and shall implement policies, structures and systems for maintaining a policy for the prevention of money laundering and terrorism financing.

The purchasers of the Notes shall assume the obligation to provide information and documentation related to the origin of the funds and their legitimacy.

The CNV, by Resolution No. 554/09, prescribed that “any persons under the jurisdiction of this Commission and falling within the scope of sections 1, 3, 4 and 5 of this Chapter, shall only be able to carry out any transactions therein contemplated under the public offering system, when such transactions are carried out or ordered by persons organized, domiciled or resident in dominions, jurisdictions, territories or associated States not included in the list contained in Executive Decree No. 1344/98”, pursuant to which Regulations were issued under Income Tax Law No. 20,628, as amended, and published by UIF in its website “www.uif.gov.ar.”

Also, any person organized, domiciled or resident in dominions, jurisdictions, territories or associated States not included in the list referred to in the preceding paragraph, which act in their original jurisdiction in the capacity of brokers registered with a self-regulated entity subject to the monitoring and supervision of an agency whose functions are similar to those of the CNV, may carry out transactions under the public offering system provided that they furnish evidence that such agency of its original jurisdiction has subscribed a memorandum of understanding, cooperation and information exchange with the CNV.

Interested investors may be required to furnish to us and the Initial Purchasers, if any, all the information and documents that they are required to submit, or such information and documents that we and the Initial Purchasers, if any, may require in order to comply with criminal law and other money laundering laws and regulations, including capital market regulations for the prevention of money laundering issued by the financial information unit and similar regulations issued by the CNV and/or the Central Bank. We and the Initial Purchasers, if any, reserve the right to reject orders from any investor if we believe that such regulations have not been complied with to our/their full satisfaction.

Also, it is expressly stated that any foreign exchange transaction will be carried out through the single free foreign exchange market.

At the end of 2011, Laws No. 26,733 and No. 26,734 introduced new offenses to the Argentine Criminal Code to protect the financial and stock market activities and prevent terrorist financing. Law No. 26,733 punishes with imprisonment, fines and disqualification anyone who: uses or provides inside information for the transaction of securities (Article 307 of the Argentine Criminal Code); manipulates stock markets offering or conducting transactions of securities through false news, fake negotiations or the meeting of the principal bondholders to negotiate a fixed price (Article 308 of the Argentine Criminal Code), and performs financial activities in the stock market without corresponding authorization (Article 309 of the Argentine Criminal Code). Law No. 26,734 incorporated Article 306 to the Argentine Criminal Code, which punishes with imprisonment and fines anyone who directly or indirectly collects goods or money to be used to fund a crime, or to fund an individual or organization that terrorizes the population or forces national or foreign authorities, or an international organization, to perform or refrain from performing a certain act. These penalties shall apply regardless of whether the crime is actually

committed or the financing is actually used. These offenses shall be equally punishable if the crime, individual or organization intends to be funded is developed or resides outside of Argentina. The UIF is also authorized to freeze assets associated with financing terrorism by means of a reasoned decision and immediate communication to a judge with jurisdiction.

For a more thorough analysis of money laundering regulations in effect as of the date of this annual report, investors are advised to read Chapter XII, Title XI, Second Book of the Argentine Criminal Code and any regulations issued by the UIF in their entirety. For this purpose, interested parties may visit the websites of the Argentine Ministry of Economy and Public Finance [www.infoleg.gov.ar](http://www.infoleg.gov.ar), the UIF, [www.uif.gob.ar](http://www.uif.gob.ar), or the CNV, [www.cnv.gob.ar](http://www.cnv.gob.ar).

## TAXATION

The following summary contains a description of the material Argentine and U.S. federal income tax consequences of the acquisition, ownership and disposition of common shares or ADSs, but it does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase common shares or ADSs. The summary is based upon the tax laws of Argentina and regulations thereunder and on the tax laws of the United States and regulations thereunder as in effect on the date hereof, which are subject to change. Investors should consult their own tax advisors as to the tax consequences of the acquisition, ownership and disposition of common shares or ADSs.

Although there is at present no income tax treaty between Argentina and the United States, the tax authorities of the two countries have had discussions that may culminate in such a treaty. No assurance can be given, however, as to whether or when a treaty will enter into force or how it will affect the U.S. holders of common shares or ADSs.

### Argentine Tax Considerations

The following discussion is a summary of the material Argentine tax considerations relating to the purchase, ownership and disposition of our Class B common shares or ADSs.

#### *Dividends Tax*

Dividends paid on our Class B common shares or ADSs, whether in cash, property or other equity securities, are not subject to income tax withholding, except for dividends paid in excess of our taxable accumulated income up to the previous fiscal period, which are subject to withholding at the rate of 35% in respect of such excess. This is a final tax and it is not applicable if dividends are paid in *acciones liberadas* (shares) rather than in cash.

#### *Capital Gains Tax*

Due to certain amendments made to the Argentine Income Tax Law (AITL), it is not entirely clear whether certain amendments concerning payment of income tax on capital gains arising from the sale, exchange or other disposition of shares are in effect or not. Although Opinion No. 351 of the National Treasury General Attorney Office clarified the legal status of certain matters affecting the tax treatment of capital gains certain issues still remain unclear.

*Resident individuals.* Under what we believe to be a reasonable interpretation of existing applicable tax laws and regulations: (i) income derived from the sale, exchange or other disposition of our Class B common shares or ADSs by resident individuals who do not sell or dispose of Argentine shares on a regular basis would not be subject to Argentine income tax, and (ii) although there still exists uncertainty regarding this issue, income derived from the sale, exchange or other disposition of our Class B common shares or ADSs by resident individuals who sell or dispose of Argentine shares on a regular basis should be exempt from Argentine income tax.

*Foreign beneficiaries.* Capital gains obtained by non resident individuals or foreign entities from the sale, exchange or other disposition of our Class B common shares or ADSs are exempt from income tax. Pursuant to a

reasonable construction of the AITL, and although the matter is not completely free from doubt, such treatment should also apply to those foreign beneficiaries that qualify as “offshore entities” for purposes of Argentine tax laws. For this purpose, an offshore entity is any foreign legal entity which pursuant to its by-laws or to the applicable regulatory framework (i) its principal activity is to invest outside the jurisdiction of its incorporation and/or (ii) cannot perform in such jurisdiction certain transactions.

*Local entities.* Capital gains obtained by Argentine entities in general, entities organized or incorporated under Argentine law, certain traders and intermediaries, local branches of non Argentine entities, sole proprietorships and individuals carrying on certain commercial activities in Argentina derived from the sale, exchange or other disposition of our Class B common shares or ADSs are subject to income tax at the rate of 35%. Losses arising from the sale of our Class B common shares or ADSs can be applied only to offset such capital gains arising from sales of shares or ADSs.

### ***Personal Assets Tax***

Argentine entities, such as us, have to pay the personal assets tax on behalf of all Argentine and foreign individuals and undistributed estates of deceased individuals and foreign entities for the holding of our shares at December 31 of each year. The applicable tax rate is 0.5% and is levied on the *valor patrimonial proporcional* (equity value), or the book value, of the shares arising from the latest financial statements. Pursuant to the Personal Assets Tax Law, we are entitled to seek reimbursement of such paid tax from the applicable Argentine individuals and/or foreign shareholders, even by withholding and/or foreclosing the shares, or by withholding dividends.

### ***Value Added Tax***

The sale, exchange or other disposition of our Class B common shares or ADSs and the distribution of dividends are exempted from the value added tax.

### ***Transfer Taxes***

The sale, exchange or other disposition of our Class B common shares or ADSs is not subject to transfer taxes.

### ***Stamp Taxes***

Stamp taxes may apply in the City of Buenos Aires and in certain Argentine provinces in case transfer of our Class B common shares or ADSs is performed or executed in such jurisdictions by means of written agreements. Transfer of our Class B common shares is exempted from stamp tax in the City of Buenos Aires.

### ***Other Taxes***

There are no Argentine inheritance or succession taxes applicable to the ownership, transfer or disposition of our Class B common shares or ADSs. In addition, neither the minimum presumed income tax nor any local gross turnover tax is applicable to the ownership, transfer or disposition of our Class B common shares or ADSs.

### ***Tax Treaties***

Argentina has signed tax treaties for the avoidance of double taxation with Australia, Belgium, Bolivia, Brazil, Canada, Chile, Denmark, Finland, France, Germany, Italy, the Netherlands, Norway, Russia, Spain, Sweden, Switzerland and the United Kingdom. There is currently no tax treaty or convention in effect between Argentina and the United States. It is not clear when, if ever, a treaty will be ratified or entered into effect. As a result, the Argentine tax consequences described in this section will apply, without modification, to a holder of our Class B common shares or ADSs that is a U.S. resident. Foreign shareholders located in certain jurisdictions with a tax treaty in force with Argentina may be exempted from the payment of the personal assets tax.

## United States Federal Income Tax Considerations

This summary describes the material U.S. federal income tax consequences for a U.S. holder (as defined below) of acquiring, owning, and disposing of ADSs. This summary applies to a holder only if such holder holds the ADSs as capital assets for tax purposes. This summary does not apply to investors that are members of a class of holders subject to special rules, such as:

- a dealer in securities or currencies;
- a trader in securities that elects to use a mark-to-market method of accounting for securities holdings;
- a bank;
- a life insurance company;
- a tax-exempt organization;
- a person that holds ADSs that are a hedge or that are hedged against interest rate or currency risks;
- a person that holds ADSs as part of a straddle or conversion transaction for tax purposes;
- a person who is liable for the alternative minimum tax;
- a person whose functional currency for U.S. tax purposes is not the U.S. Dollar; or
- a person that owns or is deemed to own 10% or more of any class of our stock.

This summary is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations promulgated thereunder, published rulings and court decisions, all as currently in effect. These laws are subject to change, possibly on a retroactive basis. Investors should consult their own tax advisors concerning the consequences of purchasing, owning, and disposing of ADSs in their particular circumstances, including the possible application of state, local, non-U.S. or other tax laws. For purposes of this summary, an investor is a “U.S. holder” if such investor is a beneficial owner of an ADS and is:

- a citizen or resident of the United States;
- a U.S. domestic corporation; or
- otherwise subject to U.S. federal income tax on a net income basis with respect to income from the ADS.

If a partnership holds our ADSs, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. An investor who is a partner of a partnership holding our ADSs should consult its own tax advisor.

In general, if an investor is the beneficial owner of ADSs, such investor will be treated as the beneficial owner of the common stock represented by those ADSs for U.S. federal income tax purposes, and no gain or loss will be recognized if such investor exchanges an ADS for the common stock represented by that ADS.

### *Dividends*

The gross amount of cash dividends that investors receive (prior to deduction of Argentine taxes) generally will be subject to U.S. federal income taxation as foreign source dividend income. Dividends paid in Argentine Pesos will be included in an investor’s income in a U.S. Dollar amount calculated by reference to the exchange rate in effect on the date of the depository’s receipt of the dividend, regardless of whether the payment is in fact converted into U.S. Dollars. A U.S. holder will have a tax basis in such Pesos for U.S. federal income tax purposes equal to the U.S. Dollar value on the date of such receipt. Any subsequent gain or loss in respect of such Pesos arising from exchange rate fluctuations will be ordinary income or loss and will be treated as income from U.S. sources for foreign tax credit purposes. If such a dividend is converted into U.S. Dollars on the date of receipt,

investors generally should not be required to recognize foreign currency gain or loss in respect of the dividend income. Subject to certain exceptions for short-term (60 days or less) and hedged positions, the U.S. Dollar amount of dividends received by an individual U.S. holder in respect of ADSs generally will be subject to taxation at a maximum rate of 20% if the dividends are “qualified dividends.” Dividends paid on the ADSs will be treated as qualified dividends if (i) the ADSs are readily tradable on an established securities market in the United States and (ii) we were not, in the year prior to the year in which the dividend was paid, and are not, in the year in which the dividend is paid, a passive foreign investment company (PFIC). The ADSs are listed on the New York Stock Exchange and will qualify as readily tradable on an established securities market in the United States so long as they are so listed. Based on our current expectations and relevant market and shareholder data, we believe that we were not treated as a PFIC for U.S. federal income tax purposes with respect to our 2012 taxable years. In addition, based on our audited Consolidated Financial Statements and our current expectations regarding the value and nature of our assets, the sources and nature of our income, and relevant market and shareholder data, we do not anticipate becoming a PFIC for our 2013 taxable year.

Based on existing guidance, it is not entirely clear whether dividends received with respect to the Class B common shares will be treated as qualified dividends, because the common shares are not themselves listed on a U.S. exchange. In addition, the U.S. Treasury has announced its intention to promulgate rules pursuant to which holders of ADSs and intermediaries through whom such securities are held will be permitted to rely on certifications from issuers to establish that dividends are treated as qualified dividends. Because such procedures have not yet been issued, it is not clear whether we will be able to comply with them. U.S. holders of ADSs should consult their own tax advisors regarding the availability of the reduced dividend tax rate in the light of their own particular circumstances.

Distributions of additional shares in respect of ADSs that are made as part of a pro-rata distribution to all of our shareholders generally will not be subject to U.S. federal income tax.

#### ***Sale or Other Disposition***

Upon a sale or other disposition of ADSs, an investor will recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the U.S. Dollar value of the amount realized and such investor’s tax basis, determined in U.S. Dollars, in the ADSs. Generally, such gain or loss realized on the sale or other disposition of ADSs will be treated as U.S. source capital gain or loss, and will be long-term capital gain or loss if the ADSs were held for more than one year. The ability to offset capital losses against ordinary income is limited. Long-term capital gain recognized by an individual U.S. holder generally is subject to taxation at a reduced rate.

#### ***Foreign Tax Credit Considerations***

Investors should consult their own tax advisors to determine whether they are subject to any special rules that limit their ability to make effective use of foreign tax credits. If no such rules apply, investors may claim a credit against their U.S. federal income tax liability for Argentine taxes withheld from cash dividends on the ADSs, so long as they have owned the ADSs (and not entered into specified kinds of hedging transactions) for at least a 16-day period that includes the ex-dividend date. It is unclear whether the Argentine personal assets tax (as described in “—Argentine Tax Considerations”) is treated as an income tax for U.S. federal income tax purposes. If the Argentine personal assets tax is not treated as an income tax for U.S. federal income tax purposes, a U.S. holder would be unable to claim a foreign tax credit for any Argentine personal assets tax withheld. A U.S. holder may be able to deduct such tax in computing its U.S. federal income tax liability, subject to applicable limitations. The calculation of foreign tax credits and, in the case of a U.S. holder that elects to deduct foreign taxes, the availability of deductions, involve the application of complex rules that depend on a U.S. holder’s particular circumstances. Investors should consult their own tax advisors regarding the creditability or deductibility of such taxes.

#### ***U.S. Information Reporting and Backup Withholding Rules***

Payments of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries are subject to information reporting and may be subject to backup withholding unless the holder (1) is a corporation or other exempt recipient or (2) provides a taxpayer identification number and

certifies that no loss of exemption from backup withholding has occurred. Investors may obtain a refund of any excess amounts withheld under the backup withholding rules by timely filing the appropriate claim or refund with the Internal Revenue Service and filing any required information.

## **DESCRIPTION OF AMERICAN DEPOSITARY SHARES**

### **American Depositary Receipts**

The Bank of New York is the depository for the American Depositary Shares, also referred to as ADSs. Each ADS represents 20 Class B common shares (or a right to receive 20 Class B common shares) deposited with the principal Buenos Aires office of Banco Río de la Plata S.A., as custodian for the depository in Argentina. Each ADS will also represent any other securities, cash or other property which may be held by the depository. The depository's office at which the ADRs are administered is located at 101 Barclay Street, 22W, New York, NY 10280.

The depository is required to keep books at its corporate trust office for the registration of ADSs and transfers of ADSs which at all reasonable times shall be open for inspection by the holders of ADSs, provided that such inspection shall not be for the purpose of communicating with holders in the interest of a business or object other than the business of Edenor or a matter related to the deposit agreement or the receipts.

Investors hold ADSs directly either by having an American Depositary Receipt, also referred to as an ADR, which is a certificate evidencing a specific number of ADSs, registered in the investor's name, or by having ADSs registered in the investor's name in the Direct Registration System. Investors also hold ADSs indirectly by holding a security entitlement in ADSs through the investor's broker or other financial institution. If investors hold ADSs directly, they are ADS registered holders. This description assumes that such investors are ADS registered holders. If investors hold the ADSs indirectly, the investors must rely on the procedures of their broker or other financial institution to assert their rights as ADS registered holders described in this section. Investors should consult with their broker or financial institution to learn what those procedures are.

The Direct Registration System, or DRS, is a system administered by The Depository Trust Company, also referred to as DTC, pursuant to which the depository may register the ownership of uncertificated ADSs, which ownership shall be evidenced by periodic statements sent by the depository to the registered holders of uncertificated ADSs.

We do not treat ADS holders as one of our shareholders and ADS holders do not have shareholder rights. Argentine law governs shareholder rights. The depository is the holder of the common shares underlying the ADSs. Holders of ADSs have ADS holder rights. A deposit agreement among us, the depository, the ADS holder, and the beneficial owners of ADSs sets out ADS holder rights as well as the rights and obligations of the depository. New York law governs the deposit agreement and the ADSs.

The following is a summary of the material provisions of the deposit agreement. For more complete information, investors should read the entire deposit agreement and the form of ADR.

### ***Dividends and Other Distributions***

*How will investors receive dividends and other distributions on the shares?*

The depository has agreed to pay to ADS holders the cash dividends or other distributions it or the custodian receives on common shares or other deposited securities, after deducting its fees and expenses described below. ADS holders will receive these distributions in proportion to the number of common shares your ADSs represent.

### *Cash*

The depositary will convert any cash dividend or other cash distribution we pay on the common shares into U.S. Dollars; if it can do so on a reasonable basis and can transfer the U.S. Dollars to the United States. If that is not possible or if any government approval is needed and cannot be obtained, the deposit agreement allows the depositary to distribute the foreign currency only to those ADR holders to whom it is possible to do so. It may hold the foreign currency it cannot convert for the account of the ADR holders who have not been paid. It will not invest the foreign currency and it will not be liable for any interest.

Before making a distribution, the depositary will deduct any withholding taxes that must be paid. See “—Taxation.” It will distribute only whole U.S. Dollars and cents and will round fractional cents to the nearest whole cent. If the exchange rates fluctuate during a time when the depositary cannot convert the foreign currency, holders of ADSs may lose some or all of the value of the distribution.

### *Shares*

The depositary may distribute additional ADSs representing any common shares we distribute as a dividend or free distribution. The depositary will only distribute whole ADSs. It will try to sell common shares, in lieu of delivering fractional ADS and distribute the net proceeds in the same way as it does with cash. The depositary may also sell a portion of the distributed common shares to pay its fees and expenses in connection with the distribution. If the depositary does not distribute additional ADSs, the outstanding ADSs will also represent the new common shares.

### *Rights to Purchase Additional Common Shares*

If we offer holders of our securities any rights to subscribe for additional common shares or any other rights, the depositary may make these rights available to holders of ADSs. If the depositary decides it is not legal and practical to make the rights available but that it is practical to sell the rights, the depositary will use reasonable efforts to sell the rights and distribute the proceeds in the same way as it does with cash. The depositary will allow rights that are not distributed or sold to lapse. In that case, holders of ADSs will receive no value for them.

If the depositary makes rights to purchase common shares available to holders of ADSs, it will exercise the rights and purchase the common shares on their behalf. The depositary will then deposit the shares and deliver ADSs to the investor. It will only exercise rights if the investor pays it the exercise price and any other charges the rights require the investor to pay.

U.S. securities laws may restrict transfers and cancellation of the ADSs representing common shares purchased upon exercise of rights. For example, you may not be able to trade these ADSs freely in the United States. In this case, the depositary may deliver restricted depositary shares that have the same terms as the ADSs described in this section except for changes needed to put the necessary restrictions in place.

### *Other Distributions*

The depositary will send to holders of ADSs anything else we distribute on deposited securities by any means it thinks is legal, fair and practical. If it cannot make the distribution in that way, the depositary has a choice. It may decide to sell what we distributed and distribute the net proceeds, in the same way as it does with cash. Or, it may decide to hold what we distributed, in which case ADSs will also represent the newly distributed property. However, the depositary is not required to distribute any securities (other than ADSs) to holders of ADSs unless it receives satisfactory evidence from us that it is legal to make that distribution. The depositary may sell a portion of the distributed property to pay its fees and expenses in connection with the distribution.

The depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any ADR holders. We have no obligation to register ADSs, common shares, rights or other securities under the Securities Act. We also have no obligation to take any other action to permit the distribution of ADSs, common shares, rights or anything else to ADS holders. This means that holders of ADSs may not receive the

distributions we make on our common shares or any value for them if it is illegal or impractical for us to make them available to holders of ADSs.

### ***Deposit, Withdrawal and Cancellation***

#### *How are ADSs issued?*

The depository will deliver ADSs if the investor or the investor's broker deposits common shares or evidence of rights to receive common shares with the custodian. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depository will register the appropriate number of ADSs in the names the investor requests.

#### *How do ADS holders cancel ADSs and obtain shares?*

If an investor surrenders ADSs to the depository, upon payment of the investor's fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depository will deliver the common shares and any other deposited securities underlying the surrendered ADSs to the investor or a person the investor designates at the office of the custodian. Or, at the investor's request, risk and expense, the depository will deliver the deposited securities at its office, if feasible.

#### *How do ADS holders interchange between certified ADSs and uncertified ADSs?*

Investors may surrender their ADRs to the depository for the purpose of exchanging their ADR for uncertificated ADSs. The depository will cancel that ADR and will send to the ADS registered holder a statement confirming that the ADS registered holder is the registered holder of uncertificated ADSs. Alternatively, upon receipt by the depository of a proper instruction from a registered holder of uncertificated ADSs requesting the exchange of uncertificated ADSs for certificated ADSs, the depository will execute and deliver to the ADS registered holder an ADR evidencing those ADSs.

### ***Voting Rights***

#### *How do holders ADSs vote?*

Holders of ADSs may instruct the depository to vote the number of common shares their ADSs represent. If we ask for the instructions of the holders of the ADSs, the depository will notify the holders of the ADSs of shareholders' meetings and the upcoming vote and arrange to deliver our voting materials to the holder of the ADSs. Those materials will describe the matters to be voted on and explain how holders of ADSs may instruct the depository to vote the shares or other deposited securities underlying their ADSs as the holder of the ADSs directs by a specified date. For instructions to be valid, the depository must receive them on or before the date specified.

The depository will try, as far as practical, subject to Argentine law and the provisions of our by-laws or similar documents, to vote or to have its agents vote the number of common shares or other deposited securities represented by the ADSs as the holder of the ADSs instructs. Otherwise, the holder of the ADSs will not be able to exercise their right to vote unless they withdraw the shares underlying their ADSs. In the absence of the instruction of the holder of the ADSs, our company may request the depository to vote as we instruct at the corresponding meeting. The holder of the ADSs may otherwise not know about the meeting far enough in advance to withdraw the shares. We will use our best efforts to request that the depository notify holders of ADSs of upcoming votes and ask for the instructions of holders of ADSs.

If we timely ask the depository to solicit the instructions of holders of ADSs and the depository does not receive voting instructions from the holder of the ADSs by the specified date, the depository will consider the holder of the ADSs to have authorized and directed it to vote the number of deposited securities represented by their ADSs in favor of all resolutions proposed by our board of directors or, if not so proposed, to vote in the same manner as the majority of all other shares voted in respect of this resolution. The depository will vote as described in the preceding sentence unless we notify the depository that:

- we do not wish the depositary to vote those deposited securities;
- we think there is substantial shareholder opposition to the particular question; or
- we think the particular question would have an adverse impact on our shareholders.

## *Fees and Expenses*

### *Reclassifications, Recapitalizations and Mergers*

<i>If we:</i>	<i>Then:</i>
Change the nominal or par value of our common shares	The cash, shares or other securities received by the depositary will become deposited securities. Each ADS will automatically represent its equal share of the new deposited securities.  The depositary may distribute some or all of the cash, shares or other securities it received. It may also deliver new ADRs or ask the holder of ADSs to surrender their outstanding ADRs in exchange for new ADRs identifying the new deposited securities.
Reclassify, split up or consolidate any of the deposited securities	
Distribute securities on the common shares that are not distributed to the holders of ADSs	
Recapitalize, reorganize, merge, liquidate, sell all or substantially all of our assets, or take any similar action	

## *Limitations on Obligations and Liability*

### *Limits on Our Obligations and the Obligations of the Depositary; Limits on Liability to Holders of ADRs*

The deposit agreement expressly limits our obligations and the obligations of the depositary. It also limits our liability and the liability of the depositary. We and the depositary:

- are only obligated to take the actions specifically set forth in the deposit agreement without negligence or bad faith;
- are not liable if either of us is prevented or delayed by law or circumstances beyond our control from performing our obligations under the deposit agreement;
- are not liable if either of us exercises discretion permitted under the deposit agreement;
- have no obligation to become involved in a lawsuit or other proceeding related to the ADRs or the deposit agreement on behalf of holders of ADSs or on behalf of any other party; and
- may rely upon any documents we believe in good faith to be genuine and to have been signed or presented by the proper party.

In the deposit agreement, we agree to indemnify the depositary for acting as depositary, except for losses caused by the depositary's own negligence or bad faith, and the depositary agrees to indemnify us for losses resulting from its negligence or bad faith.

### *Requirements for Depositary Actions*

Before the depositary will deliver or register a transfer of an ADR, make a distribution on an ADR, or permit withdrawal of common shares, the depositary may require:

- payment of stock transfer or other taxes or other governmental charges and transfer or registration fees charged by third parties for the transfer of any common shares or other deposited securities;
- satisfactory proof of the identity and genuineness of any signature or other information it deems necessary; and
- compliance with regulations it may establish, from time to time, consistent with the deposit agreement, including presentation of transfer documents.

The depositary may refuse to deliver ADSs or register transfers of ADSs generally when the transfer books of the depositary or our transfer books are closed or at any time if the depositary or we think it advisable to do so.

### ***The Right of Holders of ADSs to Receive the Common Shares Underlying their ADRs***

Holders of ADSs have the right to surrender their ADSs and withdraw the underlying common shares at any time except:

When temporary delays arise because: (i) the depositary has closed its transfer books or we have closed our transfer books; (ii) the transfer of common shares is blocked to permit voting at a shareholders' meeting; or (iii) we are paying a dividend on our common shares.

When holder of ADSs seeking to withdraw common shares owe money to pay fees, taxes and similar charges.

When it is necessary to prohibit withdrawals in order to comply with any laws or governmental regulations that apply to ADRs or to the withdrawal of common shares or other deposited securities.

This right of withdrawal may not be limited by any other provision of the deposit agreement.

### ***Pre-Release of ADSs***

The deposit agreement permits the depositary to deliver ADSs before deposit of the underlying common shares. This is called a Pre-Release of the ADSs. The depositary may also deliver common shares upon the receipt and cancellation of pre-released ADSs (even if the ADSs are surrendered before the Pre-Release transaction has been terminated). A Pre-Release is terminated as soon as the underlying common shares are delivered to the Depositary. The depositary may receive ADSs instead of common shares to satisfy a Pre-Release. The depositary may pre-release ADSs only under the following conditions: (a) before or at the time of the pre-release, the person to whom the pre-release is being made represents to the depositary in writing that it or its customer (i) owns the common shares or ADSs to be deposited; (ii) transfers all beneficial right, title and interest in such common shares or ADSs, as the case may be, to the Depositary in its capacity as such and for the benefit of the Beneficial Owners, and (iii) will not take any action with respect to such common shares or ADSs, as the case may be, that is inconsistent with the transfer of ownership (including, without the consent of the Depositary, disposing of common shares or ADSs, as the case may be, other than in satisfaction of such Pre-Release); (b) the pre-release is fully collateralized with cash or other collateral that the depositary considers appropriate; (c) the depositary must be able to terminate the pre-release on not more than five business days' notice and (d) Pre-Release is subject to such further indemnities and credit regulations as the Depositary deems appropriate. In addition, the depositary will limit the number of ADSs that may be outstanding at any time as a result of Pre-Release, although the depositary may disregard the limit from time to time, if it thinks it is appropriate to do so.

### ***Direct Registration System***

In the deposit agreement, all parties to the deposit agreement acknowledge that the DRS and Profile Modification System, or Profile, will apply to uncertificated ADSs upon acceptance thereof to DRS by DTC. DRS is the system administered by DTC pursuant to which the depositary may register the ownership of uncertificated ADSs, which ownership shall be evidenced by periodic statements sent by the depositary to the registered holders of uncertificated ADSs. Profile is a required feature of DRS which allows a DTC participant, claiming to act on behalf of a registered holder of ADSs, to direct the depositary to register a transfer of those ADSs to DTC or its nominee and to deliver those ADSs to the DTC account of that DTC participant without receipt by the depositary of prior authorization from the ADS registered holder to register that transfer.

In connection with and in accordance with the arrangements and procedures relating to DRS/Profile, the parties to the deposit agreement understand that the depositary will not verify, determine or otherwise ascertain that the DTC participant, which is claiming to be acting on behalf of an ADS registered holder in requesting registration of transfer and delivery described in the paragraph above, has the actual authority to act on behalf of the ADS

registered holder (notwithstanding any requirements under the Uniform Commercial Code). In the deposit agreement, the parties agree that the depository's reliance on and compliance with instructions received by the depository through the DRS/Profile System and in accordance with the deposit agreement, shall not constitute negligence or bad faith on the part of the depository.

#### ***Shareholder Communications and Inspection of Register of Holders of ADSs***

The holders of ADSs are holders of deposited securities. As such, the depository will make available for inspection by the holders of ADSs at its office all communications that it receives from us that we make generally available to holders of deposited securities. The depository will send holders of ADSs copies of those communications if we ask it to. Holders of ADSs have a right to inspect the register of holders of ADSs, but not for the purpose of contacting those holders about a matter unrelated to our business or the ADSs.

#### ***Amendment and Termination***

We may agree with the depository to amend the deposit agreement and the ADRs without the consent of holders of ADSs for any reason. If an amendment adds or increases fees or charges, except for taxes and other governmental charges or expenses of the depository for registration fees, facsimile costs, delivery charges or similar items, or prejudices a substantial right of ADR holders, it will not become effective for outstanding ADRs until 30 days after the depository notifies ADR holders of the amendment. At the time an amendment becomes effective, the holders of ADSs are considered, by continuing to hold their ADR, to agree to the amendment and to be bound by the ADRs and the deposit agreement as amended.

The depository will terminate the deposit agreement if we ask it to do so. The depository may also terminate the deposit agreement if the depository has told us that it would like to resign and we have not appointed a new depository bank within 60 days. In either case, the depository must notify the holder of ADSs at least 30 days before termination.

After termination, the depository and its agents will do the following under the deposit agreement but nothing else: (a) advise the holders of ADSs that the deposit agreement is terminated, (b) collect distributions on the deposited securities, (c) sell rights and other property, and (d) deliver common shares and other deposited securities upon surrenders of ADRs. One year after termination, the depository may sell any remaining deposited securities by public or private sale. After that, the depository will hold the money it received on the sale, as well as any other cash it is holding under the deposit agreement for the *pro rata* benefit of the ADR holders that have not surrendered their ADRs. It will not invest the money and has no liability for interest. The depository's only obligations will be to account for the money and other cash. After termination our only obligations will be to indemnify the depository and to pay fees and expenses of the depository that we agreed to pay.

#### ***Fees, Expenses and Payment of Taxes***

See Item 12. Description of Securities other than Equity Securities.

### **DOCUMENTS ON DISPLAY**

The materials included in this annual report on Form 20-F, and exhibits thereto, may be inspected and copied at the Securities and Exchange Commission's public reference room in Washington, D.C. Please call the Securities and Exchange Commission at 1-800-SEC-0330 for further information on the public reference rooms. The Securities and Exchange Commission maintains a World Wide Web site on the Internet at <http://www.sec.gov> that contains reports and information statements and other information regarding us. The reports and information statements and other information about us can be downloaded from the Securities and Exchange Commission's website.

**Item 11. *Quantitative and Qualitative Disclosures about Market Risk***

Market risk generally represents the risk that losses may occur in the value of financial instruments as a result of movements in interest rates, foreign currency exchange rates or commodity prices. We are exposed to changes in financial market conditions in the normal course of our business due to our use of certain financial instruments and to our execution of transactions in various foreign currencies.

As of December 31, 2012, we had no material exposure to interest rate risk because only approximately 3.24 % of our outstanding financial debt bore interest at variable rates. See Note 5.1 of our Consolidated Financial Statements for further information. In addition, we had no material exposure to commodity price risk because our commodities represented less than 1.8% of our operating expenses.

**Foreign Currency Risk**

Our cash and deposits in U.S.Dollars amounted to U.S.\$ 1.7 million at December 31, 2012.

As of December 31, 2011, the potential loss to Edenor that would result from a hypothetical 10% change in foreign currency exchange rates, after giving effect to the impact of the change on our assets and liabilities denominated in foreign currency as of December 31, 2012, was approximately Ps. 138.4 million, primarily due to the increase in the principal amount of, and debt service payments on our foreign currency indebtedness.

In 2011, Edenor entered into various derivative financial agreements with JP Morgan Chase Bank N.A. to hedge its exposure to fluctuations in exchange rates on our interest payments. These derivative financial agreements provide hedging on the fluctuation of exchange rates relating to our interest payments due on April 25, 2011, October 25, 2011, April 25, 2012 and October 25, 2012 under the Senior Notes due 2022. We have not formally qualified these transactions as coverage instruments. For accounting purposes, we have followed the guidelines under Resolución Técnica No. 18 of the FACPCE. According to said Resolution, derivative instruments which do not qualify as coverage instruments must be recorded in our financial statements at their net realizable value (if recorded as assets) or settlement value (if recorded as liabilities). Our income statement records the financial gains and losses associated with these instruments. As of December 31, 2012, the economic impact of this operation implied a loss of Ps. 2.2 million, which has been accounted for under financial income and holding gains generated by liabilities, under exchange difference in the income statement, and under the line item other credits under current assets.

AESEBA's financial debt is Peso denominated.

We may use derivative instruments as an economic hedge to adjust our exposures or to reduce our costs of financing. Our hedging practices will be guided by the level of risk, expectations as to interest or exchange rate movements and the costs of using derivative instruments. We may enter into new derivative instruments or modify our practices at any time.

**Item 12. Description of Securities Other than Equity Securities**

Persons depositing common shares or holders of ADSs will be required to pay certain fees and expenses, as described in the table below, which the depositary is entitled to deduct prior to making any cash dividend or other cash distribution on the deposited shares.

<i>Persons depositing common shares or ADS holders must pay:</i>	<i>For:</i>
\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	<ul style="list-style-type: none"> <li>• Issuance of ADSs, including issuances resulting from a distribution of common shares or rights or other property</li> <li>• Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates</li> </ul>
\$0.02 (or less) per ADS	<ul style="list-style-type: none"> <li>• Any cash distribution to the holder of the ADSs</li> </ul>
\$0.02 (or less) per ADS per year	<ul style="list-style-type: none"> <li>• Depositary services</li> </ul>
A fee equivalent to the fee that would be payable if securities distributed to the holder of ADSs had been common shares and the shares had been deposited for issuance of ADSs	<ul style="list-style-type: none"> <li>• Distribution of securities distributed to holders of deposited securities which are distributed by the depositary to ADR holders</li> </ul>
Registration or transfer fees	<ul style="list-style-type: none"> <li>• Transfer and registration of common shares on our common share register to or from the name of the depositary or its agent when the holder of ADSs deposits or withdraw common shares.</li> </ul>
Expenses of the depositary in converting foreign currency to U.S. Dollars Expenses of the depositary	<ul style="list-style-type: none"> <li>• Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement)</li> </ul>
Taxes and other governmental charges the depositary or the custodian have to pay on any ADSs or common share underlying ADSs, for example, stock transfer taxes, stamp duty or withholding taxes	
Any charges incurred by the depositary or its agents for servicing the deposited securities	<ul style="list-style-type: none"> <li>• No charges of this type are currently made in the Argentine market</li> </ul>

**Reimbursement of fees**

The Bank of New York Mellon, as depositary, reimbursed us for certain expenses relating to our initial public offering and establishment of our ADR program in 2007. Aside from that initial payment, we do not receive any reimbursement from the depositary for expenses we incur that related to the maintenance of the ADS program.

The depositary collects fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects

fees related to making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

### **Payment of taxes**

The depositary may deduct the amount of any taxes owed from any payments to the holder of ADSs. It may also sell deposited securities, by public or private sale, to pay any taxes owed. The holder of ADSs will remain liable if the proceeds of the sale are not enough to pay the taxes. If the depositary sells deposited securities, it will, if appropriate, reduce the number of ADSs to reflect the sale and pay to the holder of ADSs any proceeds, or send to the holder of ADSs any property, remaining after it has paid the taxes.

## **PART II**

### **Item 13. *Defaults, Dividend Arrearages and Delinquencies***

The economic crisis in Argentina had a material adverse effect on our operations. The 2001 and 2002 economic crisis in Argentina had a material adverse effect on our operations. The devaluation of the Peso caused the Peso value of our U.S. Dollar-denominated indebtedness to increase significantly, resulting in significant foreign exchange losses and a significant increase, in Peso terms, in our debt service requirements. At the same time, our cash flow remained Peso-denominated and our distribution margins were frozen and pesified by the Argentine government pursuant to the Public Emergency Law. Moreover, the 2001 and 2002 economic crisis in Argentina had a significant adverse effect on the overall level of economic activity in Argentina and led to deterioration in the ability of our customers to pay their bills. These developments caused us to announce on September 15, 2002 the suspension of principal payments on our financial debt. On September 26, 2005, our board of directors decided to suspend interest payments on our financial debt until the restructuring of this debt was completed.

On January 20, 2006, we launched a voluntary exchange offer and consent solicitation to the holders of our then-outstanding financial debt. All of these holders elected to participate in the restructuring and, as a result, on April 24, 2006, we exchanged all of our then-outstanding financial debt for three series of newly-issued notes, which we refer to as the restructuring notes. As of the date of this annual report, all of the restructuring notes have been repaid and cancelled. For a description of our debt following the restructuring see “Item 5. Operating and Financial Review and Prospects—Liquidity and Capital Resources—Debt.”

### **Item 14. *Material Modifications to the Rights of Security Holders and Use of Proceeds***

#### **Use of Proceeds**

On April 30, 2007, we completed an initial public offering. We received U.S. \$57.7 million in net proceeds from the offering. We did not receive any proceeds from the sale of our shares and ADSs by our selling shareholders in the offering. We used all of the net proceeds we received from the offering to repurchase a part of our outstanding Fixed Rate Par Notes due 2016 and Discount Notes due 2014 in various market repurchase transactions during 2007 and to make capital expenditures.

### **Item 15. *Controls and Procedures***

#### **(a) Disclosure Controls and Procedures.**

Management has evaluated, with the participation of our chief executive officer and chief financial officer, the effectiveness of the design and operation of the Company’s disclosure controls and procedures pursuant to Rule 13a-15e of the Securities Exchange Act of 1934 as of December 31, 2012.

There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon that evaluation, management, including the chief executive officer and chief financial officer concluded that as of December 31, 2012, the Company's disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by the Company in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the applicable rules and forms, and that it is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

(b) Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The company's internal control over financial reporting includes those policies and procedures that:

- (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the company's internal control over financial reporting as of December 31, 2012. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Based on our assessment and those criteria, management believes that the company maintained effective internal control over financial reporting as of December 31, 2012.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2012 has been audited by Price Waterhouse & Co. S.R.L., an independent public accounting firm, as stated in their audit report which appears herein.

(c) Attestation Report of the Registered Public Accounting Firm

Reference is made to the report of the Price Waterhouse & Co. S.R.L. on page F-102 of this annual report.

(d) Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting during 2012 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**Item 16A. Audit Committee Financial Expert**

Our board of directors has determined that Eduardo Llanos, an independent member of our board of directors, under Argentine law and Rule 10A-3, is an “audit committee financial expert” as defined in Item 16A of Form 20F under the Securities and Exchange Act of 1934. See “Item 6. Directors, Senior Management and Employees – Directors and Senior Management – Audit Committee.”

**Item 16B. Code of Ethics**

Our company adopted a code of ethics in May 1999, which applies to all of our employees, including our principal executive, financial and accounting officers. In 2012, we reviewed and updated our code of ethics, and we posted a copy of our revised code of ethics, in both English and Spanish, on our website at <http://www.edenor.com.ar>.

**Item 16C. Principal Accountant Fees and Services**

Price Waterhouse & Co. S.R.L. (member firm of PricewaterhouseCoopers network) acted as our independent registered public accounting for the fiscal years ended December 31, 2012 and 2011. The chart below sets forth the services rendered to us by Price Waterhouse & Co. S.R.L. and the fees billed in each year for those services (including related expenses), and breaks down these amounts by category of service in Pesos:

	<b>Year ended December 31,</b>	
	<b>2012<sup>(1)</sup></b>	<b>2011<sup>(2)</sup></b>
Audit fees .....	Ps. 4,246,047	Ps. 3,758,889
Audit-related fees .....	999,154	748,621
Non-Audit fees .....	-	39,830
Total .....	<u>Ps. 5,245,201</u>	<u>Ps. 4,547,340</u>

(1) Includes the amount in fees billed in U.S. Dollars, which, for the convenience of the reader, has been converted into Pesos at the buying rate for U.S. Dollars quoted by Banco Nación on December 31, 2012 of Ps. 4.918 to U.S. \$1.00.

(2) Includes the amount in fees billed in U.S. Dollars, which, for the convenience of the reader, has been converted into Pesos at the buying rate for U.S. Dollars quoted by Banco Nación on December 31, 2011 of Ps. 4.3032 to U.S. \$1.00.

All of our audit fees, audit-related fees and non-audit fees, contained in the above table were billed by Price Waterhouse & Co. S.R.L., independent registered public accounting firm.

Audit-related fees in the above table are the aggregate fees for services provided in connection with various corporate transactions and, such as review of corporate filings and certifications Audit Committee Pre-Approval Policies and Procedures.

We have adopted pre-approval policies and procedures under which all audit and non-audit services provided by our external auditors must be pre-approved by the audit committee as set forth in our internal policies. Any service proposals submitted by external auditors need to be discussed and approved by the audit committee during its meetings, which take place at least four times a year. Once the proposed service is approved, we formalize the engagement of services. The approval of any audit and non-audit services to be provided by our external auditors is specified in the minutes of our audit committee.

**Item 16D. Exemptions from the Listing Standards for Audit Committees**

Not applicable.

**Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

Neither we nor any affiliated purchaser has engaged in share repurchases during the year ended December 31, 2012.

**Item 16F. Change in Registrant's Certifying Accountant**

Not applicable.

**Item 16G. Corporate Governance**

Pursuant to Rule 303A.11 of the Listed Company Manual of the New York Stock Exchange (NYSE), we are required to provide a summary of the significant ways in which our corporate governance practices differ from those required for U.S. companies under the NYSE listing standards. Our corporate governance practices are governed by our bylaws, Argentine corporate and securities law (including the Business Companies Law, the Capital Markets Law No. 26,386) and the regulations issued by the Argentine National Securities Commission (*Comisión Nacional de Valores*), such as the Corporate Governance Code CNV's General Resolution No. 606/2012 (the "CGC").

<b>F. NYSE LISTED COMPANY MANUAL SECTION 303.A</b>	<b>G. Edenor's Corporate Practices</b>
<b>SECTION 303A.01.</b> Independent directors must constitute the majority of a listed company's board of directors.	Edenor follows Argentine law, which does not require that a majority of the board of directors be comprised of independent directors. Argentine law instead requires that public companies in Argentina have a sufficient number of independent directors to be able to form an audit committee of at least three members, the majority of which must be independent pursuant to the criteria established by the CNV. As of the date of this annual report, seven of Edenor's twelve directors are independent under Argentine law and Rule 10A-3 of the Securities Exchange Act of 1934, as amended (the "Exchange Act").
<b>SECTION 303A.02.</b> This rule establishes the standards that determine whether a director qualifies as independent.  It provides that directors cannot qualify as independent unless the board of directors finds them to have no material relationship with the listed company. A number of per se exclusions from independence apply, generally triggered by having a connection, individually or through an immediate family member, to the listed company or to a company that has a material relationship with the listed company as a shareholder, employee, officer, or director of the listed company.	In defining the "independence" of directors, CNV standards (General Resolution No. 400) are substantially similar to NYSE standards. In order to meet the CNV definition of independence, independence is required with respect to the Company itself and to its shareholders with direct or indirect material holdings (35% or more). To qualify as an independent director, a director must not perform executive functions within the company. Close relatives of any persons who would not qualify as "independent directors" shall also not be considered "independent."  The board evaluates the independence of each director appointed to the audit committee.

<p><b>SECTION 303A.03.</b> This rule requires regular scheduled meetings of non-executive directors to increase the involvement and efficiency of such director.</p>	<p>Neither Argentine law nor Edenor’s bylaws require that any such meetings be held.</p> <p>Edenor’s board of directors as a whole is responsible for administering and monitoring the company’s affairs. Under Argentine law, the board of directors may approve the delegation of specific responsibilities to designated directors or executive directors and or managers of the Company. Also, it is mandatory for public companies to have a supervisory committee (<i>Comisión Fiscalizadora</i>), which is responsible for monitoring legal compliance by the Company with Argentine law, its bylaws and shareholders’ resolutions. The supervisory committee, without prejudice to the role of external auditors, is also required to present to the shareholders at the annual ordinary general meeting a written report on the reasonableness of the financial information of the Company’s annual report and the financial statements presented to the shareholders by Edenor’s board of directors. The supervisory committee also presents a report to the board of directors on Edenor’s quarterly financial statements. The members of the supervisory committee are not directors of the company.</p>
<p><b>SECTION 303A.04.</b> Listed companies must organize an Appointment and Corporate Governance Committee composed entirely of independent directors.</p>	<p>Neither Argentine law nor Edenor’s bylaws require having an Appointment Committee nor a Corporate Governance Committee. We note, however, that CNV corporate governance rules recommend having rules and procedures relating to the selection of Board members and executive directors.</p> <p>The board of directors is permitted to and often does nominate board member candidates for consideration by the shareholders, who elect the board of directors.</p> <p>The entire board of directors is in charge of overseeing Edenor’s corporate governance practices.</p>
<p><b>SECTION 303A.05.</b> Listed companies must organize a Compensation Committee composed entirely of independent directors.</p>	<p>Neither Argentine law nor Edenor’s bylaws require to have a “compensation committee” and Edenor has no such committee. The CNV corporate governance rules recommend issuers to have compensation policies applicable to Board members and corporate managers.</p> <p>Edenor’s Audit Committee is required to give an opinion about the reasonableness of a director’s fees and stock option plans (if applicable), as proposed by our Board of Directors.</p> <p>Shareholders at the annual ordinary general meeting determine the annual compensation to members of the board of directors.</p> <p>The CEO of Edenor sets the salary of the other members of the senior management. The board of directors determines the salary of the CEO.</p>
<p><b>SECTION 303A.06.</b> Listed companies must organize an audit committee that meets the requirements set forth in the Securities Exchange</p>	<p>Edenor is subject to and in compliance with §303A.06 and Rule 10A-3. Edenor’s audit committee is</p>

Act of 1934.	entirely composed of independent members of Edenor’s board of directors.
<p><b>SECTION 303A.07.</b> The audit committee must have at least 3 members, all of whom must qualify as independent.</p> <p>In addition, the audit committee must have written regulations establishing: (i) the purpose of the committee; (ii) the annual assessment of the committee’s performance; and (iii) the committee’s obligations and responsibilities.</p> <p>Finally, the rule establishes that listed companies must have internal audit functions within their organization in order to assist both the audit committee and the company’s management in matters related to risk and internal control processes.</p>	<p>As a foreign private issuer, Edenor is not subject to §303A.07. As such, Edenor’s audit committee charter may not provide for every one of the specific duties required by §303A.07.</p> <p>The duties of the audit committee include monitoring Edenor’s internal control, administrative and accounting systems; supervising the application of Edenor’s risk management policies; providing the market adequate information regarding conflicts of interests that may arise between Edenor’s company and Edenor’s directors or controlling shareholders; rendering opinions on transactions with related parties; and supervising and reporting to regulatory authorities the existence of any kind of conflict of interest.</p> <p>Under Argentine law, there is no requirement related to the financial expertise of the members of the audit committee. However, the members of Edenor’s audit committee have extensive corporate and financial experience. At least one member of the audit committee has sufficient expertise as an external auditor to be recognized by the board of directors of Edenor as an “audit committee financial expert” as defined in Item 16A of Form 20F. In accordance with Edenor’s internal policies, Edenor’s audit committee must pre-approve all audit and non-audit services provided by external auditors.</p>
<p><b>SECTION 303A.08.</b> The shareholders must be given the opportunity to vote on equity-compensation plans and their material revisions, although there are exceptions to this requirement, such as when these compensation plans serve as labor incentive tools.</p>	<p>Edenor does not have any equity compensation plans and therefore does not have in place procedures for shareholder approval of such plans.</p>
<p><b>SECTION 303A.09.</b> Listed companies must adopt and disclose their corporate governance guidelines.</p>	<p>Law No. 26,831 (Capital Market’s Law) requires Edenor to provide governance-related information in the annual reports to the CNV, including information relating to the decision-making organization (corporate governance), the company’s internal control system, norms for director and management compensation, and any other compensation system applying to board members and managers. All relevant information provided by the Company to the CNV is sent through the CNV’s electronic financial reporting database and may be viewed by the public on the CNV website.</p> <p>Edenor’s Annual Report, financial statements and press releases may also be viewed on the Company’s Web site (<a href="http://www.edenor.com.ar">www.edenor.com.ar</a>).</p> <p>Under Argentine law, the board’s performance is evaluated at the annual Shareholders’ Meeting.</p>

	<p>Listed companies must meet the annual disclosure requirements of the CGC. Listed companies must issue a report stating whether and how they follow the recommendations provided by the CGC or explaining the reasons for their failure to adopt such recommendations, either fully or in part, and/or whether they plan to adopt them in the future. This information must appear in their annual report, attached to the financial statements for the relevant fiscal year as a separate exhibit.</p> <p>Once filed with the CNV and the exchange markets where the company is listed, the CGC report qualifies as public information.</p> <p>Edenor complies with the CGC annual disclosure requirements and fully disclose all corporate governance policies and practices. This information may be viewed on the company's website at <a href="http://www.edenor.com.ar">http://www.edenor.com.ar</a>.</p>
<p><b>SECTION 303A.10.</b> Listed companies must adopt and disclose to the market a Code of Ethics and Business Conduct which is applicable to their directors, managers and employees. In addition, any waiver of the provisions contained in this Code in favor of any of the parties that are subject to it must be immediately disclosed.</p>	<p>Under Argentine law there is no requirement that companies adopt a code of conduct. Nonetheless, our company adopted a code of ethics in 1999, which applies to all of our employees, including our principal executive, financial and accounting officers. In 2012 we reviewed and updated our code of ethics.</p>
<p><b>SECTION 303A.12(a).</b> The Chief Executive Officer (CEO) of a listed company must certify on an yearly basis that he or she has no knowledge of any violation or default of the corporate governance standards.</p> <p>Additionally, the CEO must report any default or violation of the corporate governance standards contained in the NYSE LCM by any of the company's executives to the NYSE immediately.</p> <p>Finally, listed companies must file an annual statement and updated reports with the NYSE disclosing any changes in the composition of their board of directors or any of the committees described in Section 302A of the NYSE LCM.</p>	<p>No similar obligation exists under Argentine legislation. However, in accordance with Argentine law the directors of a company must annually submit for its shareholders' approval such company's annual report and financial statements at such company's annual shareholders' meeting. Also, Edenor discloses material events in regulatory filings both with the CNV in Argentina and with the SEC on form 6K in the United States (as "materiality" is understood in each of those respective jurisdictions). Under applicable rules of the NYSE, Edenor is required to disclose to the NYSE certain changes in its audit committee, including any change that affects the committee's independence.</p> <p>Edenor is subject to and complies with §303A.12(b), to the extent that it relates to the sections of the NYSE Listed Company Manual that apply to foreign private issuers.</p> <p>Edenor complies with the certification requirements under §303A.12(c).</p>

**Item 16 H. Mine Safety Disclosures** Not applicable.

### PART III

**Item 17. *Financial Statements***

The Registrant has responded to Item 18 in lieu of this Item.

**Item 18. *Financial Statements***

Reference is made to pages F-1 to F-101 of this annual report.

**Item 19. *Exhibits***

Documents filed as exhibits to this annual report:

- 1.1 *Estatutos sociales* (corporate bylaws) of Empresa Distribuidora y Comercializadora Norte S.A. (English translation) (previously filed as Exhibit 3.1 to Edenor's Registration Statement on Form F-1 (File No. 333-141894) on April 4, 2007 and incorporated by reference herein.)
- 2.1 Form of Deposit Agreement among Empresa Distribuidora y Comercializadora Norte S.A., The Bank of New York, as depositary, and the Holders from time to time of American Depositary Shares issued thereunder, including the form of American Depositary Receipts (previously filed as Exhibit 4.1 to Edenor's Amendment No. 2 to Registration Statement on Form F-1 (File No. 333-141894) on April 20, 2007 and incorporated by reference herein.)
- 2.2 Indenture dated April 24, 2006, between Empresa Distribuidora y Comercializadora Norte S.A., as Issuer, and The Bank of New York, as Trustee, Co-Registrar and Paying Agent, and Banco Santander Río S.A., as Registrar, Transfer and Paying Agent in Argentina and Representative of the Trustee in Argentina (previously filed as Exhibit 2.2 to Edenor's Annual Report on Form 20-F (File No. 001-33422) on June 26, 2008 and incorporated by reference herein).
- 2.3 Indenture dated October 9, 2007, between Empresa Distribuidora y Comercializadora Norte S.A., as Issuer, and The Bank of New York, as Trustee, Co-Registrar and Paying Agent, and Banco Santander Río S.A., as Registrar, Transfer and Paying Agent in Argentina and Representative of the Trustee in Argentina (previously filed as Exhibit 2.3 to Edenor's Annual Report on Form 20-F (File No. 001-33422) on June 26, 2008 and incorporated by reference herein).
- 2.4 Registration Rights Agreement, dated October 9, 2007, between Empresa Distribuidora y Comercializadora Norte S.A. and Citigroup Global Markets Inc. and Deutsche Bank Securities Inc. as Representatives of the Initial Purchasers (previously filed as Exhibit 2.4 to Edenor's Annual Report on Form 20-F (File No. 001-33422) on June 26, 2008 and incorporated by reference herein).
- 2.5 Indenture dated October 25, 2010, between Empresa Distribuidora y Comercializadora Norte S.A., as Issuer, and The Bank of New York, as Trustee, Co-Registrar and Paying Agent, and Banco Santander Río S.A., as Registrar, Transfer and Paying Agent in Argentina and Representative of the Trustee in Argentina (previously filed as Exhibit 2.5 to Edenor's Annual Report on Form 20-F (File No. 001-33422) on June 6, 2011, and incorporated by reference herein).
- 8.1 List of Subsidiaries of Empresa Distribuidora y Comercializadora Norte S.A.
- 12.1 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 12.2 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 13.1 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

**SIGNATURE**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Empresa Distribuidora y Comercializadora Norte  
Sociedad Anónima

By: /s/ Leandro Montero

Name: Leandro Montero  
Title: Chief Financial Officer

Date: April 30, 2013

# **EDENOR S.A.**

**CONSOLIDATED FINANCIAL STATEMENTS  
AT DECEMBER 31, 2012**

**Edenor S.A.**  
**Consolidated Statements of Financial Position**  
**at December 31, 2012, 2011 and January 1, 2011**  
(Stated in thousands of pesos)

<b>ASSETS</b>	<b>Note</b>	<b>12.31.12</b>	<b>12.31.11</b>	<b>01.01.11</b>
<b>Non-current assets</b>				
Property, plant and equipment	<b>10</b>	4,344,599	3,995,310	3,712,330
Intangible assets	<b>11</b>	845,848	793,015	-
Interest in joint ventures	<b>7</b>	422	419	415
Trade receivables	<b>15</b>	47,730	45,725	45,531
Other receivables	<b>14</b>	70,491	50,263	18,496
<b>Total non-current assets</b>		<b>5,309,090</b>	<b>4,884,732</b>	<b>3,776,772</b>
<b>Current assets</b>				
Assets under construction	<b>12</b>	84,466	45,504	-
Inventories	<b>16</b>	85,002	45,325	12,407
Trade receivables	<b>15</b>	889,383	534,732	421,193
Derivative financial instruments	<b>13</b>	-	1,316	-
Financial assets at fair value through profit or loss	<b>13</b>	3,415	2,132	430,836
Other receivables	<b>14</b>	135,578	76,265	40,069
Cash and cash equivalents	<b>17</b>	71,108	130,509	246,007
<b>Total current assets</b>		<b>1,268,952</b>	<b>835,783</b>	<b>1,150,512</b>
Assets of disposal groups classified as held for sale	<b>40</b>	223,398	1,291,078	-
<b>TOTAL ASSETS</b>		<b>6,801,440</b>	<b>7,011,593</b>	<b>4,927,284</b>

**Edenor S.A.**  
**Consolidated Statements of Financial Position**  
**at December 31, 2012, 2011 and January 1, 2011**  
(Stated in thousands of pesos)

	Note	<u>12.31.12</u>	<u>12.31.11</u>	<u>01.01.11</u>
<b>EQUITY</b>				
<b>Equity attributable to the owners</b>				
Share capital	19	897,043	897,043	897,043
Adjustment to capital	19	397,716	986,142	986,142
Additional paid-in capital	19	3,452	21,769	18,317
Treasury stock	19	9,412	9,412	9,412
Adjustment to treasury stock	19	10,347	10,347	10,347
Legal reserve	20	-	64,008	64,008
Accumulated deficit	20	(899,789)	(557,336)	(241,942)
<b>Equity attributable to the owners</b>		<b><u>418,181</u></b>	<b><u>1,431,385</u></b>	<b><u>1,743,327</u></b>
Non-controlling interests		71,107	415,801	-
<b>TOTAL EQUITY</b>		<b><u>489,288</u></b>	<b><u>1,847,186</u></b>	<b><u>1,743,327</u></b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Trade payables	21	155,313	87,682	50,984
Deferred revenues	23	264,427	174,796	-
Other liabilities	22	1,894,772	1,373,689	984,518
Borrowings	24	1,350,700	1,189,882	1,035,113
Salaries and social security taxes payable	25	17,460	23,591	19,277
Benefit plans	26	97,436	83,503	41,492
Provisions	30	80,019	66,144	6,816
Taxes liabilities	28	9,971	17,652	8,979
Deferred tax liability	27	230,411	348,749	250,279
<b>Total non-current liabilities</b>		<b><u>4,100,509</u></b>	<b><u>3,365,688</u></b>	<b><u>2,397,458</u></b>
<b>Current liabilities</b>				
Trade payables	21	1,188,532	623,673	377,113
Borrowings	24	103,143	59,025	46,855
Derivative financial instruments	13	-	-	7,253
Salaries and social security taxes payable	25	384,307	275,789	180,432
Benefit plans	26	14,968	11,326	-
Taxes liabilities	28	202,546	147,723	111,080
Other liabilities	22	150,387	128,634	5,934
Provisions	30	10,493	10,344	57,832
<b>Total current liabilities</b>		<b><u>2,054,376</u></b>	<b><u>1,256,514</u></b>	<b><u>786,499</u></b>
Liabilities of disposal groups classified as held for sale	40	157,267	542,205	-
<b>TOTAL LIABILITIES</b>		<b><u>6,312,152</u></b>	<b><u>5,164,407</u></b>	<b><u>3,183,957</u></b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b><u>6,801,440</u></b>	<b><u>7,011,593</u></b>	<b><u>4,927,284</u></b>

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

**Edenor S.A.**  
**Consolidated Statements of Comprehensive Loss**  
**for the years ended December 31, 2012 and 2011**  
(Stated in thousands of pesos)

	Note	<u>12.31.12</u>	<u>12.31.11</u>
<b>Continuing operations</b>			
Revenue from sales	31	3,725,256	2,805,817
Revenue from construction		117,615	87,374
Electric power purchases		(2,062,220)	(1,325,458)
Cost of construction		(117,615)	(87,374)
<b>Subtotal</b>		<b><u>1,663,036</u></b>	<b><u>1,480,359</u></b>
Transmission and distribution expenses	32	(1,570,072)	(1,094,825)
<b>Gross profit</b>		<b><u>92,964</u></b>	<b><u>385,534</u></b>
Selling expenses	32	(430,403)	(310,312)
Administrative expenses	32	(296,404)	(224,316)
Gain from acquisition of companies	38	-	434,959
Gain from interest in joint ventures		3	4
Other operating income	33	33,336	27,901
Other operating expense	33	(112,787)	(54,880)
<b>Operating (expense/income)</b>		<b><u>(713,291)</u></b>	<b><u>258,890</u></b>
Financial income	34	86,009	55,568
Financial expenses	34	(296,848)	(216,123)
Other financial results	34	(166,698)	(97,214)
<b>Net financial expense</b>		<b><u>(377,537)</u></b>	<b><u>(257,769)</u></b>
<b>(Loss) Profit before taxes</b>		<b><u>(1,090,828)</u></b>	<b><u>1,121</u></b>
Income tax	27	99,779	(152,971)
<b>Loss for the year from continuing operations</b>		<b><u>(991,049)</u></b>	<b><u>(151,850)</u></b>
Loss from discontinued operations	18	(22,367)	(139,531)
<b>Loss for the year</b>		<b><u>(1,013,416)</u></b>	<b><u>(291,381)</u></b>
<b>Loss for the year attributable to:</b>			
Owners of the parent		(1,016,470)	(304,057)
Non-controlling interests		3,054	12,676
<b>Loss for the year</b>		<b><u>(1,013,416)</u></b>	<b><u>(291,381)</u></b>
<b>Loss for the year attributable to owner of the parent:</b>			
Continuing operations		(1,000,621)	(157,675)
Discontinued operations		(15,849)	(146,382)
		<b><u>(1,016,470)</u></b>	<b><u>(304,057)</u></b>

**Edenor S.A.**  
**Consolidated Statements of Comprehensive Loss**  
**for the years ended December 31, 2012 and 2011**  
(Stated in thousands of pesos)

	Note	<u>12.31.12</u>	<u>12.31.11</u>
<b>Other comprehensive loss</b>			
<i>Items that will not be reclassified to profit or loss</i>			
Actuarial losses on benefit plans	26	4,701	(13,764)
Tax effect of actuarial losses on benefit plans		(1,646)	4,817
Total other comprehensive loss from discontinued operations		-	(3,393)
<b>Total other comprehensive loss</b>		<u><b>3,055</b></u>	<u><b>(12,340)</b></u>
Comprehensive loss for the year attributable to:			
Owners of the parent		(1,013,204)	(315,394)
Non-controlling interests		2,843	11,673
<b>Comprehensive loss for the year</b>		<u><b>(1,010,361)</b></u>	<u><b>(303,721)</b></u>
<b>Comprehensive loss for the year attributable to owner of the parent:</b>			
Continuing operations		(997,355)	(166,393)
Discontinued operations		(15,849)	(149,001)
		<u><b>(1,013,204)</b></u>	<u><b>(315,394)</b></u>
<b>Basic and diluted loss per share attributable to owner of the parent:</b>			
Basic and diluted loss per share – from discontinued operations	35	(0.02)	(0.16)
Basic and diluted loss per share – from continuing operations	35	(1.12)	(0.17)

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

**Edenor S.A.**  
**Consolidated Statements of Changes in Equity**  
**for the years ended December 31, 2012 and 2011**  
(Stated in thousands of pesos)

	<b>Attributable to the owners of the parent at 12.31.12</b>										
	Share capital	Adjustment to capital	Treasury stock	Adjustment to treasury stock	Additional paid-in capital	Legal reserve	Other comprehensive income	Accumulated deficit	<b>Subtotal</b>	Non-controlling interests	<b>Total equity</b>
<b>Balance at January 1, 2011</b>	<b>897,043</b>	<b>986,142</b>	<b>9,412</b>	<b>10,347</b>	<b>18,317</b>	<b>64,008</b>	<b>(6,588)</b>	<b>(235,354)</b>	<b>1,743,327</b>	-	<b>1,743,327</b>
Acquisition of companies (Note 38)	-	-	-	-	-	-	-	-	-	230,040	<b>230,040</b>
Additional purchase of non-controlling interests (Note 37)	-	-	-	-	3,452	-	-	-	<b>3,452</b>	(9,861)	<b>(6,409)</b>
Variation in non-controlling interests due to acquired companies sale agreements	-	-	-	-	-	-	-	-	-	183,949	<b>183,949</b>
Other comprehensive loss for the year	-	-	-	-	-	-	(11,337)	-	<b>(11,337)</b>	(1,003)	<b>(12,340)</b>
(Loss) gain for the year	-	-	-	-	-	-	-	(304,057)	<b>(304,057)</b>	12,676	<b>(291,381)</b>
<b>Balance at December 31, 2011</b>	<b>897,043</b>	<b>986,142</b>	<b>9,412</b>	<b>10,347</b>	<b>21,769</b>	<b>64,008</b>	<b>(17,925)</b>	<b>(539,411)</b>	<b>1,431,385</b>	<b>415,801</b>	<b>1,847,186</b>
Subsidiarie´s sale	-	-	-	-	-	-	-	-	-	(365,499)	<b>(365,499)</b>
Cash dividends - Aeseba S.A.	-	-	-	-	-	-	-	-	-	(5,811)	<b>(5,811)</b>
Absorption of accumulated losses - Shareholders' Meeting of 04/27/2012 (Note 41) (1)	-	(588,426)	-	-	(18,317)	(64,008)	-	670,751	-	-	-
Increase of non-controlling interest of discontinued operations (Note 40)	-	-	-	-	-	-	-	-	-	23,773	<b>23,773</b>
Other comprehensive (loss) gain for the year	-	-	-	-	-	-	3,266	-	<b>3,266</b>	(211)	<b>3,055</b>
(Loss) gain for the year	-	-	-	-	-	-	-	(1,016,470)	<b>(1,016,470)</b>	3,054	<b>(1,013,416)</b>
<b>Balance at December 31, 2012</b>	<b>897,043</b>	<b>397,716</b>	<b>9,412</b>	<b>10,347</b>	<b>3,452</b>	-	<b>(14,659)</b>	<b>(885,130)</b>	<b>418,181</b>	<b>71,107</b>	<b>489,288</b>

(1) The absorption of accumulated losses was made on the basis of the Financial Statements prepared under previous generally accepted accounting principles (Argentine GAAP), in effect as at December 31, 2011.

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

**Edenor S.A.**  
**Consolidated Statements of Cash Flows**  
**for the years ended December 31, 2012 and 2011**  
(Stated in thousands of pesos)

	Note	12.31.12	12.31.11
<b>Cash flows from operating activities</b>			
Loss for the year		(1,013,416)	(291,381)
<b>Adjustments to reconcile net loss to net cash flows provided by operating activities</b>			
Depreciation of property, plant and equipment	10	197,871	187,893
Amortization of intangible assets	11	24,891	20,093
Disposals of property, plant and equipment	33	1,886	1,878
Loss from retirement of intangible assets	33	7,962	10,737
Gain from interest in joint ventures		(3)	(4)
Gain from the purchase of financial debt	34	-	(6,546)
Interest on loans and other liabilities	34	151,169	109,028
Exchange differences	34	194,087	102,822
Income tax	27	(99,779)	152,971
Allowance for the impairment of trade receivables and other receivables	14, 15	18,520	10,808
Provision for contingencies, net of recovery		26,442	8,094
Adjustment to present value of the retroactive tariff increase arising from the application of the new electricity rate schedule and other trade receivables	34	(421)	(1,170)
Changes in fair value of financial instruments	34	(39,053)	(13,296)
Gain from acquisition of companies	38	-	(434,959)
Benefit plans accrued	26	31,026	15,647
Discontinued operations		246,227	202,348
<b>Changes in operating assets and liabilities (excluding previous adjustments):</b>			
Net increase in trade receivables		(341,952)	(136,560)
Net increase in other receivables		11,720	(88,337)
Increase in inventories		(39,677)	(32,918)
Increase in assets under construction		(38,962)	(45,504)
Increase in trade payables		545,572	25,413
Increase in salaries and social security taxes payable		102,388	139,244
Decrease in benefit plans		(8,750)	(15,647)
Increase in taxes		49,654	36,461
Increase in deferred revenue		89,630	174,796
Increase in other liabilities		140,799	203,684
(Decrease) Increase in provisions		(12,418)	3,746
Income tax paid		(34,099)	(24,376)
Increase for funds obtained from the program for the rational use of electric power (Res SE N° 1037/07)		410,674	337,990
Increase for funds obtained from the program for the rational use of electric power (Res MIVSPBA N° 252/07)		13,127	5,995
<b>Net cash flows provided by operating activities</b>		<b>635,115</b>	<b>658,950</b>

**Edenor S.A.**  
**Consolidated Statements of Cash Flows**  
**for the years ended December 31, 2012 and 2011**  
(Stated in thousands of pesos)

	Note	<u>12.31.2012</u>	<u>12.31.2011</u>
<b>Cash flows from investing activities</b>			
Decrease from sale of financial assets at fair value		37,770	442,000
Additions of property, plant and equipment		(549,046)	(443,407)
Additions of intangible assets		(85,686)	(63,366)
Payment for acquisition of companies		-	(442,911)
Payment for acquisition of additional non-controlling interests		-	(6,409)
Loans granted		(14,643)	-
Collection of loans proceeds from borrowing		142,372	-
Collection for sale of discontinued operations		104,610	-
Discontinued operations	18	<u>(200,839)</u>	<u>(279,940)</u>
<b>Net cash flows used in investing activities</b>		<b><u>(565,462)</u></b>	<b><u>(794,033)</u></b>
<b>Cash flows from financing activities</b>			
Loans taken		95,751	298,190
Repayments of borrowings		(210,263)	(380,433)
Change in non-controlling interest - Dividend Distribution Aeseba		(5,811)	-
Dividends paid		(5,588)	-
Discontinued operations	18	<u>(39,919)</u>	<u>98,547</u>
<b>Net cash flows (used in) provided by financing activities</b>		<b><u>(165,830)</u></b>	<b><u>16,304</u></b>
<b>Net decrease in cash and cash equivalents</b>		<b><u>(96,177)</u></b>	<b><u>(118,779)</u></b>
Cash and cash equivalents at beginning of year	17	130,509	246,007
Gain from exchange differences in cash and cash equivalents		36,776	3,281
Changes in cash and cash equivalents		<u>(96,177)</u>	<u>(118,779)</u>
<b>Cash and cash equivalents at end of year</b>		<b><u>71,108</u></b>	<b><u>130,509</u></b>
Cash and cash equivalents in the statements of financial position	17	71,108	130,509
Cash and cash equivalents included in assets available for sale	40	<u>11,154</u>	<u>28,305</u>
<b>Cash and cash equivalents at end of year</b>		<b><u>82,262</u></b>	<b><u>158,814</u></b>

**Edenor S.A.**  
**Consolidated Statements of Cash Flows**  
**for the years ended December 31, 2012 and 2011**  
(Stated in thousands of pesos)

	Note	<u>12.31.2012</u>	<u>12.31.2011</u>
<b>Supplemental cash flows information</b>			
<b>Investing and financing activities that do not generate cash flow</b>			
Financial cost charged to fixed assets		6,405	4,095
<b>Changes in assets for disposal classified as held for sale</b>			
Increased credit extended related companies		(41,707)	-
Decrease advance payments received related companies		(10,406)	-
<b>Acquired companies</b>			
Cash and cash equivalents		-	119,042
Property, plant and equipment and intangible assets		-	1,881,404
Inventories		-	4,256
Trade receivables		-	255,260
Other receivables		-	84,649
Trade payables		-	(257,770)
Borrowings		-	(450,018)
Deferred tax liability		-	(78,845)
Other liabilities		-	(331,026)
<b>Net assets</b>	<b>38</b>	<u>-</u>	<u>1,226,952</u>
Non-controlling interests		-	(230,040)
<b>Net assets acquired</b>	<b>38</b>	<u>-</u>	<u>996,912</u>
Bargain purchase		-	434,959
<b>Cash paid</b>	<b>38</b>	<u>-</u>	<u>(561,953)</u>
Cash and cash equivalents in acquired companies		-	119,042
<b>Net cash outflow for acquisition of companies</b>	<b>38</b>	<u>-</u>	<u>(442,911)</u>

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

## EDENOR S.A.

### Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011 (Continued)

#### 1. General information

##### History and development of the Company

Empresa Distribuidora Norte S.A. (EDENOR S.A. or the Company) was organized on July 21, 1992 by Decree No. 714/92 in connection with the privatization and concession process of the distribution and sale of electric power carried out by Servicios Eléctricos del Gran Buenos Aires S.A. (Segba S.A.).

By means of an International Public Bidding, the Federal Government awarded 51% of the Company's capital stock, represented by the Class "A" shares, to the bid made by Electricidad Argentina S.A. (EASA), the parent company of Edenor S.A. The award as well as the transfer contract were approved on August 24, 1992 by Decree No. 1,507/92 of the Federal Government.

On September 1, 1992, EASA took over the operations of EDENOR S.A.

The corporate purpose of EDENOR S.A. is to engage in the distribution and sale of electricity within the concession area. Furthermore, among other activities, the Company may subscribe or acquire shares of other electricity distribution companies, subject to the approval of the regulatory agency, lease the network to provide electricity transmission or other voice, data and image transmission services, and render advisory, training, maintenance, consulting, and management services and know-how related to the distribution of electricity both in Argentina and abroad. These activities may be conducted directly by EDENOR S.A. or through subsidiaries or related companies. In addition, the Company may act as trustee of trusts created under Argentine laws, including extending secured credit facilities to service vendors and suppliers acting in the distribution and sale of electricity, who have been granted guarantees by reciprocal guarantee companies owned by the Company.

Edenor S.A. and its indirectly controlled company EDEN, distribute electricity to more than 3.03 million customers in a concession area that is comprised of the northern area of the City of Buenos Aires, the northern and northwestern metropolitan areas of Greater Buenos Aires, and the northern area of the Province of Buenos Aires.

##### The Company's economic and financial situation

In the years ended December 31, 2012 and 2011, the Company recorded negative operating and net results, with its liquidity level and working capital having been affected as well. This situation is due mainly to both the continuous increase of its operating costs that are necessary to maintain the level of the service, and the delay in obtaining rate increases and higher costs recognition ("CMM"), requested in the presentations made until now by the Company in accordance with the terms of the Adjustment Agreement.

It is worth mentioning that the Company has not only maintained the quality of the distribution service but also satisfied the constant year-on-year increase in the demand for electricity that has accompanied the economic growth of the last years. Due to both the continuous increase recorded in the costs associated with the provision of the service and the need for additional investments to meet the increased demand, the Company has adopted a series of measures aimed at mitigating the negative effects of this situation on its financial structure, such as reducing certain specified costs, selling certain investments, reducing top management personnel's fees, seeking new financing options, refinancing the financial debt with extended maturity terms and/or deferring the timing for certain estimated capital expenditures; provided that these measures do not affect the sources of employment, the execution of the investment plan or the carrying out of the essential operation and maintenance works that are necessary to maintain the provision of the public service.

In this regard, and among other measures, the Company has (i) entered into an agreement with unions in order to grant interim advances, which were included in salaries as from January 2013, on account of the future salary increases that could finally result from the collective bargaining negotiation and made arrangements with the authorities concerning the funds necessary to face the increases that could result from the new collective bargaining negotiation underway (Note 5.3.c); (ii) made arrangements and obtained for the payment in advance by the Federal Government of amounts relating to the Framework Agreement; (iii) collected the total amount of the loans granted to the subsidiary company EDEN, and mainly (iv) sold its shareholding in connection with EDESA's assets and collected the totality of the loan granted to such subsidiary company.

Furthermore, the Company has made a series of presentations before control and regulatory authorities in order to jointly instrument the necessary mechanisms to contribute to an efficient provision of the distribution service, the maintenance of the level of investments and the compliance with the increased demand. In this context and in light of the situation that affects the electricity sector, the ENRE has issued Resolution 347/12 (see note 2.c.V),

**EDENOR S.A.**

**Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011  
(Continued)**

which establishes the application of fixed and variable charges that allowed the Company to obtain additional revenue as from November 2012. However, such additional revenue is insufficient to make up the aforementioned deficit due to the constant increase of operating costs and the expectations regarding salary or third-party costs increases for the year 2013.

In view of the aforementioned, and given the inefficacy of the administrative and judicial actions pursued and presentations made by the Company, on December 28, 2012, an action for the protection of the Company's rights ("*acción de amparo*") was brought against the ENRE so that the Regulatory Authority, in the performance of its duties, could adopt those measures which, in the Company's opinion, are not only urgently needed but also essential for the provision of the public service of electricity distribution that the Company is required to provide under the concession agreement on a continuous, regular and safe basis. Specifically, this action was brought not only to abate the ENRE's unlawful omission, as the Application Authority, to adjust the electricity rate schedule in accordance with the variations recorded in costs, as established in the agreement and the law, thus preventing the Company from receiving, in consideration of the service currently provided, sufficient revenues to face the necessary operating costs and the indispensable and imperative investments to provide the service in a continuous, regular, and, mainly, safe manner, but also as a protection against corporate, personal and criminal liability that could eventually arise from the conditions under which the Company is forced to provide the service.

With the aim of maintaining and guaranteeing the provision of the public service, and in order to alleviate the financial situation, given the aforementioned cash deficit, as from October 2012 the Company found itself forced to partially cancel, on a temporary basis, the obligations with the Wholesale Electricity Market with surplus cash balances after having complied with the commitments necessary to guarantee the provision of the public service, including the investment plans underway and operation and maintenance works. We consider this situation as a transitional system to be applied until the new regulatory model announced by the National Authorities, aimed at restoring the economic and financial equation of the Concession Agreement, is implemented. In connection with the aforementioned, the Company has been ordered by the ENRE and CAMMESA to cancel such debt. In its reply to the ENRE, the Company rejected the Regulatory Authority's competence to intervene in its commercial issues with third parties, and, in its reply to CAMMESA, the Company stated that the cash deficit that prevents it from canceling the total amount of the debt is a case of force majeure inasmuch as the Company does not have the possibility of approving its electricity rates, but, at the same time, has to maintain the priority given to the operation of the public service.

Should the conditions existing at the date of these financial statements continue, the Board of Directors believes that the Company's economic and financial situation will continue to deteriorate and cash flows and operating results for the year 2013, and financial ratios, will be negatively impacted.

Furthermore, and as described in Note 19 to these financial statements, the Company's loss of capital stock must be dealt with and resolved by its shareholders.

In light of the above mentioned, the Company's Board of Directors continues analyzing different scenarios and possibilities to mitigate or reduce the negative impact of the Company's situation on its operating cash flows and thereby present the shareholders with diverse courses of action. Nevertheless, the improvement of revenues so as to balance the economic and financial equation of the concession continues to be the most relevant aspect.

The outcome of the overall electricity rate review is uncertain as to both its timing and final form. Therefore, the uncertainties of the previous year continued during the year being reported, thus if in fiscal year 2013: (i) the new electricity rate schedules are not issued by the ENRE; (ii) the Company is not granted other mechanism to compensate cost increases, in addition to the revenue obtained as a result of Resolution 347/12 or the funds derived from the PUREE, and/or; (iii) the Company does not obtain from the Federal Government other mechanism that provides it with financing for cost increases, it is likely that the Company will have insufficient liquidity and will therefore be obliged to implement various measures to preserve cash and enhance its liquidity. Additionally, the Company may not ensure that it will be able to obtain additional financing on acceptable terms. Therefore, should any of these measures, individually or in the aggregate, not be achieved, there is significant risk that such situation will have a material adverse impact on the Company's operations. Edenor may need to enter into a renegotiation process with its suppliers and creditors in order to obtain changes in the terms of its obligations to ease the aforementioned financial situation.

Given the fact that the realization of the projected measures to revert the manifested negative trend depends, among other factors, on the occurrence of certain events that are not under the Company's control, such as the requested electricity rate increases or their replacement by a new remuneration system, the Board of Directors has raised substantial doubt about the ability of the Company to continue as a going concern in the term of the next fiscal year.

**EDENOR S.A.**

**Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011  
(Continued)**

Nevertheless, these Consolidated Financial Statements have been prepared in accordance with the accounting principles applicable to a going concern, assuming that the Company will continue to operate normally. Therefore, they do not include the effects of the adjustments or reclassifications, if there were any that might result from the outcome of this uncertainty.

**2. Regulatory framework**

**2.1 EDENOR S.A.**

**a. General**

The Company is subject to the regulatory framework provided under Law No. 24,065 and the regulations issued by the National Regulatory Authority for the Distribution of Electricity (ENRE).

The ENRE is empowered to approve and control tariffs, and control the quality levels of the technical product and service, the commercial service and the compliance with public safety regulations, as established in the Concession Agreement. If the Distribution Company fails to comply with the obligations assumed, the ENRE will be entitled to apply the penalties stipulated in the Concession Agreement, which may include the foreclosure on the Class "A" shares, which have been pledged as collateral by the majority holders thereof.

The Distribution Company's obligations are, among others, to make the necessary investments and carry out the necessary maintenance works in order to ensure that the quality levels established for the provision of the service in the concession area will be complied with and that electricity supply and availability will be sufficient to meet the demand in due time, securing the sources of supply.

If the Company repeatedly fails to comply with the obligations assumed in the Concession Agreement, the grantor of the concession will be entitled to foreclose on the collateral granted by the majority shareholders by means of the pledge of the Class A shares and sell them in a Public Bid. This, however, will not affect the continuity of the Holder of the concession. At the date of issuance of these financial statements, there have been no events of non-compliance by the Company that could be regarded as included within the scope of this situation.

## EDENOR S.A.

### Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011 (Continued)

Furthermore, the Concession Agreement may be rescinded in the event of the Distribution Company undergoing bankruptcy proceedings. Additionally, if the Grantor of the Concession fails to discharge his obligations in such a manner that the Distribution Company is prevented from providing the Service or the Service is severely affected on a permanent basis, the Distribution Company may request, after demanding the regularization of such situation in a term of 90 days, that the agreement be rescinded.

#### **b. Concession**

The term of the concession is 95 years, which may be extended for an additional maximum period of 10 years. The term of the concession is divided into management periods: a first period of 15 years and subsequent periods of 10 years each. At the end of each management period, the Class "A" shares representing 51% of the capital stock of EDENOR S.A., currently held by EASA, must be offered for sale through a public bidding. If EASA makes the highest bid, it will continue to hold the Class "A" shares, and no further disbursements will be necessary. On the contrary, if EASA is not the highest bidder, then the bidder who makes the highest bid shall pay EASA the amount of the bid in accordance with the conditions of the public bidding. The proceeds from the sale of the Class "A" shares will be delivered to EASA after deducting any amounts receivable to which the Grantor of the concession may be entitled.

On July 7, 2007 the *Official Gazette* published Resolution No. 467/07 of the ENRE pursuant to which the first management period is extended for 5 years to commence as from the date on which the Review of the Company Tariff Structure (RTI) goes into effect. Its original maturity would have taken place on August 31, 2007.

In accordance with the provisions of Resolution No. 467/2007 of the ENRE, the commencement of the aforementioned process for the sale of the shares shall take place when the five-year tariff period beginning after the ending of the RTI comes to an end.

The Company has the exclusive right to render electric power distribution and sales services within the concession area to all users who are not authorized to obtain their power supply from the Wholesale Electricity Market (MEM), thus being obliged to supply all the electric power that may be required in due time and in accordance with the established quality levels. In addition, the Company must allow free access to its facilities to any MEM agents whenever required, under the terms of the Concession.

No specific fee must be paid by the Company under the Concession Agreement during the term of the concession.

On January 6, 2002, the Federal Executive Power passed Law No. 25,561 whereby adjustment clauses in US dollars, as well as any other indexation mechanisms stipulated in the contracts entered into by the Federal Government, including those related to public utilities, were declared null and void as from such date. The resulting prices and rates were converted into Argentine pesos at a rate of 1 peso per US dollar.

Furthermore, Law No. 25,561 authorized the Federal Executive Power to renegotiate public utility contracts taking certain criteria into account.

It is worth mentioning that both the declaration of economic emergency and the period to renegotiate public utility contracts were extended through December 31, 2013 by Law No. 26,729.

**EDENOR S.A.**

**Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011  
(Continued)**

**c. Edenor's electricity rate situation**

**I. Adjustment Agreement entered into between Edenor S.A. and the Federal Government**

On September 21, 2005, Edenor S.A. signed an Adjustment Agreement within the framework of the process of renegotiation of the Concession Agreement set forth in Law No. 25,561 and supplementary regulations, which was ratified on February 13, 2006.

The Adjustment Agreement establishes the following:

- i) the implementation of a Temporary Tariff Structure ("RTT") effective as from November 1, 2005, including a 23% average increase in the distribution margin, which may not result in an increase in the average rate of more than 15%, and an additional 5% average increase in the distribution added value, allocated to certain specified capital expenditures;
- ii) the requirement that during the term of said temporary tariff structure, dividend payment be subject to the approval of the regulatory authority;
- iii) the establishment of a "social tariff" for the needy and the levels of quality of the service to be rendered;
- iv) the suspension of the claims and legal actions filed Edenor S.A. and its shareholders in national or foreign courts due to the effects caused by the Economic Emergency Law;
- v) the carrying out of a Tariff Structure Review ("RTT") which will result in a new tariff structure that will go into effect on a gradual basis and remain in effect for the following 5 years. In accordance with the provisions of Law No. 24,065, the ENRE will be in charge of such review;
- vi) the implementation of a minimum investment plan in the electric network for an amount of \$ 178.8 million to be fulfilled by Edenor S.A. during 2006, plus an additional investment of \$ 25.5 million should it be required;
- vii) the adjustment of the penalties imposed by the ENRE that are payable to customers as discounts, which were notified by such regulatory agency prior to January 6, 2002 as well as of those that have been notified, or whose cause or origin has arisen in the period between January 6, 2002 and the date on which the Adjustment Agreement goes into effect through the date on which they are effectively paid, using, for such purpose, the average increase recorded in the Company's distribution costs as a result of the increases and adjustments granted at each date;
- viii) the waiver of the penalties imposed by the ENRE that are payable to the National State, which have been notified, or their cause or origin has arisen in the period between January 6, 2002 and the date on which the Adjustment Agreement goes into effect;

The payment term of the penalties imposed by the ENRE, which are described in paragraph vii above, is 180 days after the approval of the Tariff Structure Review (RTT) in fourteen semiannual installments, which represent approximately two-thirds of the penalties imposed by the ENRE before January 6, 2002 as well as of those that have been notified, or whose cause or origin has arisen in the period between January 6, 2002 and the date on which the Adjustment Agreement goes into effect, subject to compliance with certain requirements.

Said agreement was ratified by the Federal Executive Power through Decree No. 1,957/06, signed by the President of Argentina on December 28, 2006 and published in the *Official Gazette* on January 8, 2007. This agreement stipulates the terms and conditions that, upon compliance with the other procedures required by the regulations, will be the fundamental basis of the Comprehensive Renegotiation of the Concession Agreement of the public service of electric power distribution and sale within the federal jurisdiction, between the Federal Executive Power and the Company.

Additionally, on February 5, 2007 the *Official Gazette* published Resolution No. 51/07 of the ENRE which approves the electricity rate schedule resulting from the RTT, applicable to consumption recorded as from February 1, 2007. This document provides for the following:

- i) A 23% average increase in distribution costs, service connection costs and service reconnection costs in effect, except for the residential tariffs;

**EDENOR S.A.**

**Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011  
(Continued)**

- ii) An additional 5% average increase in distribution costs, to be applied to the execution of the works and infrastructure plan detailed in the Adjustment Agreement;
- iii) Implementation of the Cost Monitoring Mechanism (“CMM”) contemplated in the Adjustment Agreement, which for the six-month period commenced November 1, 2005 and ended April 30, 2006, shows a percentage of 8.032%. This percentage will be applied to non-residential consumption recorded from May 1, 2006 through January 31, 2007;
- iv) Invoicing in 55 equal and consecutive monthly installments of the differences arising from the application of the new electricity rate schedule for non-residential consumption recorded from November 1, 2005 through January 31, 2007 (paragraphs i) and ii) above) and from May 1, 2006 through January 31, 2007 (paragraph iii) above);
- v) Invoicing of the differences corresponding to deviations between foreseen physical transactions and those effectively carried out and of other concepts related to the MEM, such as the Specific fee payable for the Expansion of the Network, Transportation and Others;
- vi) Presentation, within a period of 45 calendar days from the issuance of this resolution, of an adjusted annual investment plan, in physical and monetary values, in compliance with the requirements of the Adjustment Agreement.

Resolution No. 434/2007 established, among other things, that the obligations and commitments set forth in section 22 of the Adjustment Agreement be extended until the date on which the electricity rate schedule resulting from the RTI goes into effect, allowing Edenor S.A. and its shareholders to resume the legal actions suspended as a consequence of the Adjustment Agreement if the new electricity rate schedule does not go into effect.

**II. Tariff Structure Review (RTI)**

On July 30, 2008, the National Energy Secretariat (“SE”) issued Resolution No. 865/08 which modifies Resolution No. 434/07 and establishes that the electricity rate schedule resulting from the RTI will go into effect in February 2009. At the date of issuance of these financial statements, no resolution has been issued concerning the application of the electricity rate schedule resulting from such process.

With regard to the commencement of the RTI process, the ENRE has begun this process, and Edenor S.A., on November 12, 2009, submitted its revenue requirements proposal for the new period, which included the grounds and criteria based on which the request is made. As from that moment, the Company has made successive and reiterated presentations. In this regard, the Company has filed a Preliminary Administrative Action (“*Reclamo Administrativo Previo*”) before the Ministry of Federal Planning, Public Investment and Services as well as a petition for the immediate resolution of the subject matter.

**EDENOR S.A.****Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011  
(Continued)****III. PUREE-CMM (Program for the Rational Use of Electric Power-Cost Monitoring Mechanism)**

Resolution No. 1,037/07 of the SE established that the amounts paid by Edenor S.A. as Quarterly Adjustment Coefficient (“CAT”) implemented by section 1 of Law No. 25,957, as well as the amounts corresponding to the Cost Monitoring Mechanism (CMM) for the period May 2006 through April 2007 (see point ii and iii), be deducted from the funds resulting from the difference between surcharges billed and discounts made to customers, resulting from the implementation of the PUREE, until their transfer to the tariff is granted by the regulatory authority. Furthermore, it establishes that the CMM adjustment for the period May 2006 through April 2007, applicable as from May 1, 2007, is 9.63%.

The CMM adjustment for the May - October 2007 period, applicable as from November 1, 2007 was 7.56 % and amounted to \$ 45.531 million.

On October 25, 2007, the ENRE issued Resolution No. 710/2007 which approved the aforementioned CMM compensation mechanism.

Additionally, in November 2007 and May 2008, the Company requested additional increases in its distribution margins in accordance with the CMM in order to reflect the variations recorded in its distribution cost base for the periods May-October 2007 and November 2007-April 2008.

In July 2008, the Company obtained an increase of approximately 17.9% in the DAV that could be transferred to tariffs. This increase represented the 9.63% CMM increase for the May 2006-April 2007 period, as well as the 7.56% CMM increase for the May-October 2007 period. These CMM increases were transferred to the Company’s tariff structure as from July 1, 2008 and resulted in an average increase of 10% for small and medium-demand commercial customers, industrial customers and large-demand users who buy energy directly from generators, and in an average increase of 21% for residential customers with bimonthly consumption levels over 650 kWh, in accordance with a step-up system depending on bimonthly consumption levels.

Notwithstanding the fact that pursuant to Note No. 81,399 sent to the Energy Secretariat the ENRE confirmed an additional 5.79% increase in accordance with the CMM for the November 2007-April 2008 period, as of to date, the Regulatory Authority has neither approved a new rate system that would include such increase in the Company’s rates nor authorized the Company to collect such increase by other means, for example through an off-setting mechanism against contributions made to the PUREE, as was the case in the past.

Due to the increase recorded in operating and maintenance costs in accordance with the criterion of the polynomial formula contemplated in the Adjustment Agreement, at the date of issuance of these Financial Statements, the Company has submitted to the ENRE the CMM adjustment requests in accordance with the following detail:

<b>Period</b>	<b>Application date</b>	<b>CMM Adjustment</b>
November 2007 - April 2008	May 2008	5.79%
May 2008 – October 2008	November 2008	5.68%
November 2008 - April 2009	May 2009	5.07%
May 2009 – October 2009	November 2009	5.04%
November 2009 – April 2010	May 2010	7.10%
May 2010 – October 2010	November 2010	7.24%
November 2010 – April 2011	May 2011	6.10%
May 2011 – October 2011	November 2011	7.72%
November 2011 – April 2012	May 2012	8.53%
May 2012 – October 2012	November 2012	7.32%

At the date of issuance of these financial statements, the aforementioned ratios as well as the real major costs that should be recognized and transferred to the tariff are pending approval by the ENRE. However, the Company has become aware of certain internal administrative proceedings through communications of the Regulatory Entity to the Under-Secretariat of Management Control and Coordination of the Ministry of Federal Planning, Public Investment and Services, according to which the analysis made by them shows percentages similar to those calculated by the Company with regard to CMM ratios.

Based on this information, the Company has estimated that the claims effectively made for CMM adjustments, which were not transferred to tariffs nor authorized to be collected by other means, amount to approximately \$ 1,999 million. In accordance with the Company’s estimate, the amount of the real major costs

## EDENOR S.A.

### Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011 (Continued)

submitted in the presentations made and not yet authorized to be transferred to electricity rates is significantly higher than that determined after solely considering the CMM adjustments confirmed by the Regulatory Authority.

For these concepts, and until such time as the CMM adjustments are effectively transferred to tariffs, the distribution company is entitled to use PUREE excess funds, as established in Resolutions 1037/07 and 1383/08 of the Energy Secretariat and ENRE Note 83818. In this regard, and up to date, the Company has neither recognized nor accrued any amount receivable for this concept in these financial statements, until approval is granted by the control authority.

By Resolution 347/12, the ENRE established the application of a fixed and a variable charge associated with power to be included in customer bills, which the distribution company will collect on account of the CMM adjustments stipulated in section 4.2 of the Adjustment Agreement and specifically use for the making of investments and reactive maintenance tasks. Although in the whereas clauses of the Resolution the ENRE recognizes the existence of CMM adjustment requests (incorporar con la terminología usada en la resolución) and states that the authorized charges are on account of CMM adjustments, it says nothing about what provisions will apply concerning the effect thereof for the period elapsed between the date such requests were made and the date of their application to the customer bill.

In this regard, the Company is currently analyzing the steps to be followed in order to obtain economic recognition of the CMM adjustments resulting from this new charge, the company estimates this charge in \$ 1,661 million approximately, until the provisions for the management and quantification thereof are determined by the competent authorities.

At December 31, 2012, and 2011 and January 1, 2011, liabilities generated by the excess funds deriving from the application of the PUREE, amount to \$ 1,277.76 million, \$ 867.09 million and \$ 529.10 million, respectively, and have been disclosed in the Other non-current liabilities account. This increase in liabilities is due to the fact that the Company was allowed to keep such funds (SE Resolutions Nos. 1037/07 and 1383/08 and ENRE Note No 83818 in order to cover the CMM increases not transferred to the tariff.

Furthermore, the necessary steps to regularize the situation are being taken in order to restore the economic and financial equation of the business, in view of the increases recorded in operating costs. At the same time, administrative and judicial actions have been brought aimed at obtaining both CMM recognition and that the Overall Electricity Rate Review stipulated in the Adjustment Agreement, whose performance is pending, be carried out by the ENRE.

#### IV. Electricity rate schedules

The SE issued Resolution No. 1,169/08 which approved the new seasonal reference prices of power and energy in the Wholesale Electricity Market ("MEM"). Consequently, the ENRE issued Resolution No. 628/08 which approved the values of the electricity rate schedule to be applied as from October 1, 2008. The aforementioned electricity rate schedule included the transfer of the increase in the seasonal energy price to tariffs, with the aim of reducing Federal Government grants to the electricity sector, without increasing Edenor's distribution added value.

On June 15, 2012, the National Energy Secretariat established the Seasonal Prices to be paid by the customers served by the agents who provide the public service of electricity distribution of the MEM in order for them to be consistent with the situation existing in winter and compatible with payment capacity of the different social classes comprising the residential customer category of the referred to agents' electricity rate schedules. For such purpose, the Energy Secretariat issued Resolution No. 255/12 which suspended the application of sections 6, 7, and 8 of SE Resolution No. 1169/08 from June 1, 2012 through September 30, 2012. Furthermore, it established the energy reference prices in the Market, applicable to the June 1-July 31, 2012 and the August 1-September 30, 2012 periods, for the different customer categories. Additionally, it established the application of SE Resolution No. 1301/11, and other complementary regulations and instructions, to all the customers mentioned therein as the parties subject to compliance thereof (section 8 of SE Resolution No. 255/12).

Furthermore, on November 30, 2012, the Company was notified of SE Resolution No. 2016, which approved the MEM Summer Scheduling for the November 1, 2012-April 30, 2013 period, calculated in accordance with the "Scheduling of Operation, Load Dispatch and Price Calculation Procedures". Additionally, it establishes the application as from November 1, 2012 of the Subsidized Seasonal Reference Prices defined in Appendix I for each Distribution Agent identified therein. It is also established that, as from November 1, 2012, the Un-Subsidized Seasonal Reference Price in the MEM is kept at an annual average value of \$320 Mwh for each Distribution Agent mentioned in Appendix II. It is clearly stated that in the case of Un-Subsidized Seasonal Reference Prices, the values to be transferred to final tariffs will in no case exceed those established in Appendix II.

**EDENOR S.A.**

**Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011  
(Continued)**

As in previous years, Resolution No. 1,037/07 of the Energy Secretariat, ratified by Note No. 1,383/08 of that Secretariat, continued to produce effects. The aforementioned resolution modified the earmarking of the funds resulting from the application of the Program for the Rational Use of Electric Power ("PUREE"), being it possible to deduct therefrom a) the amounts paid by the Company as Quarterly Adjustment Coefficient ("CAT") implemented by Section 1 of Law No. 25,957, to calculate the total value of the National Fund of Electricity (FNEE); and b) the amounts corresponding to the electricity rates adjustments due to the application of the Cost Monitoring Mechanism ("CMM") established in the Adjustment Agreement, until the transfer to the tariff of either of the aforementioned concepts, as applicable, is recognized.

**V. Resolution ENRE No. 347/2012**

On November 23, 2012, the ENRE issued Resolution 347 pursuant to which distribution companies were authorized, as from the issuance thereof, to include in their bills a fixed amount for small-demand (T1) customers and a variable amount for medium and large-demand (T2 and T3) customers, to be calculated on a percentage of their respective power charges. Such amounts, which will be clearly indicated in the bills sent to customers, will constitute a special account, which will be managed by a Trust, and will be exclusively used for the execution of distribution infrastructure works and corrective maintenance of each distribution company's facilities.

As established in such Resolution, on November 29, 2012, the Company, in its capacity as Trustor, and Nación Fideicomisos S.A., as Trustee, entered into a private Financial and Management Trust Agreement, whereby the Company, as settlor of the trust, agreed to assign and transfer to the Trustee the fixed amounts set forth by Resolution 347 that are effectively collected, which will constitute the trust assets. Such agreement was ratified and approved by the Company's Board of Directors on December 11, 2012.

On December 18, 2012, the Company and Nación Fideicomisos S.A., signed the respective Operating Manual, whose purpose is to implement, standardize, and enable the collection and management of the trust assets. On that date, the Company's Board of Directors approved the Operating Manual and appointed its attorneys-in-fact to represent the Company before Nación Fideicomisos S.A. in issues related to the Trust and the Operating Manual.

The fixed amounts resulting from the application of this resolution represent revenue for the Company, accordingly as mentioned in Note 4.4.a.

Moreover, a plan for the execution of works is agreed by and between the Company and control authorities, based on which, the Company will subsequently request that trust funds be withdrawn in order to apply them to the payment of the aforementioned works. At December 31, 2012, these trust assets have been disclosed in the Other receivables account and amount to \$ 3.79 million.

**d. Framework agreement**

On January 10, 1994, the Company, together with EDESUR S.A., the Federal Government and the Government of the Province of Buenos Aires entered into a Framework Agreement, whose purpose was to establish the guidelines under which the Company is to supply electricity to low-income areas and shantytowns.

On July 22, 2011, the Company, together with EDESUR S.A. and EDELAP S.A., entered into an Addendum with the Federal Government and the Government of the Province of Buenos Aires, for the renewal for a term of four years of the New Framework Agreement that had been signed on October 6, 2003. Such extension was approved on September 21, 2012 by Resolution 248/12 issued by the ENRE and ratified by the Ministry of Federal Planning, Public Investment and Services through Resolution 247.

At December 31, 2012, 2011 and January 1, 2011, receivable balances with the Federal Government and the Government of the Province of Buenos Aires amount to \$ 25.4 million, \$ 25.7 million and \$ 33.05, respectively.

With regard to the amount receivable the Company has with the Province of Buenos Aires, on October 18, 2012 the Company entered into an Agreement for the Settlement of Non-financial Obligations and Subscription of Buenos Aires Province Government Bonds, pursuant to which the Company agreed to receive an amount of 325 in cash and subscribe Series B Bonds for a residual nominal value of \$ 6.14 million, as settlement of the debt that at December 31, 2010 such Province had with the Company for the electric power supplied to low-income areas.

**e. Penalties**

**EDENOR S.A.**

**Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011  
(Continued)**

**i. General**

As the control authority, the ENRE is empowered to control the quality levels of the technical product and service, the commercial service and the compliance with public safety regulations, as established in the Concession Agreement. If the Distribution Company fails to comply with the obligations assumed, the ENRE will be entitled to apply the penalties stipulated in the Concession Agreement.

At December 31, 2012, 2011 and January 1, 2011, the Company has accrued the penalties for resolutions not yet issued by the ENRE relating to the control years elapsed as at those dates. Additionally, the Company has applied the adjustment contemplated in the temporary tariff structure as well as the adjustments established by the electricity rate schedules applied during fiscal year 2008, Resolutions Nos. 324/08 and 628/08.

ENRE Penalties and Discounts included in the Adjustment Agreement are adjusted as stipulated in such agreement, caption c item a-Adjustment Agreement between Edenor S.A. and the Federal Government, whereas the penalties imposed subsequent to the Adjustment Agreement are adjusted as established in each of the resolutions pursuant to which such penalties are imposed.

Furthermore, at December 31, 2012, the Company's Management has considered that the ENRE has mostly complied with the obligation to suspend lawsuits aimed at collecting penalties, without prejudice to maintaining an open discussion with the entity concerning the effective date of the Adjustment Agreement and, consequently, concerning the penalties included in the renegotiation and those subject to the criteria of the Transition Period.

## EDENOR S.A.

### Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011 (Continued)

#### ii. Specific situations

Due to the events occurred between December 20 and December 31, 2010 in Edenor's concession area, on February 9, 2011, the ENRE issued Resolution No. 32/11 pursuant to which a penalty procedure was initiated due to the Company's failure to comply with the provisions of Section 25 sub-sections a), f) and g) of the Concession Agreement, Section 27 of Law No. 24,065, and ENRE Resolution No. 905/99.

On February 9, 2011, Edenor S.A. was notified of the issuance of ENRE Resolution No. 32/11, whereby the Company was fined in the amount of \$ 1.1 million and ordered to compensate those customers who had been affected by the power cuts for approximately \$ 30.04 million. These amounts have been recorded in the Other current liabilities account.

Edenor S.A. filed a Direct Appeal with the Appellate Court in Contentious and Administrative Federal Matters No. I, requesting that the Resolution be declared null and void. Additionally, Edenor S.A. filed –with the same Court– a petition for the granting of a precautionary measure, aimed at suspending the application of the fine imposed until a decision on the direct appeal is issued. On March 23, 2011, the court ordered the suspension of the penalty (payment of the amounts imposed), until a decision on the precautionary measure petition filed by Edenor S.A. is rendered. Against this decision, the ENRE filed a post-judgment motion for reversal (“Recurso de Reposición”) which was rejected in all its terms. On April 28, 2011, the Court rejected the precautionary measure petition filed. Therefore, Edenor S.A. filed an extraordinary federal appeal (“Recurso Extraordinario Federal”), which –after having been made available to the ENRE– was dismissed. The Company then filed an appeal (“Recurso de Queja por apelación denegada”) with the Supreme Court requesting that the rejected extraordinary federal appeal be sustained, which as of to date has not been resolved. Furthermore, on July 8, 2011, Edenor S.A. requested that notice of the substance of the case be served on the ENRE. Having this procedural step been carried out and the service of notice been answered, the proceedings are “awaiting resolution”. On April 24, 2013, the Company was notified that such direct appeal had been denied by the Appellate Court in Contentious and Administrative Federal Matters No. 1. As of the date of this annual report, the Company, together with its legal counsel, is assessing the situation, which involves the precautionary measure and the appeal of this last resolution.

On November 15, 2012, the Company was notified by the Regulatory Authorities of ENRE Resolution No. 336/2012, pursuant to which the Area in charge of Applying and Managing the ENRE's Regulations was instructed to immediately initiate the corresponding penalty procedure in order for the distribution companies EDENOR and EDESUR S.A. to: a) determine the customers affected by the power cuts occurred as a consequence of failures between October 29 and November 14, 2012; b) determine the discounts to be recognized to each of them, and; c) credit them on account of the final discounts that will result from the evaluation of the Technical Service Quality relating to the six-month control period.

In addition, it was resolved that the Company and EDESUR S.A. be ordered to compensate each small-demand residential customer (T1R) who had been affected by the power cuts occurred during the aforementioned period. The amount of the compensation will depend on the length of the power cut, provided, however, that such power cut lasted more than 12 continuous hours. The provision recorded by the Company for penalties and compensations amounts to \$ 16.7 million.

#### ***f. Restriction on the transfer of the Company's common shares***

The by-laws provide that Class “A” shareholders may transfer their shares only with the prior approval of the ENRE. The ENRE must communicate its decision within 90 days upon submission of the request for such approval, otherwise the transfer will be deemed approved.

Furthermore, Caja de Valores S.A. (the Public Register Office), which keeps the Share Register of the shares, is entitled (as stated in the by-laws) to reject such entries which, at its criterion, do not comply with the rules for the transfer of common shares included in (i) the Argentine Business Organizations Law, (ii) the Concession Agreement and (iii) the Company's by-laws.

In addition, the Class “A” shares will be pledged during the entire term of the concession as collateral to secure the performance of the obligations assumed under the Concession Agreement.

#### **Other restrictions:**

- In connection with the issuance of Corporate Notes; EASA is required to be the beneficial owner and owner of record of not less than 51% of the Company's issued, voting and outstanding shares during the term of the Corporate Notes.

## EDENOR S.A.

### Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011 (Continued)

- In connection with the Adjustment Agreement signed with the Grantor of the Concession and ratified by Decree No. 1,957/06; Section ten stipulates that from the signing of the agreement through the end of the Contractual Transition Period, the majority shareholders may not modify their ownership interest nor sell their shares.
- In connection with the restructuring of the totality of EASA's financial debt that ended on July 19, 2006; if EASA did not comply with its payment obligations under the new debt, its creditors could obtain an attachment order against the Company's Class A shares held by EASA, and, consequently, the Argentine Government would be entitled, as stipulated in the concession agreement, to foreclose on the pledged shares.

#### ***g. Concession of the use of real property***

Pursuant to the Bid Package, SEGBA granted the Company the free use of real property for periods of 3, 5 and 95 years, with or without a purchase option, based on the characteristics of each asset, and the Company would be responsible for the payment of any taxes, charges and contributions levied on such properties and for the taking out of insurance against fire, property damage and third-party liability, to SEGBA's satisfaction.

The Company may make all kind of improvements to the properties, including new constructions, upon SEGBA's prior authorization, which will become the grantor's property when the concession period is over, and the Company will not be entitled to any compensation whatsoever. SEGBA may terminate the loan for use contract after demanding the performance by the Company of any pending obligation, in certain specified cases contemplated in the Bid Package. At present, as SEGBA's residual entity has been liquidated, these presentations and controls are made to the National Agency of Public Properties (ONABE), with which the Company entered into a debt recognition and refinancing agreement for \$ 4.68 million on September 25, 2009.

The form of payment stipulated in the aforementioned agreement established an advance payment of \$ 1,12 million, which the Company made on September 25, 2009, and 48 installments of \$ 0.10 million for the remaining balance of \$ 3.5 million. The installments include compensatory interest of 18.5% per annum under the French system, and are payable as from October 2009

At December 31, 2012, 2011 and January 1, 2011, the outstanding principal amounts for this concept total \$ 0.7 million, \$ 1.8 million and \$ 2.6 million, respectively, which have been recorded in Trade payables under Other.

#### ***h. Stabilization factor***

By Note No. 2883 dated May 8, 2012 (reference Resolutions MEyFP No. 693/11 and MPFIPyS No. 1900/2011), the National Energy Secretariat has implemented a mechanism whose objective is to keep the amounts billed to residential customers throughout the year stable, thereby minimizing the effects of the seasonal consumption of electricity.

This methodology applies to all residential customers, regardless of whether or not they receive Government grants on electricity rates, who may opt to adhere to this stabilization system.

Average consumption is determined based on the consumption recorded in the last six two-months consumption periods. The stabilization factor arises from the difference between the aforementioned average consumption and the current two-month consumption period. This value will be added to or subtracted from the two-month consumption period charges, and the result obtained will be the amount to be paid before the corresponding taxes. The adjustments that are to be made in accordance with the differences between average consumption and recorded consumption will be reflected in the bill for the last two-month consumption period of each calendar year.

The differences that arise as a consequence of comparing the annual average consumption to the current two-month consumption period will be recorded at the end of each period in the trade receivables balance sheet account, crediting or debiting the account, as the case may be, if the annual average consumption is higher or lower than the current two-month consumption period.

## **2.2 EDEN S.A.**

### ***a. General***

## EDENOR S.A.

### Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011 (Continued)

Empresa Distribuidora de Energía Norte S.A. is subject to compliance with the electric power sector regulatory framework of the Province of Buenos Aires, in accordance with the provisions of Law No. 11,769/96 (text consolidated by Decree 1868/04 and amendments introduced by Laws Nos. 13,929 and 14068) and its Regulatory Decree No. 2479/04 issued by the Government of the Province of Buenos Aires.

On May 27, 1997, a Provincial Concession Agreement was entered into by and between Empresa Distribuidora de Energía Norte S.A. and the Application Authority of Law 11,769/96, pursuant to which the Company was granted the concession of the public service of electricity distribution and sale within the concession area stipulated therein. This agreement also stipulates the terms and conditions for the provision of such service.

#### **b. Concession**

Empresa Distribuidora de Energía Norte S.A. ("EDEN S.A.") is a company created by the Province of Buenos Aires, which privatized 100% of its capital stock in the framework of Decree No. 106/97 of the Provincial Executive Power.

The aforementioned privatization was carried out through the awarding of the concession of the exclusive right to provide the electricity distribution service for a term of ninety-five years to commence as from the takeover date. The term of the concession is divided into management periods, a first period of fifteen years and subsequent periods of ten years each. The grantor of the concession may extend the term of the concession for a maximum period of ten years.

On June 2, 1997, the Holder of the concession took over the operations of Empresa Distribuidora de Energía Norte S.A.

#### **c. Electricity rate situation**

On October 25, 2005, the Ministry of Infrastructure, Housing and Public Services (MIVySP) and EDEN signed a Protocol of Understanding pursuant to which the following was defined: a) a way to recover revenue from the concession by means of economic and financial models that contemplate a basic and objective economic and financial balance; and b) the need to carry out an overall electricity rate review, which was expected to take place in October 2007 but has never been carried out. That Protocol of Understanding was approved by Decree No. 2,862/05 and ratified by the 2006 budget law.

In accordance with the application of the revenue adjustment mechanism contemplated in the Protocol of Understanding, electricity rate increases have been granted since 2005, the last requests being those detailed below:

On June 1, 2011, the MIVySP issued Resolution No. 415/2011, which, approving the request for the adjustment of the electricity distribution service costs submitted by EDEN, authorized a 9% increase in EDEN's average sale rate, to be distributed among final users to consumption recorded as from June 1, 2011.

Additionally, on November 9, 2011, EDEN made a new request to the MIVySP, which is pending approval, requesting an adjustment of rates commensurate with the increases recorded in operating costs (of approximately 17% as compared to the presentation made in December 2010), and the variation in the valuation of the assets made available for the provision of the service at June 2011 (of approximately 21% as compared to the presentation made in December 2010).

On July 20, 2012, the Infrastructure Ministry of the Province of Buenos Aires issued Resolution No. 243/2012, published in the *Official Gazette* on July 24 of the current year, which established the new electricity rate schedules applicable to the July 1-July 31, 2012 and August 1-September 30, 2012 periods, and from October 1, 2012, thereby restoring electricity rates in the concession area of Eden S.A. These electricity rate schedules were resolved with the aim of covering the increase in prices of the resources necessary to provide the service (labor, supplies and services), which have recorded a significant increase in prices.

#### **d. Fines of the Electric Power Control Authority of the Province of Buenos Aires ("OCEBA")**

EDEN has recorded a provision for OCEBA's penalties, applying the coefficients informed by the Provincial Energy Administration.

## EDENOR S.A.

### Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011 (Continued)

The balance of the provision, which amounts to \$ 14.6 million and 10.33 million at December 31, 2012, and 2011 respectively has been disclosed in the Other liabilities account.

#### ***e. Obligations and restrictions arising from the privatization***

In accordance with the Bidding terms and conditions, EDEN S.A. is required to comply, among others, with the following obligations:

- a) Not to transfer the class "A" shares without the prior approval of the Control Authority.
- b) To make the necessary investments and carry out the necessary maintenance works in order to guarantee service quality levels.
- c) To refrain from granting in favor of third parties any security interest on the assets used in the provision of the public service such as mortgages, pledges or any other lien, without prejudice to EDEN's right to freely dispose of those assets which in the future may become inadequate or unnecessary for such purpose. This prohibition does not apply in the case of security interests granted by the Holder of the concession over an asset at the time of its acquisition as collateral for the payment of the purchase price.
- d) To pay the inspection and control tax to be fixed by the Control Authority.

#### **3. Basis of preparation**

This consolidated financial Statements have been prepared in accordance with and in compliance with IFRS as issued by the IASB.

As mentioned in Note 4.1 of Exhibit I presented together with the Financial Statements as at June 30, 2012, the Company's first IFRS financial statements to be prepared are those for the fiscal year ending December 31, 2012. As at December 31, 2011, the accounting standards applicable in Argentina and used in the preparation of the financial statements were the generally accepted accounting principles (Argentine GAAP).

In its financial statements as at December 31, 2011, the Company presented a note concerning the reconciliation between Argentine GAAP and IFRS of (1) the Company's total equity at the date of transition (January 1, 2011), (2) the final result of operations and cash flows for the year ended December 31, 2011 and (3) total equity at December 31, 2011, indicating the main valuation adjustments between the aforementioned sets of standards.

Nevertheless, the Company decided to present additional information including a detail of each of the accounts comprising the statement of financial position at December 31, 2011 and the income statement for the year then ended under IFRS. Said detailed information was solely presented for information purposes and to show how each equity and income statement account would have been disclosed under IFRS.

Additionally, on May 21, 2012, the Company presented its first Interim Financial Statements as at March 31, 2012 and for the three-month period then ended in accordance with International Accounting Standard (IAS) 34. As required, such Interim Financial Statements included an exhibit with the financial information for the last annual reporting period prepared in accordance with IFRS. That information included not only the valuation aspects previously presented as part of the reconciling information in the Financial Statements of December 2011 but also additional disclosures required under IFRS.

Due to the preparation of the financial statements as of December 31, 2012 and for the year then ended, and as part of a process aimed at aligning accounts and other operative issues with a view to the issuance of the first annual IFRS financial statements as at December 31, 2012, the Company has made certain changes in the classification of balances at December 31, 2011 previously presented.

The Consolidated Financial Statements are stated in thousands of Argentine pesos, unless specifically indicated otherwise.

These Consolidated Financial Statements were approved for issue by the Company's Board of Directors on March 8, 2013.

#### **4. Accounting policies**

## EDENOR S.A.

### Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011 (Continued)

The main accounting policies used in the preparation of these consolidated financial statements are detailed below. These accounting policies have been consistently applied to all the reporting periods, unless indicated otherwise.

#### 4.1 Adoption of International Financial Reporting Standards

##### 4.1.1 Application of IFRS 1

The National Securities Commission (CNV), through Resolutions Nos. 562/09 and 576/10, has established the application of Technical Resolution No. 26 of the Argentine Federation of Professional Councils in Economic Sciences (subsequently amended by Technical Resolution No. 29 of the Argentine Federation of Professional Councils in Economic Sciences), which adopts the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) (hereinafter referred to as "IFRS"), for those entities that make a public offering of their capital stock or corporate notes pursuant to Law No. 17,811, or have requested authorization for their being included in such public offering system.

The Company fully adopted the IFRS issued by the International Accounting Standards Board (IASB) as from the fiscal year commenced January 1, 2012. The adoption of these standards has caused changes in the Company's accounting policies, which have been recognized in the consolidated financial statements for the year ended December 31, 2012 and in those for interim periods. Furthermore, the presentation of the consolidated financial statements as at December 31, 2011 was adjusted for comparative purposes as a result of IFRS adoption. This recognition and the corresponding adjustments are presented in caption 4.1.2, in accordance with the reconciliation of equity at December 31, 2011 and January 1, 2011 (date of transition to IFRS) and the reconciliation of comprehensive income and cash flows at December 31, 2011.

The Shareholders' Meeting that considers the consolidated financial statements as at December 31, 2012 will have to make the decision that arises from the application of that mentioned in the preceding paragraphs.

##### a. Mandatory exceptions provided under IFRS 1

- i. The Company has applied the following mandatory exceptions to the retrospective application of IFRS in the preparation of the reconciliations of shareholders' equity and results of operations included below

- **Estimates**

Estimates at December 31 and January 1, 2011 under IFRS are consistent with those made under Argentine GAAP.

- **Classification and measurement of financial assets**

The classification and measurement of financial assets is made in accordance with IFRS 9, which was early adopted by the Company at January 1, 2011. This standard, which provides two categories for measurement purposes: amortized cost and fair value, has been applied by the Company in accordance with the facts and circumstances existing at the date of transition.

- ii. The following mandatory exceptions provided by IFRS 1 have not been applied as they are not relevant for the Company:

- Derecognition of financial assets and liabilities
- Hedge accounting
- Non-controlling interests
- Derivative instruments

##### b. Optional exemptions provided under IFRS 1

Certain optional exemptions from retrospective application of IFRS are permitted under IFRS 1, having the Company applied the following:

- **Deemed cost**

**EDENOR S.A.**

**Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011  
(Continued)**

The cost of property, plant and equipment, adjusted in accordance with Argentine GAAP, has been adopted as deemed cost at the date of transition to IFRS, considering that such cost is similar to amortized cost under IFRS.

**EDENOR S.A.**

**Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011  
(Continued)**

**4.1.2 Reconciliation of consolidated equity at December 31 and January 1, 2011 and of the Statement of Income at December 31, 2011**

The following chart shows the reconciliation of the statement of changes in equity in accordance with Argentine GAAP and Equity in accordance with IFRS:

		<u>12.31.11</u>	<u>01.01.11</u>
<b>Equity under Argentine GAAP</b>		<b>1,314,518</b>	<b>1,749,915</b>
Loss related to defined benefit plans	(a)	(29,120)	(10,136)
Gain from purchase of companies	(b.i and ii)	434,959	-
Loss from valuation at realizable value of assets available for sale	(c)	(172,838)	-
Derecognition of transaction costs	(b.iv)	(4,269)	-
Derecognition of negative goodwill amortization	(b.iii)	(12,340)	-
Additional acquisition of non-controlling interests	(d)	3,452	-
IFRIC 12 application to service concession agreements	(e)	(12,165)	-
Deferred income tax	(f)	(97,379)	3,548
Non-controlling interests		6,567	-
<b>Edenor's equity under IFRS</b>		<b>1,431,385</b>	<b>1,743,327</b>
Non-controlling interests under IFRS		415,801	-
<b>Equity under IFRS</b>		<b>1,847,186</b>	<b>1,743,327</b>

The following chart shows the reconciliation of the statement of income in accordance with Argentine GAAP and of Comprehensive income in accordance with IFRS:

		<u>12.31.2011</u>
<b>Statement of income under Argentine GAAP</b>		<b>(435,397)</b>
Gain from purchase of companies	(b.i and ii)	434,959
Loss from valuation at realizable value of assets available for sale	(c)	(172,838)
Derecognition of transaction costs	(b.iv)	(4,269)
Derecognition of negative goodwill amortization	(b.iii)	(12,340)
IFRIC 12 application to service concession agreements	(e)	(12,165)
Deferred income tax	(f)	(107,571)
Non-controlling interests		18,240
<b>Edenor's loss for the year under IFRS</b>		<b>(291,381)</b>
Other comprehensive loss		(11,337)
Non-controlling interests related to other comprehensive income		(1,003)
<b>Comprehensive loss for the year under IFRS</b>		<b>(303,721)</b>

**a. Benefit plans**

In accordance with Argentine GAAP, neither actuarial gains nor losses, nor past service costs pending amortization are recognized by the Company in the financial statements. In accordance with IFRS, and considering that the Company has early adopted the revised IAS 19, the actuarial gains and losses not recognized at the date of transition have been recognized by the Company in comprehensive income, whereas past service costs pending amortization at the date of transition have been recognized in retained earnings/accumulated deficit. The effect in equity is a decrease of \$ 29.12 million and \$ 10.14 million at December 31 and January 1, 2011, respectively. The effect in comprehensive income for the year ended December 31, 2011 is a loss of \$ 18.98 million.

**EDENOR S.A.**

**Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011  
(Continued)**

**b. Gain from the purchase of companies**

i) Purchase negotiation

Refers to the gain recognized under IFRS, considering all the adjustments explained below, mainly by derecognizing the negative goodwill of acquired companies, plus some differences resulting from net assets acquired.

ii) Differences in the accounting basis of purchases

In accordance with Argentine GAAP, the excess of the fair value of the assets acquired and liabilities assumed in a business combination over the purchase price is recognized as negative goodwill and amortized in accordance with the straight-line method over a period equal to the weighted average of the remaining useful life of the assets identified in the acquired company that are subject to depreciation.

In accordance with IFRS, the Company has reassessed the purchase price allocation. In that connection, the following differences between Argentine GAAP and IFRS were identified:

<b>Fair value of net assets acquired – Argentine GAAP</b>		<b>1,276,236</b>
Differences from application of IFRIC 12	<b>1)</b>	(54,003)
Benefit plan liability	<b>2)</b>	(15,250)
Deferred income tax effect	<b>3)</b>	24,238
Derecognition of transaction costs	<b>4)</b>	(4,269)
<b>Fair value of net assets acquired – IFRS</b>		<b><u>1,226,952</u></b>

**1) Differences from application of IFRIC 12**

In accordance with Argentine GAAP, the assets used in the framework of service concession agreements of the subsidiary EDEN (indirectly controlled company through AESEBA), whether received at the time of entering into the concession agreements or acquired by the companies during their term of duration, are classified as property, plant and equipment and are depreciated based on the useful life assigned to each specific asset, irrespective of the term of duration of the concession agreements.

In accordance with IFRS, the essential assets used in the framework of service concessions, whether received at the time of entering into the concession agreement or acquired by the companies during their term of duration, are classified as a single asset within intangible assets and are amortized on a straight-line basis throughout the estimated useful life of each of the underlying fixed assets that make up its value, without exceeding the term of the concession.

The assets that are not essential for the rendering of the distribution service are not included within the scope of IFRIC 12; therefore, those assets are carried at cost subsequently depreciated, and included within property, plant and equipment.

The effects of the recognition of IFRIC 12 in the Company's consolidated financial statements are as follow:

- Reclassification of all the essential assets received by the Concession Agreement, and considered essential to the distribution service, into a separate intangible asset;
- Construction contracts: in accordance with Argentine GAAP, construction of infrastructure funded with customer contributions is recognized as revenue at the time the funds are received. In accordance with IFRS, in particular under the scope of IFRIC 12, such construction must be recognized as revenue from construction deferred on the remaining useful life of the Concession Agreement, considering that the operator has an obligation with the customer for providing the distribution service. Such difference gave rise to a reconciling adjustment at the acquisition date of \$ 54 million, decreasing property, plant and equipment and retained earnings/accumulated deficit, and increasing the intangible asset under IFRIC 12 and deferred revenue

**2) Benefit plan liability**

In accordance with Argentine GAAP, unrecognized actuarial losses are disclosed in a note to the financial statements.

**EDENOR S.A.**

**Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011  
(Continued)**

In accordance with IFRS, cumulative unrecognized actuarial losses have been recognized at the date of transition (January 1, 2011) in retained earnings/accumulated deficit. Consequently, the Company assumed at the time of acquisition an additional liability relating to the subsidiaries' defined benefit plans. Such additional liability amounted to \$ 15.25 million.

**3) Deferred income tax effect**

Refers to the effect in the deferred income tax of all the previously mentioned adjustments.

**4) Transaction costs**

In accordance with Argentine GAAP, transaction costs are part of the consideration paid. The impact of such costs resulted in a decrease of negative goodwill.

iii) Derecognition of negative goodwill amortization

In accordance with Argentine GAAP, in those business combinations in which the acquisition cost was lower than the proportion of the fair value of the incorporated net assets and liabilities, the difference was recognized as negative goodwill and is systematically recognized in profit or loss over a period equal to the weighted average of the remaining useful life of the identifiable assets of the acquired company that are subject to depreciation.

For IFRS application purposes, negative goodwill is derecognized as its recognition is not permitted.

iv) Derecognition of transaction costs

In accordance with IFRS, such costs are not part of the consideration paid and are expensed as incurred.

The chart below summarizes the effect of the differences in the consideration paid:

<b>Consideration paid – Argentine GAAP</b>	<u><b>566,222</b></u>
Transaction costs	<u>(4,269)</u>
<b>Consideration paid – IFRS</b>	<u><b>561,953</b></u>

**c. Loss from valuation at fair value less costs to sell of assets available for sale**

Refers to the additional loss for the sale of subsidiaries as a result of the decrease in the fair value of the net assets acquired at the time of acquisition. Due to the fact that the fair value less costs to sell was similar under both standards (Argentine GAAP and IFRS), the difference arises from its base of valuation at the time of the acquisition.

In accordance with IFRS, assets held for sale are classified separately within current assets and current liabilities and are valued at the lower of carrying amount and fair value less costs to sell.

**d. Additional acquisition of non-controlling interests**

Refers to the additional acquisition of non-controlling interests in subsidiaries, which, in accordance with Argentine GAAP, was recorded discounting the negative goodwill by the difference between the fair value of non-controlling interests and the consideration paid. In accordance with IFRS, such difference was recorded as Additional paid-in capital.

**e. IFRIC 12 application to concession agreements**

EDEN constructs part of its pieces of equipment (essential for the rendering of the distribution service) based on customer contributions under Argentine GAAP such contributions are recorded as revenues upon the payment by the customers.

Under IFRS, the construction of infrastructure with customer contributions is recognized as deferred revenue over the estimated useful life of each of the underlying fixed assets that make up its value, without exceeding the term of the concession.

**EDENOR S.A.**

**Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011  
(Continued)**

**f. Deferred income tax**

At December 31, 2011 and January 1, 2011, this reconciling item relates to the recognition, under IFRS, of the deferred tax effect of all the previously described adjustments.

**4.1.3 Reconciliation of the statement of cash flows for the year ended December 31, 2011**

	<b>ARGENTINE GAAP (1)</b>	<b>ADJUSTMENTS ASSOCIATED WITH ASSETS AVAILABLE FOR SALE</b>	<b>EFFECTS OF TRANSITION TO IFRS (2)</b>	<b>IFRS</b>
Net cash flows provided by operating activities	550,030	(633,056)	741,976	658,950
Net cash flows used in investing activities	(975,216)	563,991	(382,808)	(794,033)
Net cash flows used in financing activities	(119,016)	97,370	37,950	16,304
Financial results in cash and cash equivalents	-	-	3,281	3,281
Cash and cash equivalents at beginning of year	676,843	-	(430,836)	246,007
Cash and cash equivalents at end of year	132,641	-	(2,132)	130,509
Net decrease in cash and cash equivalents	<b>(544,202)</b>	<b>28,305</b>	<b>425,423</b>	<b>(118,779)</b>
Cash and cash equivalents included in assets available for sale	-	28,305	-	28,305
Cash and cash equivalents at end of year	<b>132,641</b>	<b>28,305</b>	<b>(2,132)</b>	<b>158,814</b>

(1) Refers to the amounts included in the consolidated financial statements as at December 31, 2011 approved by the Board of Directors with certain reclassifications for IFRS disclosure purposes.

(2) Refers to debt instruments that are not considered as cash and cash equivalents under IFRS.

#### 4.2 Changes in the accounting policy under IFRS

*(a) New standards, amendments and interpretations mandatory for financial years beginning January 1, 2012 and adopted by the Company*

There have been no new standards, amendments or interpretations whose application is mandatory for financial years beginning January 1, 2012 that could have a material impact on the Group.

*(b) New standards, amendments and interpretations not effective and early adopted by the Company*

The Company has early adopted the following IFRS or revised IFRS:

- i. Revised IAS 1 “Financial statements presentation”: applicable to financial years beginning on or after July 1, 2012.
- ii. Revised IAS 19 “Employee benefits”: applicable to financial years beginning on or after January 1, 2013.
- iii. Revised IAS 27 “Separate financial statements”: applicable to financial years beginning on or after January 1, 2013.
- iv. Revised IAS 28 “Investments in associates and joint ventures”: applicable to financial years beginning on or after January 1, 2013.
- v. IFRS 9 “Financial instruments”: applicable to financial years beginning on or after January 1, 2015.
- vi. IFRS 10 “Consolidated financial statements”: applicable to financial years beginning on or after January 1, 2013.
- vii. IFRS 11 “Joint arrangements”: applicable to financial years beginning on or after January 1, 2013.
- viii. IFRS 12 “Disclosure of interests in other entities”: applicable to financial years beginning on or after January 1, 2013.

IAS 1 was amended in June 2011. The amendment improves the consistency and clarifies the presentation of items within other comprehensive income. The main change implies the grouping of items of other comprehensive income into items that might be subsequently reclassified to profit or loss and those that will not be reclassified to profit or loss in subsequent periods.

IAS 19 was amended in June 2011. The main impact on the financial statements is as follows:

- i. the corridor method is eliminated and all actuarial gains and losses are recognized in other comprehensive income when they occur;
- ii. all past service costs are immediately recognized in profit or loss;

IAS 27 and IAS 28 were amended in May 2011 following the issuance of IFRS 10 and IFRS 11. The revised IAS 27 refers to the accounting for subsidiaries, joint arrangements and associates in the parent’s separate financial statements. Revised IAS 28 refers to the accounting for associates, entities over which significant influence is held and joint ventures.

IFRS 9 was issued in November 2009 and amended in October 2010 and introduces new requirements for the classification, measurement and derecognition of financial assets and liabilities.

IFRS 9 requires that all financial assets within the scope of IAS 39 “Financial instruments – Recognition and measurement” be subsequently measured at amortized cost or fair value. Therefore, the investments in debt instruments that are maintained within a business model whose objective is to collect the contractual future cash flows, and these cash flows are solely payments of principal and interest on principal, are measured at amortized cost at year-end. The other investments in debt or equity instruments are measured at fair value at year-end.

The most significant effect of IFRS 9 concerning the classification and measurement of financial liabilities refers to the accounting for changes in the fair value of financial liabilities (designated as financial liabilities at fair value through profit or loss) as a consequence of changes in the credit risk of such liabilities. Therefore, the amount of

## EDENOR S.A.

### Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011 (Continued)

change in the fair value of financial liabilities as a consequence of changes in the credit risk of that debt is recognized in other comprehensive income, unless such recognition would create an accounting mismatch.

IFRS 10 was issued in May 2011 and determines a single control model for the consolidation of entities of the same economic group, irrespective of the nature of the investee. This control model includes three elements:

- i. power over the investee;
- ii. exposure or rights to variable returns from its involvement with the investee;
- iii. ability to use the power mentioned in i) to affect the investor's returns.

IFRS 10 replaces the portion of IAS 27 that addresses the manner and opportunity at which the investor must prepare his consolidated financial statements, and fully replaces SIC-12 "Consolidation of special purpose entities".

IFRS 11 was issued in May 2011. This standard is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and therefore accounts for its share of assets, liabilities, revenue and expenses. Joint ventures arise where the joint venture has rights to the net assets of the arrangement and therefore equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

IFRS 12 was issued in May 2011 and applies to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. The standard establishes the minimum disclosure objectives that are to be presented to comply with such objectives so as to help users of the financial statements evaluate the nature of and the risks associated with interests in other entities.

#### *(c) New standards, amendments and interpretations not effective and not early adopted by the Company*

Neither the Company nor its controlled companies have early adopted the IFRS or revised IFRS detailed below:

- IFRS 13 "Fair value measurement": applicable to financial years beginning on or after January 1, 2013.

IFRS 13 was issued in May 2011 and determines a single framework for fair value measurements when fair value is required by other standards. This IFRS applies to financial and non-financial elements measured at fair value, where fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Board of Directors has estimated that IFRS 13 will be adopted in the Company's financial statements for the annual period beginning January 1, 2013. Although it is not possible to reasonably determine the impact of the potential effect of the aforementioned standard until a detail analysis is made, it is probable that the changes will not significantly affect the information disclosed in the Group's financial statements.

There are no other standards or interpretations that are not effective in respect of which a significant effect on the Company is expected.

## 4.3 Consolidation

### **a. Subsidiaries**

The consolidated financial statements include the Company's financial statements as well as those of its subsidiaries. Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

### **b. Business combinations**

**EDENOR S.A.**

**Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011  
(Continued)**

Business acquisitions are accounted for by applying the acquisition method. Consideration for the acquisition is measured at fair value, calculating at the acquisition date the aggregate of the fair value of the assets transferred, the liabilities incurred or assumed and the equity instruments issued and delivered by the Company in exchange for control of the business acquired.

The costs associated with the acquisition are expensed when incurred. The identifiable assets acquired and liabilities assumed in the business combination are recognized at their acquisition-date fair value.

The value of goodwill represents the excess amount of the aggregate of the consideration for the acquisition, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the acquiree over the net amount of the identifiable assets acquired and the liabilities assumed, at the acquisition date.

If as a result of the assessment, the net amount of the identifiable assets acquired and the liabilities assumed exceeds the aggregate of the consideration for the acquisition, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the acquiree, such excess amount is immediately recognized in profit or loss as a bargain purchase.

If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the acquirer shall account for the combination using those provisional values. The acquirer shall recognise any adjustments to those provisional values as a result of completing the initial accounting:

- a) within twelve months of the acquisition date; and
- b) from the acquisition date.

***c. Changes in ownership interest in subsidiaries that do not result in a loss of control***

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions. The difference between the fair value of the consideration paid for the shares acquired and the recorded value of the subsidiary's net assets is recorded in equity.

***d. Disposal of subsidiaries***

When the Company ceases to have control in a subsidiary, any retained investment is measured at fair value at the date that control is lost, recognizing the change in the recorded value in the statement of comprehensive income. The fair value is the cost on initial recognition of the investment held, being recorded as an associate, joint venture or financial asset, as applicable.

***e. Interests in joint ventures***

The Company has early adopted the application of IFRS 11 as from January 1, 2011, the main concepts of which are as follow:

- i. A joint arrangement takes place among two or more parties when they have joint control: joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.
- ii. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Such parties are called joint ventures.
- iii. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. These parties are called joint operators.

The Company accounts for its investment in joint ventures in accordance with the equity method. Under this method, the interest is initially recognized at cost and subsequently adjusted by recognizing the Company's share in the profit or loss obtained by the joint venture, after acquisition date. The Company recognizes in profit or loss its share of the joint venture's profit or loss and in other comprehensive income its share of the joint venture's other comprehensive income.

## EDENOR S.A.

### Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011 (Continued)

When the Company carries out transactions in the joint ventures, the generated profit and losses are eliminated in accordance with the percentage interest held by the Company in the joint venture.

The accounting policies of joint ventures have been modified, if applicable, to guarantee consistency with the policies adopted by the Company.

#### 4.4 Revenue recognition

##### a. Revenue from sales

Revenue is measured at the fair value of the consideration collected or to be collected, taking into account the estimated amount of any discount, thus determining the net amounts.

Revenue is recognized when the revenue earning process has been completed, the amount of revenue may be reliably measured and it is probable that the economic benefits associated with the transaction will flow to the Company.

Revenue from the electricity provided by the Company to low-income areas and shantytowns is recognized to the extent that the Framework Agreement has been renewed for the period in which the service was rendered.

Revenue from operations is recognized on an accrual basis and derives mainly from electricity distribution. Such revenue includes electricity supplied, whether billed or unbilled, at the end of each year, and has been valued on the basis of applicable tariffs and the charge regarding with the Resolution 347/12 (Note 2.c.V).

The Company also recognizes revenue from other concepts included in distribution services, such as new connections, reconnections, rights of use on poles, transportation of electricity to other distribution companies, etc.

Revenue from CMM (Cost Monitoring Mechanism) amounts are recognized in the accounting to the extent that they have been approved by the ENRE (Note 2).

The aforementioned revenue from operations was recognized when all of the following conditions were met:

1. the entity transferred to the buyer the significant risks and rewards;
2. the amount of revenue was measured reliably;
3. it is probable that the economic benefits associated with the transaction will flow to the entity;
4. the costs incurred or to be incurred, in respect of the transaction, were measured reliably.

##### b. Revenue from construction

The construction of the infrastructure necessary for the subsidiary EDEN S.A. to distribute electricity is considered a service rendered to the concession authority and the corresponding revenue is reflected at cost within the sales account.

Different asset construction agreements have been instrumented where the buyer only has limited influence in the design of the construction. In IFRIC 12 application framework, IAS 18 is applied to recognize revenue from such construction agreements. In accordance with this standard, revenue from the transfer of infrastructure must be recognized at the time of the exchange of the assets, in which the risks and rewards are transferred to the buyer. Therefore, unfinished works are included within the Assets under Construction account. EDEN does not recognize a margin for the type of constructions, except in the case of construction works with customer contributions.

##### c. Interest income

Interest income is recognized by applying the effective interest rate method. Interest income is recorded in the accounting on a time basis by reference to the principal amount outstanding and the applicable effective rate.

**EDENOR S.A.**

**Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011  
(Continued)**

Interest income is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of the transaction can be measured reliably.

**4.5 Segment information**

Operating segments reporting is consistent with the internal reports revised by the Executive Committee, which is the maximum authority for making decisions concerning operating issues. The Executive Committee is responsible for assigning resources and assessing the performance of the entity's operating segments, and has been identified as the body which carries out the Company's strategic decisions

#### 4.6 Assets and liabilities of disposal groups classified as held for sale

The subsidiaries' assets and liabilities that have been made available for sale are classified as Assets available for sale and Associated liabilities when the carrying amount will be mainly recovered through a sale transaction, and this transaction is regarded as highly probable.

These assets are valued at the lower of the carrying amount and fair value less costs to sell.

The amounts recognized in profit or loss corresponding to discontinued operations have been included in a single line item of the Company's consolidated statement of comprehensive loss called "Discontinued operations".

#### 4.7 Effects of the changes in foreign currency exchange rates

##### a. Functional and presentation currency

The information included in the financial statements of each of the entities comprising the group is measured using the latter's functional currency, which is the currency of the main economic environment in which the entity operates. The consolidated financial statements are presented in pesos (legal currency in Argentina for all the companies domiciled therein), which is also the presentation currency of the group.

##### b. Transactions and balances

Foreign currency denominated transactions are translated into the functional and presentation currency using the rates of exchange prevailing at the date of the transactions or revaluation, when the concepts thereof are restated. Gains and losses generated by foreign currency exchange differences resulting from each transaction and from the translation of monetary items valued in foreign currency at the end of the year are recognized in the statement of income, except for the amounts that are capitalized.

The foreign currency exchange rates used are: the bid price for monetary assets, the offer price for monetary liabilities, the average exchange rate at the end of the year for balances with related parties and the specific exchange rate for foreign currency denominated transactions.

##### c. The group's companies

None of the companies comprising the group has a functional currency different from the Argentine peso. Accordingly, no foreign currency translation effects exist.

#### 4.8 Property, plant and equipment

The total value of property, plant and equipment transferred by SEGBA on September 1, 1992 was allocated to individual assets accounts on the basis of engineering studies conducted by the Company.

The value of property, plant and equipment was determined based on the price effectively paid by EASA for the acquisition of 51% of the Company's capital stock.

SEGBA neither prepared separate financial statements nor maintained financial information or records with respect to its distribution operations or the operations in which the assets transferred to EDENOR were used. Accordingly, it was not possible to determine the historical cost of transferred assets.

Additions subsequent to such date have been valued at acquisition cost, net of the related accumulated depreciation. Depreciation has been calculated by applying the straight-line method over the remaining useful life of the assets, which was determined on the basis of the above-mentioned engineering studies. Furthermore, in order to improve the disclosure of the account, the Company has made certain changes in the classification of property, plant and equipment based on each technical process.

In accordance with the provisions of IAS 23, borrowing costs in relation to any given asset are to be capitalized when such asset is in the process of production, construction, assembly or completion, and such processes, due to their nature, take long periods of time; those processes are not interrupted; the period of production, construction, assembly or completion does not exceed the technically required period; the necessary activities to put

**EDENOR S.A.**

**Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011  
(Continued)**

the asset in condition to be used or sold are not substantially complete; and the asset is not in condition so as to be used in the production or start up of other assets, depending on the purpose pursued with its production, construction, assembly or completion.

Subsequent costs (major maintenance and reconstruction costs) are either included in the value of the assets or recognized as a separate asset, only if it is probable that the future benefits associated with the assets will flow to the Company, being it possible as well that the costs of the assets may be measured reliably and the investment will improve the condition of the asset beyond its original state. The other maintenance and repair expenses are recognized in profit or loss in the year in which they are incurred.

**Impairment test**

The Company analyzes the recoverability of its non-current assets on a periodical basis or when events or changes in circumstances indicate that the recoverable amount of assets, which is measured as the value in use at the end of the year, may be impaired. When the carrying amount of an asset is greater than its estimated recoverable amount, the asset's carrying amount is immediately reduced up to its recoverable amount.

The value in use is determined based on projected and discounted cash flows, using discount rates that reflect the time value of money and the specific risks of the assets considered.

Cash flows are prepared on the basis of estimates concerning the future performance of certain variables that are sensitive to the determination of the recoverable amount, among which the following can be noted: (i) nature, opportunity and modality of electricity rate increases and cost adjustment recognition; (ii) demand for electricity projections; (iii) evolution of the costs to be incurred, and; (iv) macroeconomic variables, such as growth rates, inflation rates and foreign currency exchange rates.

The future increase in electricity rates used by the Company to assess the recoverability of its long-lived assets as at December 31, 2012 is based on the rights to which the Company is entitled, as stipulated in the Concession Agreement and the agreements described in Note 2. Furthermore, the actions taken to maintain and guarantee the provision of the public service, the presentations made before regulatory authorities, the status quo of the discussions that are being held with government representatives, the announcements made by government officials concerning possible changes in the sector's revenues to restore the economic and financial equation, and certain measures recently adopted, such as the new charge described in Note 2.c.V, have also been considered. In light of the aforementioned, the Company's Management estimates that it is reasonable to expect that new increases in revenues will be obtained as from 2013.

In spite of the current economic and financial situation described in Note 1, the Company has made its projections under the assumption that the electricity rates will be improved according to the circumstances. However, the Company may not ensure that the future performance of the variables used to make its projections will be in line with what it has estimated. Therefore, significant differences may arise in relation to the estimates used and assessments made at the date of preparation of these consolidated financial statements.

In order to contemplate the estimation risk contained in the projections of the aforementioned variables, the Company has considered three different probability-weighted scenarios. Although in all of them an acceptable agreement with the Government resulting in gradual tariff increases is assumed, the Company has considered different timing and magnitude of expected DAV increases. The three scenarios can be classified into pessimistic, optimistic and intermediate depending on the opportunity of the application and magnitude of the expected CMM adjustments. The Company has assigned for these three scenarios the following percentages of probability of occurrence based mainly on the experience with past delays in the tariff renegotiation process, the current economic and financial situation and the need to maintain the public service in operation: pessimistic scenario: 20%, optimistic scenario: 30%, and intermediate scenario: 50%.

Based on that which has been mentioned above, the Company determined that the valuation of property, plant and equipment does not exceed their recoverable amount at December 31, 2012.

Finally, and in accordance with the concession agreement, the Company may not pledge the assets used in the provision of the public service nor grant any other security interest thereon in favor of third parties, without prejudice to the Company's right to freely dispose of those assets which in the future may become inadequate or unnecessary for such purpose. This prohibition does not apply in the case of security interests granted over an asset at the time of its acquisition and/or construction as collateral for payment of the purchase and/or installation price.

The residual value and the remaining useful lives of the assets are reviewed and adjusted, if appropriate, at the end of each fiscal year (reporting period).

## EDENOR S.A.

### Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011 (Continued)

Land is not depreciated.

These depreciation methods are used to allocate the difference between cost and residual value during the estimated useful life of the assets.

Facilities in service: between 30 and 50 years

Furniture, tools and equipment: between 5 and 20 years

Construction in process is valued based on the degree of completion. Construction in process is recorded at cost less any impairment loss, if applicable. Cost includes expenses attributable to the construction, including capitalized borrowing costs in accordance with IFRS and the Company's accounting policies, when they are part of the cost incurred for the purposes of acquisition, construction or production of property, plant and equipment which require considerable time until they are in condition to be used. Borrowing costs are no longer capitalized when the asset has been substantially finished or its development has been suspended. These assets begin to be depreciated when they are in economic condition to be used.

Gains and losses from the sale of property, plant and equipment are calculated by comparing the price collected with the carrying amount of the asset, and are recognized within Other operating expense or Other operating income in the consolidated statement of comprehensive loss.

#### 4.9 Intangible assets

##### EDEN's concession agreement

IFRIC 12 "Service Concession Arrangements" provides guidelines to account for public service concession arrangements to a private operator. This interpretation applies if:

- the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them and at what price; and
- the grantor controls through the ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the term of the arrangement.

If the above-mentioned conditions are simultaneously met, an intangible asset is recognized to the extent that the operator receives a right to charge users of the public service, provided, however, that these rights are contingent on the degree of use of the service.

These intangible assets are initially recognized at cost, which is regarded as the fair value of the consideration delivered, plus other direct costs directly attributable to the operation. Concessions have a finite useful life and are subsequently measured at cost less accumulated amortization, which is determined by applying the straight-line method the estimated useful life of each asset, without exceeding the term of the concession.

The Company has applied the intangible asset method established in IFRIC 12 for EDEN's concession agreement. No financial asset has been recognized in relation to the concession agreements due to the fact that the agreements signed do not stipulate minimum guaranteed payments.

The guidelines of IFRIC 12 do not apply to Edenor's concession agreement. The Company considers that in substance the grantors do not have the characteristic features of control over infrastructures as defined in IFRIC 12.

#### 4.10 Impairment of non-financial asset

Assets that have an indefinite useful life, such as goodwill, are not subject to amortization and are tested annually for impairment.

Assets subject to depreciation are reviewed for impairment losses whenever an event or change in circumstances indicates that the carrying amount may not be recovered. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For purposes of assessing impairment losses, assets are grouped at the lowest level at which independent cash flows can be identified (cash generating units).

Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011  
(Continued)

Non-financial assets, other than goodwill, that suffered an impairment loss are reviewed for possible reversal of the impairment at each reporting date.

**4.11 Financial assets**

The Company has early adopted IFRS 9.

**4.11.1 Classification**

The Company classifies financial assets into the following categories: those measured at amortized cost and those subsequently measured at fair value. This classification depends on whether the financial asset is an investment in a debt or an equity instrument. In order for a financial asset to be measured at amortized cost, the two conditions described below must be met. All other financial assets are measured at fair value. IFRS 9 requires that all investments in equity instruments be measured at fair value.

**a. Financial assets at amortized cost**

Financial assets are measured at amortized cost if the following conditions are met:

- i. the objective of the Company's business model is to hold the assets to collect the contractual cash flows; and
- ii. the contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal.

**b. Financial assets at fair value**

If any of the above-detailed conditions is not met, financial assets are measured at fair value through profit or loss.

All investments in equity and public instruments are measured at fair value. For those investments that are not held for trading, the Company may irrevocably elect at the time of their initial recognition to present the changes in the fair value in other comprehensive income. The Company's decision was to recognize the changes in fair value in profit or loss.

**4.11.2 Recognition and measurement**

The regular purchase or sale of financial assets is recognized on the trade date, i.e. the date on which the Company agrees to acquire or sell the asset. Financial assets are derecognized when the rights to receive the cash flows from the investments have expired or been transferred and the Company has transferred substantially all the risks and rewards of the ownership of the assets.

Financial assets are initially recognized at their fair value plus, in the case of financial assets not measured at fair value through profit or loss, transaction costs that are directly attributable to the acquisition thereof.

The gains or losses generated by investments in debt instruments that are subsequently measured at fair value are recognized in financial income or financial loss. Those generated by investments in debt instruments that are subsequently measured at amortized cost are recognized in financial income or financial loss when the financial asset is derecognized or impaired and by means of the amortization process using the effective interest rate method.

The Company subsequently measures all the investments in equity instruments at fair value. When it elects to present the changes in fair value in other comprehensive income, such changes cannot be reclassified to profit or loss. Dividends arising from these investments are recognized in profit or loss to the extent that they represent a return on the investment.

The Company reclassifies financial assets if and only if its business model to manage financial assets is changed.

**4.11.3 Impairment of financial assets**

At the end of each reporting period, the Company assesses whether there is objective evidence that the value of a financial asset or group of financial assets measured at amortized cost is impaired. The value of a financial asset or group of financial assets is impaired, and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event"), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Impairment tests may include evidence that the debtors or group of debtors are undergoing significant financial difficulties, have defaulted on interest or principal payments or made them after they had come due, the probability that they will enter bankruptcy or other financial reorganization, and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in payment terms or in the economic conditions that correlate with defaults.

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the impairment loss is recognized in the consolidated statement of income.

**4.11.4 Offsetting of financial instruments**

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position, when there is a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

**4.12 Derivative financial instruments**

Derivatives are initially recognized at fair value on the date on which the derivative contract is signed. Subsequently to the initial recognition, they are remeasured at their fair value. The method for recognizing the resulting loss or gain depends on whether the derivative has been designated as a hedging instrument and, if that is the case, on the nature of the item being hedged. The Company has not designated any derivative as a hedging instrument, therefore, at December 31, 2012 and 2011 the economic impact of these transactions resulted in a loss that has been recorded in the Financial expenses account of the consolidated statement of comprehensive income.

"Derivative financial instruments" have been valued in accordance with the provisions of IFRS 9.

Furthermore, the changes in the fair value of these financial instruments -Corporate Notes Swap- have been recorded by the Company in the Changes in the Fair Value of Financial Instruments line item, in other financial results.

The changes in the fair value of these financial instruments forward and futures contracts- have been recorded by the Company in the Changes in the Fair Value of Financial Instruments line item, in other financial results. At December 31, 2011 and January 1, 2011, the aforementioned transactions have been fully settled.

**4.13 Inventories**

Inventories are valued at the lower of acquisition cost and net realizable value.

Given the fact that the Company's inventories are not assets intended for sale, they are valued based on the purchase price, import duties (if applicable), and other taxes (that are not subsequently recovered by tax authorities), transport, warehouse and other costs directly attributable to the acquisition of those assets.

Cost is determined by applying the first in first out (FIFO) valuation method.

The Company has classified inventories into current and non-current depending on whether they will be used for maintenance or capital expenditures and on the period in which they are expected to be used. The non-current portion of inventories has been disclosed in the "Property, plant and equipment" account.

The valuation of inventories, taken as a whole, does not exceed their recuperable value at the end of each year.

**EDENOR S.A.**

**Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011  
(Continued)**

**4.14 Assets under construction**

Assets under construction refers to the works carried out by EDEN S.A. that have not been finished at the closing date of the financial statements or do not comply with IFRS requirements to be derecognized from assets and recognized as revenue.

Assets under construction include design, supply, direct labor and other indirectly-related construction costs.

**4.15 Trade and other receivables**

**a. Trade receivables**

The receivables arising from services billed to customers but not collected as well as those arising from services rendered but unbilled at the closing date of each financial year are recognized at fair value and subsequently measured at amortized cost using the effective interest rate method. Services rendered but unbilled at January 1, 2011, arising from the retroactive increase deriving from the application of the electricity rate schedule resulting from the Temporary Tariff Regime (RTT) have been valued on the basis of the best estimate of the amount to be collected, discounted at a representative annual nominal rate, which reasonably reflected market assessments of the time value of money and risks specific to the receivable at the time of initial recognition.

The amounts thus determined:

- i. are net of an allowance for the impairment of receivables.
- ii. consider the effects of that which is described in Note 2.

CMM receivables are recognized, as the related revenue, to the extent that they have been approved by the ENRE; receivables from electricity provided to low-income areas and shantytowns are recognized, also in line with revenue, when the Framework Agreement has been renewed for the period accrued.

At the date of these financial statements, CMM balances are the best estimate of the amounts receivable.

The Company has recorded an allowance for doubtful accounts to adjust the valuation of trade receivables up to their estimated recoverable amount. Depending on the receivables portfolio, the allowance is recorded based on an individual recoverability analysis (accounts receivable in litigation) or on the historical series of collections for services billed through the end of each period and collections subsequent thereto.

**b. Other receivables**

Other receivables are initially recognized at fair value (generally the original billing/settlement amount) and subsequently measured at amortized cost, using the effective interest rate method, and when significant, adjusted by the time value of the money. The Company records impairment allowances when there is objective evidence that the Company will not be able to collect all the amounts owed to it in accordance with the original terms of the receivables.

**4.16 Cash and cash equivalents**

In the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less from their acquisition date.

- Cash and banks in local currency: at nominal value.
- Cash and banks in foreign currency: at the exchange rates in effect at the end of each year.
- Time deposits, which include the portion of interest income accrued through the end of each year.
- Money market funds, which have been valued at the prevailing market price at the end of each year.

**4.17 Trade payables and other liabilities**

**a. Trade payables**

Trade payables are payment obligations with suppliers for the purchase of goods and services in the ordinary course of business. Trade payables are classified as current liabilities if payments fall due within one year or in a shorter period of time. Otherwise, they are classified as non-current liabilities.

Trade payables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method.

**b. Customer deposits**

Customer deposits are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method.

In accordance with the Concession Agreement, the Company is allowed to receive customer deposits in the following cases:

- i. When the power supply is requested and the user is unable to provide evidence of his legal ownership of the premises;
- ii. When service has been suspended more than once in one-year period;
- iii. When the power supply is reconnected and the Company is able to verify the illegal use of the service (fraud).
- iv. When the customer is undergoing liquidated bankruptcy or reorganization proceedings.

The Company has decided not to request customer deposits from residential tariff customers.

Customer deposits may be either paid in cash or through the customer's bill and accrue monthly interest at a specific rate of Banco de la Nación Argentina for each customer.

When the conditions for which the Company is allowed to receive customer deposits no longer exist, the principal amount plus any interest accrued thereon are credited to the customer's account after deducting, if appropriate, any amounts receivable which the Company may have with the customer.

**c. Customer contributions**

Subject to reimbursement:

The Company receives assets or facilities (or the cash necessary to acquire or build them) from certain customers for services to be provided, based on individual agreements and the provisions of ENRE Resolution No. 215/2012. These contributions are initially recognized as trade payables at fair value with a contra-account in Property, plant and equipment, and subsequently measured at amortized cost using the effective interest rate method.

## EDENOR S.A.

### Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011 (Continued)

#### d. Other liabilities

Other liabilities are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method.

The recorded liabilities represent, mainly, PUREE obligations and penalties issued by the ENRE, which the Company's Management estimates will be paid in the future.

The balances corresponding to ENRE Penalties and Discounts are adjusted in accordance with the regulatory framework applicable thereto.

The balances regarding PUREE represent the best estimation of the necessary cash flow to set off the present obligation

#### 4.18 Deferred revenue

*Edenor - Not subject to reimbursement:*

The Company receives assets or facilities (or the cash necessary to acquire or built them) from certain customers for services to be provided, based on individual agreements. In accordance with IFRS, the assets received are recognized by the Company as Property, plant and equipment with a contra-account in deferred revenue, the accrual of which depends on the nature of the identifiable services, in accordance with the following:

- Customer connection to the network: revenue is accrued until the completion of such connection;
- Continuous provision of the electric power supply service: throughout the useful life of the asset or the term for the provision of the service, whichever the lower.

*Eden*

Upon completion, the construction works carried out by EDEN S.A. within the framework of IFRIC 12, that are financed with customer funds and/or an amount added to the electricity rate and/or PUREE, are recognized as intangible assets and amortized over the useful life of each of them. The reward for having received a construction work to be operated is recognized within the Deferred revenue account. This deferred revenue is accrued in the same manner as the intangible asset is amortized.

#### 4.19 Borrowings

Borrowings are initially recognized at fair value, net of direct costs incurred in the transaction. Subsequently, they are measured at amortized cost; any difference between the funds obtained (net of direct costs incurred in the transaction) and the amount to be paid at maturity is recognized in profit or loss during the term of the borrowings using the effective interest rate method.

The commissions paid to obtain lines of credit are recognized as direct costs incurred in the transaction provided that it is probable that either part or all of the line of credit will be used. In this case, the recognition of commissions in profit or loss is deferred until such funds are used.

Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011  
(Continued)

**4.20 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are those assets that take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of such assets until such time as they are in condition to be used or sold.

All other borrowing costs are recognized as an expense in the period in which they are incurred.

**4.21 Income tax and tax on minimum presumed income**

**a. Current and deferred income tax**

The tax expense for the year is comprised of the current tax and the deferred tax. Income tax is recognized in profit or loss, except to the extent that the tax relates to items recognized in other comprehensive income or directly in equity, in which case, the income tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted at the date of these financial statements. Management periodically evaluates the positions taken in tax returns with respect to situations in which the applicable tax regulation is subject to interpretation and, if necessary, records provisions on the basis of the amount expected to be paid to the tax authorities.

The deferred tax is recognized, in accordance with the liability method, on the temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the consolidated statement of financial position. However, no deferred tax liability is recognized if such difference arises from the initial recognition of goodwill, or from the initial recognition of an asset or liability other than in a business combination, which at the time of the transaction affected neither the accounting nor the taxable profit.

The deferred tax is determined using the tax rate in effect at the date of the financial statements and is expected to apply when the deferred tax assets are realized or the deferred tax liabilities are settled.

A deferred tax is recognized on the temporary differences arising from investments in subsidiaries and associates, except for deferred tax liabilities where the Company is able to control the timing of the reversal of the temporary difference and it is probable that the reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are offset if the Company has a legally enforceable right to offset recognized amounts and when deferred tax assets and liabilities relate to income tax levied by the same tax authority on the same taxable entity or different taxable entities that intend to settle tax assets and liabilities on a net basis. Current and deferred tax assets and liabilities have not been discounted.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

**b. Tax on minimum presumed income**

The Company determines the tax on minimum presumed income by applying the current rate of 1% on the Company's taxable assets at year-end. The tax on minimum presumed income and the income tax complement each other. The Company's tax obligation for each year will be equal to the higher of these taxes. However, should the tax on minimum presumed income exceed income tax in any given fiscal year, such excess may be computed as a payment on account of any excess of income tax over the tax on minimum presumed income that may arise in any of the ten subsequent fiscal years.

Minimum presumed income tax assets and liabilities have not been discounted.

The Company has recognized the minimum presumed income tax accrued in the year and paid in previous years as a receivable, as it estimates that in future fiscal years it may be computed as a payment on account of the income tax.

**4.22 Employee benefits**

### Benefit plans

The Company operates various benefit plans. Usually, benefit plans establish the amount of the benefit the employee will receive at the time of retirement, generally based on one or more factors such as age, years of service and salary.

The liability recognized in the consolidated statement of financial position in respect of benefit plans is the present value of the benefit plan obligation at the closing date of the year, together with the adjustments for actuarial losses. The benefit plan obligation is calculated annually by independent actuaries in accordance with the projected unit credit method. The present value of the benefit obligation is determined by discounting the estimated future cash outflows using the interest rate of high quality corporate bonds denominated in the same currency in which the benefits will be paid and whose maturity terms are similar to those of the corresponding obligations.

The group's accounting policy for benefit plans is as follow:

- a. Past service costs are immediately recognized in profit or loss.
- b. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in other comprehensive income in the period in which they arise.

At December 31, 2012, 2011 and January 1, 2011, the Company does not have any assets related to the employee benefits plan.

### 4.23 Provisions and contingencies

Provisions have been recognized in those cases in which the Company is faced with a present obligation, whether legal or constructive, that has arisen as a result of a past event, whose settlement is expected to result in an outflow of resources, and the amount thereof can be estimated reliably.

The amount recognized as provisions was the best estimate of the expenditure required to settle the present obligation, at the end of the reporting period, taking into account the corresponding risks and uncertainties. When a provision is measured using the estimated cash flow to settle the present obligation, the carrying amount represents the present value of such cash flow. This present value is obtained by applying a pre-tax discount rate that reflects market conditions, the time value of money and the specific risks of the obligation.

The provisions included in liabilities have been recorded to face contingent situations that could result in future payment obligations. To estimate the amount of provisions and the likelihood of an outflow of resources, the opinion of the Company legal advisors has been taken into account.

**4.24 Leases**

Those leases in which a significant portion of the risks and rewards deriving from ownership are kept by the lessor are classified as operating leases. At present, the Company only has lease agreements that are classified as operating leases.

**a. As lessee**

Operating lease payments are recognized as operating expenses in the Statement of Income on a straight-line basis throughout the term of the lease.

**b. As lessor**

Those leases in which the Company does not transfer substantially all the risks and rewards inherent to the ownership of the asset are classified as operating leases.

Operating lease collections are recognized as income in the consolidated statement of comprehensive loss on a straight-line basis throughout the term of the lease.

**4.25 Balances with related parties**

Receivables and liabilities with related parties are initially recognized at fair value and subsequently measured at amortized cost in accordance with the terms agreed upon by the parties involved.

**4.26 Equity**

Changes in this account have been accounted for in accordance with the corresponding legal or statutory regulations and the decisions adopted by the shareholders' meetings.

**a. Share capital**

Share capital represents issued capital, which is comprised of the contributions committed and/or made by the shareholders, represented by shares, including outstanding shares at nominal value.

**b. Adjustment to capital**

In accordance with Argentine GAAP and the requirements of control authorities, this subject reflects the effects of inflation over the "Share Capital", when it was required, which remains at nominal value.

**c. Treasury stock**

The Treasury stock account represents the nominal value of the Company's own shares acquired by the Company.

**d. Adjustment to treasury stock**

In accordance with Argentine GAAP and the requirements of control authorities, this subject reflects the effects of inflation over the "Treasury Stock", when it was required, which remains at nominal value.

**EDENOR S.A.**

**Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011  
(Continued)**

**e. Additional paid-in capital**

Refers to the share premium of the outstanding share capital and to the acquisition of additional non-controlling interests in subsidiaries generated by the difference between the fair value of non-controlling interests and the consideration paid.

**f. Legal reserve**

In accordance with the provisions of the Argentine Business Organizations Law No. 19,550, not less than five percent (5%) of the profits arising from the statement of income for the year must be allocated to the legal reserve, until it equals twenty percent (20%) of share capital.

**g. Retained earnings**

Retained earnings are comprised of profits or accumulated losses with no specific appropriation. When positive, they may be distributed, if so decided by the Shareholders' Meeting, to the extent that they are not subject to legal restrictions. Retained earnings are comprised of previous year results that have not been distributed, amounts transferred from other comprehensive income and prior year adjustments due to the application of accounting standards.

In the case of accumulated losses to be absorbed at the end of the year, the following appropriation order must be followed by the Shareholders' Meeting when considering such absorption:

- i. Legal reserve
- ii. Additional paid-in capital, merger premiums and treasury stock negotiation premiums, if exists
- iii. Adjustment to Treasury Stock
- iv. Treasury Stock
- v. Adjustment to capital
- vi. Share capital

**h. Distribution of dividends**

The distribution of dividends to the Company's shareholders is recognized as a liability in the consolidated financial statements for the year in which dividend distribution is approved by the Shareholders' Meeting. Additionally, the ENRE's approval is necessary for the distribution of dividends by the Company.

**5. Financial risk management**

**5.1 Financial risk factors**

The Company's activities and the market in which it operates expose it to a series of financial risks: market risk (including currency risk, cash flows interest rate risk, fair value interest rate risk and price risk), credit risk and liquidity risk.

The management of the financial risk is part of the Company's overall policies, which focus on the unpredictability of the financial markets and seek to minimize potential adverse effects on its financial performance. Financial risks are the risks derived from the financial instruments to which the Company is exposed during or at the end of each year. The Company uses derivative instruments to hedge exposure to certain economic risks whenever it deems appropriate in accordance with its internal risk management policy. The Company does not apply hedge accounting.

Risk management is controlled by the Finance and Control Department, which identifies, evaluates and hedges financial risks. Risk management policies and systems are periodically reviewed so that they reflect the changes in the market's conditions and the Company's activities.

**EDENOR S.A.**

**Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011  
(Continued)**

This section includes a description of the main risks and uncertainties that could have a material adverse effect on the Company's strategy, performance, results of operations and financial position.

**a. Market risks**

i. Currency risk

Currency risk is the risk of fluctuation in the fair value or future cash flows of a financial instrument due to changes in foreign currency exchange rates. The Company's exposure to currency risk relates to the collection of its revenue in pesos, in conformity with regulated electricity rates that are not indexed in relation to the US dollar, whereas a significant portion of its existing financial liabilities is denominated in US dollars. Therefore, the Company is exposed to the risk of a loss resulting from a devaluation of the peso. The Company partially hedges its currency risk by entering into currency forwards. Nevertheless, it continues to experience a considerable exposure to the US dollar. Furthermore, the Company has carried out transactions with derivative financial instruments with the aim of hedging the exchange rate of the cash flows it will have to pay in the next interest payment dates of its corporate notes. Although it may also enter into other hedging contracts to hedge all or part of its remaining exposure, the Company has not been able to hedge all its exposure to the US dollar under such terms as it may consider viable. If the Company continues to be unable to effectively hedge all or a significant part of its exposure to currency risk, any devaluation of the peso could significantly increase its debt service burden, which, in turn, could have a substantial adverse effect on its financial and cash position (including its ability to repay its Corporate Notes) and the results of its operations. The exchange rate used at December 31, 2012 is \$ 4.918 per US dollar, at December 31, 2011 is \$ 4.306 per US dollar and January 1, 2011 is \$ 3.976 per US dollar.

The table below shows the Company's exposure to currency risk resulting from the financial assets and liabilities denominated in a currency other than the Company's functional currency.

<b>Net position Assets/(Liabilities)</b>	<b>12.31.12</b>	<b>31.12.11</b>	<b>01.01.11</b>
US dollar	(1,382,015)	(1,187,779)	(502,730)
Euro	(607)	(70)	(780)
Norwegian krone	(61)	(701)	-
Swiss franc	(1,145)	-	(653)
<b>Total</b>	<b>(1,383,828)</b>	<b>(1,188,550)</b>	<b>(504,163)</b>

The Company estimates that a 10% devaluation of the Argentine peso with respect to US dollar, with all the other variables remaining constant, would give rise to the following decrease in the results of operations for the year:

<b>Net position Assets/(Liabilities)</b>	<b>12.31.12</b>	<b>31.12.11</b>	<b>01.01.11</b>
US dollar	(138,202)	(118,778)	(50,273)
Euro	(61)	(7)	(78)
Norwegian krone	(6)	(70)	-
Swiss franc	(114)	-	(65)
<b>Decrease in the results of operations for the year</b>	<b>(138,383)</b>	<b>(118,855)</b>	<b>(50,416)</b>

ii. Price risk

The Company's investments in equity instruments with or without quotation are susceptible to market price risk arising from the uncertainties concerning the future value of these instruments. Due to the low significance of the investments in equity instruments in relation to the net Asset/Liability position, the Company is not significantly exposed to the referred to instruments price risk.

Furthermore, the Company is not exposed to the commodities price risk.

iii. Interest rate risk

Interest rate risk is the risk of fluctuation in the fair value or cash flows of an instrument due to changes in market interest rates. The Company's exposure to interest rate risk arises mainly from its long-term debt obligations.

Indebtedness at floating rates exposes the Company to interest rate risk on its cash flows. Indebtedness at fixed rates exposes the Company to interest rate risk on the fair value of its liabilities. At December 31, 2012, 2011 and January 1, 2011 approximately 96.76 %, 96.65 % and 95.67 % of the loans, respectively, were obtained at fixed interest

**EDENOR S.A.**

**Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011  
(Continued)**

rates. The remaining loans were agreed at floating interest rates, and were denominated in pesos. The Company's policy is to keep the higher percentage of its indebtedness in instruments that accrue interest at fixed rates.

The Company analyzes its exposure to interest rate risk in a dynamic manner. Several scenarios are simulated taking into account the positions with respect to refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the Company calculates the impact on profit or loss of a specific change in interest rates. In each simulation, the same interest rate fluctuation is used for all the currencies. Scenarios are only simulated for liabilities that represent the most relevant interest-bearing positions.

The table below shows the breakdown of the Company's loans according to interest rate and the currency in which they are denominated:

	<u>12.31.12</u>	<u>12.31.11</u>	<u>01.01.11</u>
<b>Fixed rate:</b>			
Argentine peso	25,179	8,132	-
US dollar	1,381,549	1,198,934	1,035,113
Subtotal loans at fixed rates	<u>1,406,728</u>	<u>1,207,066</u>	<u>1,035,113</u>
<b>Floating rate:</b>			
Argentine peso	47,115	41,841	42,037
US dollar	-	-	4,818
Subtotal loans at floating rates	<u>47,115</u>	<u>41,841</u>	<u>46,855</u>
<b>Total loans</b>	<u><b>1,453,843</b></u>	<u><b>1,248,907</b></u>	<u><b>1,081,968</b></u>

Based on the simulations performed, with all the other variables remaining constant, a 10% increase in floating interest rates would give rise to the following decrease in the results of operations for the year:

	<u>12.31.12</u>	<u>12.31.11</u>
<b>Floating rate:</b>		
Argentine peso	391	583
<b>Decrease in the results of operations for the year</b>	<u><b>391</b></u>	<u><b>583</b></u>

**b. Credit risk**

Credit risk is the risk of a financial loss as a consequence of counterparty's failure to comply with the obligations assumed in a financial instrument or commercial contract. The Company's exposure to credit risk results from its operating and financial activities, including deposits in financial entities and other instruments. With regard to Banks and Financial Entities, the Finance Department evaluates the customers' credit quality, financial and cash position and independent credit risk ratings. Individual credit limits are then established in accordance with the limits set by the Company CEO on the basis of the internal or external ratings approved by the Finance and Control Department.

At the end of each reporting period, the Company analyzes whether the recording of an impairment is necessary. At December 31, 2012, 2011 and January 1, 2011, delinquent accounts receivable totaled approximately \$ 134.22 million, \$ 98.59 million and \$ 71.90 million, respectively. At December 31, 2012 and 2011, the financial statements included allowances for \$ 63.27 million, \$ 57.62 million and \$ 29.26 million, respectively. The inability to collect the other revenue and the non-regulated revenue in the future could have an adverse effect on the Company's results of operations and its financial position, which, in turn, could have an adverse effect on the Company's ability to repay loans, including payment of the Corporate Notes.

The Company's maximum exposure to credit risk is based on the book value of each financial asset in the consolidated financial statements, after deducting the corresponding allowances.

In accordance with its policy, the Company places its cash and cash equivalents, investments and other financial instruments with various highly-rated financial entities, thus mitigating the amount of exposure to credit risk. The Group manages its exposure to credit risk by reducing its individual deposits to clearly defined limits.

The Group has not experienced any significant loss in those accounts. The maximum exposure to credit risk is represented by the book value of cash and cash equivalents and short-term investments in the Statement of financial position.

The Company's exposure to credit risk arising from cash and cash equivalents is established in Note 17.

**EDENOR S.A.**

**Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011  
(Continued)**

**c. Liquidity risk**

The Company monitors the risk of a deficit in cash flows on a periodical basis. The Finance Department supervises the updated projections of the Company's liquidity requirements in order to ensure that there is enough cash to meet its operational needs, permanently maintaining sufficient margin for undrawn credit lines so that the Company does not fail to comply with the indebtedness limits or covenants, if applicable, of any line of credit. Such projections give consideration to the Company's debt financing plans, compliance with covenants, with internal balance sheet financial ratios objectives and, if applicable, with external regulations and legal requirements, such as, restrictions on the use of foreign currency.

Cash surpluses held by the operating entities and the balances in excess of the amounts required to manage working capital are invested in Money Market Funds and/or time deposits that accrue interest, currency deposits and securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient margin as determined in the aforementioned projections. At December 31, 2012, 2011 and January 1, 2011, the Company's current investments amount to \$ 3.42 million, \$ 2.13 million and \$ 430.84, respectively, which are expected to generate immediate cash inflows to manage the liquidity risk.

The table below includes an analysis of the Company's non-derivative financial assets and liabilities and net-settled derivative financial instruments, which have been classified into maturity groupings based on the remaining period at the consolidated statement of financial position date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

	<b>Less than 3 months</b>	<b>From 3 months to 1 year</b>	<b>From 1 to 2 years</b>	<b>From 2 to 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
<b>At January 1, 2011</b>						
Trade payables and other liabilities	344,110	38,937	25,551	25,433	-	434,031
Borrowings	8,427	137,157	139,444	344,190	1,848,701	2,477,919
Derivative financial instruments	7,253	-	-	-	-	7,253
<b>Total</b>	<b>359,790</b>	<b>176,094</b>	<b>164,995</b>	<b>369,623</b>	<b>1,848,701</b>	<b>2,919,203</b>
<b>At December 31, 2011</b>						
Trade payables and other liabilities	601,730	86,714	27,172	27,172	-	742,788
Borrowings	8,028	140,537	132,181	359,059	1,881,523	2,521,327
<b>Total</b>	<b>609,758</b>	<b>227,251</b>	<b>159,353</b>	<b>386,231</b>	<b>1,881,523</b>	<b>3,264,115</b>
<b>At December 31, 2012</b>						
Trade payables and other liabilities	1,284,255	23,436	29,795	29,795	-	1,367,281
Borrowings	6,405	142,907	142,124	532,051	1,891,407	2,714,894
<b>Total</b>	<b>1,290,660</b>	<b>166,343</b>	<b>171,919</b>	<b>561,846</b>	<b>1,891,407</b>	<b>4,082,175</b>

As described in Note 1, should the conditions existing at the date of these consolidated financial statements continue, the Board of Directors believes that cash flows and operating results for the next year, and financial ratios, will be negatively impacted. Furthermore, in that note it is also stated that, given the fact that the realization of the projected measures to revert the negative trend manifested in the current fiscal year depends, among other factors, on the occurrence of certain events that are not under the Company's control, such as the requested electricity rate increases, the Board of Directors has raised substantial doubt about the ability of the Company to continue as a going concern.

**5.2 Management of derivative financial instruments**

The Company has carried out transactions with derivative financial instruments with the aim of using them as economic instruments in order to mitigate the risk generated by the fluctuations in the US dollar rate of exchange.

**c. Corporate Notes – Cash flows SWAP**

In November 2010, the Company carried out a transaction with a derivative financial instrument with JP Morgan Chase Bank NA with the aim of hedging the foreign currency exchange rate of the cash flows and derivatives of interest payment transactions.

This instrument provides an economic and financial hedge of the amounts in foreign currency that the Company must pay on the interest payment dates of its financial debt, arising from the Class 9 Fixed Rate Corporate Notes for up to USD 230.301, million, falling due on April 25, 2011, October 25, 2011, April 25, 2012 and October 25, 2012, in the event of fluctuations in foreign currency exchange rates.

## EDENOR S.A.

### Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011 (Continued)

Additionally, in April 2011, the Company carried out a transaction with a derivative financial instrument with Deutsche Bank S.A. with the aim of hedging the foreign currency exchange rate of the cash flows and derivatives of interest payment transactions arising from the new issue of Class 9 fixed rate corporate notes for up to USD 69.699 million (Note 19), payable on October 25, 2011, April 25, 2012 and October 25, 2012.

At December 31, 2012, the economic impact of these transactions resulted in a loss of \$ 2.21 million, which has been recorded in the Financial expenses account of the Consolidated Statement of Comprehensive Loss.

#### **d. Forward and Future Contracts**

During the years ended December 31, 2012 and 2011, the Company entered into forward and futures contracts with the aim of using them as economic instruments in order to mitigate the risk generated by the fluctuations in the US dollar rate of exchange.

At December 31, 2011, the aforementioned transactions were fully settled. As of December 31, 2012 the Company did not enter into forward and future contracts.

### **5.3 Concentration risk factors**

The Company's receivables derive primarily from the sale of electric power.

No single customer accounted for more than 10% of sales for the years ended December 31, 2012, December 31 and January 1, 2011. The collectibility of trade receivables balances related to the Framework Agreement, which amount to \$ 25.44 million, \$ 25.60 million and \$ 33.05 million at December 31, 2012, December 31, 2011 and January 1, 2011, respectively, as disclosed in Note 2 – Framework Agreement -, is subject to compliance with the terms of such agreement.

The Bid Package sets forth the responsibilities of both SEGBA and the Company in relation to the personnel transferred by SEGBA through Resolution No. 26/92 of the Energy Secretariat. According to the Bid Package, SEGBA will be fully liable for any labor and social security obligations accrued or originated in events occurred before the take-over date, as well as for any other obligations deriving from lawsuits in process at such date.

During 2005, two new collective bargaining agreements were signed with the *Sindicato de Luz y Fuerza de la Capital Federal* (Electric Light and Power Labor Union of the City of Buenos Aires) and the *Asociación de Personal Superior de Empresas de Energía* (Association of Supervision Personnel of Energy Companies), which expired on December 31, 2007 and October 31, 2007, respectively. These agreements were approved by the Ministry of Labor and Social Security on November 17, 2006 and October 5, 2006, respectively.

At December 31, 2012, December 31, 2011 and January 1, 2011, approximately 80% of the Company's employees and the operating employees of the others contractors were union members. Although the relationship with the aforementioned unions is currently stable, the Company may not ensure that there will be no work disruptions or strikes in the future, which could have a material adverse effect on the Company's business and revenue. Without prejudice thereto, the Company has entered into a salary agreement, which is described in Note 45.

At the date of issuance of these consolidated financial statements, meetings aimed at negotiating the renewal terms of both collective bargaining agreements are being held with the above-mentioned unions.

By Resolution ST No. 1906 dated November 27, 2012, published in the *Official Gazette* on December 7, 2012, the Secretariat of Labor, under the authority of the Ministry of Labor, Employment and Social Security, established that as from January 1, 2013 the Company, as well as other companies of the Electric Power Sector, will be required to pay to those employees who are represented by the *Sindicato de Luz y Fuerza de Capital Federal* (Electric Light and Power Labor Union of the City of Buenos Aires) an amount of \$2,410 that will be regarded as a salary item. This amount will set-off and absorb, as from January 1, 2013, the amount (included in the salary but not subject to social security charges nor considered for the payment of the mid and year-end bonus) of \$ 2,000 which the Company paid during 2012 to its employees. Without prejudice thereto, the aforementioned Resolution established, on a one-time and exceptional basis, that such amount (included in the salary but not subject to social security charges nor considered for the payment of the mid and year-end bonus), be considered for the payment of the year-end bonus and the additional 2012 BAE concept.

**EDENOR S.A.**

**Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011  
(Continued)**

In light of the Company's economic and financial situation and the projections for the year 2013, the Company's Board of Directors, in the meeting held on December 11, 2012, unanimously resolved to challenge Resolution No. 1906 of the Secretariat of Labor, and, without prejudice thereto, to request that the ENRE authorize recognition of such higher costs in the Company's distribution rate in accordance with the provisions of sections 46 and 42 of Law 24,065, which expressly authorize rate adjustments in order for the electricity rate to reflect any change in the concession holder's costs which is not under the control of the holder of the concession. Such request was officially made on December 28, 2012, and on January 24, 2013, the Regulatory Authority, through Note ENRE 106836, notified Edenor that the request had been rejected without prejudice to the treatment that will be finally given to the request to modify the electricity rate schedule. Such note was contested by Edenor on February 7, 2013.

**5.4 Capital risk management**

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Company monitors its capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total liabilities (current and non-current) less cash and cash equivalents. Total capital is calculated as equity attributable to the owners as shown in the consolidated statement of financial position plus net debt.

At December 31, 2012, 2011 and January 1, 2011, gearing ratios were as follow:

	<b>12.31.12</b>	<b>12.31.11</b>	<b>01.01.11</b>
Total liabilities	6,312,152	5,164,407	3,183,957
Less: cash and cash equivalents	(71,108)	(130,509)	(246,007)
Net debt	6,241,044	5,033,898	2,937,950
Total capital attributable to owners	6,659,225	6,465,283	4,681,277
<b>Gearing ratio</b>	<b>93.72%</b>	<b>77.86%</b>	<b>62.76%</b>

**5.5 Fair value estimate**

The Company classifies the measurements of financial instruments at fair value using a fair value hierarchy that reflects the relevance of the variables used to carry out such measurements. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from the prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below shows the Company's financial assets and liabilities measured at fair value at December 31, 2012, 2011 and January 1, 2011:

**EDENOR S.A.**

**Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011  
(Continued)**

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
<b>At January 1, 2011</b>				
<b>Assets and liabilities</b>				
Cash and cash equivalents - Money market funds	219,873	-	-	219,873
<i>Financial assets at fair value through profit or loss:</i>				
Government bonds	315,267	-	-	315,267
Corporate notes	115,569			115,569
Derivative financial instruments	-	(7,253)	-	(7,253)
<b>Total assets and liabilities at January 1, 2011</b>	<b>650,709</b>	<b>(7,253)</b>	<b>-</b>	<b>643,456</b>
<b>At December 31, 2011</b>				
<b>Assets and liabilities</b>				
Derivative financial instruments	-	1,316		1,316
Cash and cash equivalents - Money market funds	58,903	-	-	58,903
<i>Financial assets at fair value through profit or loss:</i>				
Government bonds	2,132	-	-	2,132
<b>Total assets and liabilities at December 31, 2011</b>	<b>61,035</b>	<b>1,316</b>	<b>-</b>	<b>62,351</b>
<b>At December 31, 2012</b>				
<b>Assets and liabilities</b>				
Cash and cash equivalents - Money market funds	50,954	-	-	50,954
<i>Financial assets at fair value through profit or loss:</i>				
Government bonds	3,415	-	-	3,415
<b>Total assets and liabilities at December 31, 2012</b>	<b>54,369</b>	<b>-</b>	<b>-</b>	<b>54,369</b>

The value of financial instruments traded in active markets is based on the quoted market prices at the date of the consolidated statement of financial position. A market is regarded as active if quoted prices are regularly available from a stock exchange, dealer/broker, industry group, or regulatory agency, and those prices represent current and regularly occurring market transactions between parties on an arm's length transaction. The quoted market price used for the financial assets held by the Company is the current offer price. These instruments are included in level 1. The instruments included in level 1 comprise mainly money market funds, government bonds and corporate notes.

The fair value of financial instruments not traded in active markets is determined by using valuation techniques. These valuation techniques make maximum use of observable market inputs if available and rely as little as possible on the Company's specific estimates. If all the significant variables to determine the fair value of a financial instrument are observable, the instrument is included in level 2.

If one or more variables used to determine the fair value are not observable in the market, the financial instrument is included in level 3.

**6. Critical accounting estimates and judgments**

Critical accounting estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events, which the Company Management deems to be reasonable under the circumstances.

The preparation of the financial statements requires the Company to make estimates and assessments concerning the future. Future actual results may differ from the estimates used and assessments made at the date of preparation of these consolidated financial statements. The estimates that have a significant risk of causing adjustments to the carrying amounts of assets and liabilities within the next fiscal year are detailed below:

**a. Allowances for the impairment of receivables**

The Company is exposed to impairment losses of receivables. Management estimates the final collectability of accounts receivable.

The allowance for the impairment of accounts receivable is evaluated based on the historical level of collections for services billed through the end of each year and collections subsequent thereto. Additionally, Management records an allowance based on an individual analysis of the recoverability of receivable accounts in litigation and of those customers included in the Framework Agreement.

**b. Revenue recognition**

Revenue is recognized on an accrual basis upon delivery to customers, which includes the estimated amount of unbilled distribution of electricity at the end of each year. We consider our accounting policy for the recognition of estimated revenue critical because it depends on the amount of electricity effectively delivered to customers which is valued on the basis of applicable tariffs. Unbilled revenue is classified as current trade receivables.

**c. Impairment of long-lived assets**

Long-term assets, including identifiable intangible assets, are tested for impairment at the lowest level at which independent cash flows can be identified (cash generating units, or CGU).

The Company's subsidiaries constitute a cash generating unit as they have a concession area for the distribution of electricity. Consequently, each subsidiary represents the lowest asset disaggregation level that generates independent cash flows.

The Company analyzes the recoverability of its non-current assets on a periodical basis or when events or changes in circumstances indicate that the recoverable amount of assets, which is measured as the value in use at the end of the year, may be impaired.

The value in use is determined based on projected and discounted cash flows, using discount rates that reflect the time value of money and the specific risks of the assets considered.

Cash flows are prepared on the basis of estimates concerning the future performance of certain variables that are sensitive to the determination of the recoverable amount, among which the following can be noted: (i) nature, opportunity and modality of electricity rate increases and cost adjustment recognition in accordance with the agreements described in Note 2; (ii) demand for electricity projections; (iii) evolution of the costs to be incurred, and; (iv) macroeconomic variables, such as growth rates, inflation rates and foreign currency exchange rates.

In spite of the current economic and financial situation, which is described in Note 1, the Company has made its projections under the assumption that the electricity rates will be improved according to the circumstances. However, the Company may not ensure that the future performance of the variables used to make its projections will be in line with what it has estimated. Therefore, significant differences may arise in relation to the estimates used and assessments made as at the date of preparation of the consolidated financial statements.

In order to contemplate the estimation risk contained in the projection of the aforementioned variables, the Company has considered three different probability-weighted scenarios. Although in all of them an acceptable agreement with the Argentine National Government resulting in gradual tariff increases is assumed, the Company has

**EDENOR S.A.**

**Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011  
(Continued)**

considered different timing and magnitude of expected VAD increases. The three scenarios consider VAD increases as a result of the ITR process since 2013. These three scenarios can be classified into base, intermediate and pessimistic cash flows depending on the opportunity of the application and magnitude of the expected CMM. The Company has assigned for these scenarios the following percentages of probability of occurrence based primarily on the experience with past delays in the tariff renegotiation process: optimistic scenario: 30%, intermediate scenario: 50%, and pessimistic scenario: 20%.

Based on that which has been mentioned above, the Company determined that the valuation of property, plant and equipment does not exceed their recoverable amount at December 31, 2012.

**d. Current and deferred income tax/ Tax on minimum presumed income**

In order to determine the income tax provision, it is necessary to make estimates inasmuch as the Company will have to evaluate, on an ongoing basis, the positions taken in tax returns in respect of those situations in which the applicable tax legislation is subject to interpretation. Whenever necessary, the Company is required to make provisions based on the amount expected to be paid to the tax authorities.

When the final taxable result differs from the amounts initially recognized in the provision as a consequence of estimates, such differences will affect both income tax and the determination of deferred tax assets and liabilities.

Were the final taxable result to differ by 10% from estimates made, the Company would need to:

- Increase the net deferred tax liability by \$ 11.41 million, if the difference were unfavorable; or
- Decrease the net deferred tax liability by \$ 11.41 million, if the difference were favorable.

A significant degree of judgment is required to determine the income tax provision. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for eventual tax claims based on estimates of whether additional taxes will be due in the future. When the final tax outcome of these matters differs from the amounts initially recognized, such differences will impact on current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets are reviewed at each reporting date and reduced in accordance with the low probability that the sufficient taxable base will be available to allow for the total or partial recovery of these assets. Deferred tax assets and liabilities are not discounted. In assessing the realization of deferred tax assets, management considers that it is likely that a portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets depends on the generation of future taxable income in the periods in which these temporary differences become deductible. To make this assessment, Management takes into consideration the scheduled reversal of deferred tax liabilities, the projections of future taxable income and tax planning strategies.

**EDENOR S.A.**

**Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011  
(Continued)**

**e. Going concern**

These consolidated financial statements have been prepared in accordance with the accounting principles applicable to a going concern, assuming that the Company will continue to operate normally. Therefore, they do not include the effects of the adjustments or reclassifications, if there were any, that might be necessary to make if the situation described in Note 1 is not resolved.

**f. Benefit plans**

The liability recognized by the Company is the best estimate of the present value of the cash flows representing the benefit plan obligation at the closing date of the year together with the adjustments for actuarial losses. Cash flows are discounted using the interest rate of high-quality corporate bonds denominated in the same currency in which the benefits will be paid. Such estimate is based on actuarial calculations made by independent professionals in accordance with the projected unit credit method.

**g. ENRE Penalties and Discounts- PUREE**

We consider our accounting policy for the recognition of ENRE Penalties and Discounts critical because it depends on the penalizable events which are valued on the basis of management best estimate, at the date of these financial statements, of the expenditure required to settle the present obligation. The balances corresponding to ENRE Penalties and Discounts are adjusted in accordance with the regulatory framework applicable thereto.

The balances corresponding to the Program for the Rational Use of Electric Power (PUREE) are the best estimate, at the date of these financial statements, of the expenditure required to settle the present obligation.

**h. Allocation of the purchase price in business combinations**

The Company accounts for business combinations by applying the acquisition method, which requires that identifiable assets acquired and liabilities assumed be recorded at their respective fair value at acquisition date. The determination of the fair values of identifiable assets acquired and liabilities assumed requires Management to make estimates and use valuation techniques, including the use of independent appraisers, when the market value is not easily available. The excess of the acquisition cost over the fair value of the net identifiable assets acquired is allocated to goodwill.

The valuation assumptions underlying each of these valuation methods are based on the current available information, including discount rates, estimated cash flows, market risk rates and other.

The purchase price allocation is subject to changes during the twelve-month period subsequent to the acquisition date, with the adjustments reflected prospectively. At present, there are no balances related to purchase accounting subject to change. We consider our accounting policy for the valuation of acquisitions critical because the judgments made to determine the estimated fair value and expected useful lives assigned to each class of assets and liabilities acquired may impact the value of the asset or liability, including the impact on deferred taxes, the respective amortization periods and ultimately net income (loss). Therefore, the use of other valuation methods, as well as other assumptions underlying these valuation methods, could impact the determination of our financial position and results of operations.

If the fair value of the net identifiable assets acquired is higher than their acquisition cost, Management must reassessed whether all acquired assets and all liabilities assumed have been properly identified before recognizing a bargain purchase in order to ensure that the measurements properly reflect the consideration of all the available information as from acquisition date.

Once the Company is certain that measurements are appropriate, the resulting gain must be recognized in the acquisition date. The gain is attributed to the acquiring entity.

**i. Assets available for sale**

As a consequence of that mentioned in Note 1, and with the aim of mitigating unfavorable financial and economic aspects, the Company considered the disposition of certain subsidiaries. In this context, it has decided to

**EDENOR S.A.**

**Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011  
(Continued)**

sell certain subsidiaries with the consequent loss of control. In accordance with IFRS, when the following criteria are met (even if the entity retains a non-controlling interest in its former subsidiary after the sale), the Company will classify all the associated assets and liabilities as available for sale:

- iv. Its carrying amount will be recovered mainly through a sale transaction, rather than by its continued use.
- v. It must be available, in its current conditions, for immediate sale, subject exclusively to the usual terms for the sale of this subsidiary.
- vi. Its sale must be highly probable, for which purpose Management must be committed to a plan to sell, and an active programme to locate a buyer and complete such plan must have been initiated. Moreover, the sale of the subsidiary must be actively negotiated at a sales price reasonable in relation to its present fair value. Furthermore, it must be expected that the sale will comply with the conditions to be recognized as a completed sale within a year of classification as held for sale (unless the delay is caused by events or circumstances that are not under the entity's control, and sufficient evidence exists that the entity is still committed to its plan to sell the subsidiary), and the actions required to complete the plan indicate that it is unlikely that the plan will be significantly changed or withdrawn.

The assets and liabilities associated to those subsidiaries that the Company intends to sell, which comply with the aforementioned conditions, were reclassified in a single line item within current assets and current liabilities, denominated "Assets of disposal groups classified as held for sale" and "Liabilities of disposal groups classified as held for sale", respectively. In addition, these assets and liabilities have been valued at the lower of carrying amount or fair value less costs to sell, recognizing a loss when the first value is higher than the second.

Measurement on fair value less costs to sell implies assumptions that are determined based on current available information, such as offers if any and market conditions.

**j. Contingencies and provisions for lawsuits**

The Company is a party to several complaints, lawsuits and other legal proceedings, including customer claims, in which a third party is seeking payment for alleged damages, reimbursement for losses or compensation. The Company's potential liability with respect to such claims, lawsuits and legal proceedings may not be accurately estimated. Management, with the assistance of its legal advisors (attorneys), periodically analyzes the status of each significant lawsuit and evaluates the Company's potential financial exposure. If the loss deriving from a complaint or legal proceeding is considered probable and the amount can be reasonably estimated, a provision is recorded.

Provisions for contingent losses represent a reasonable estimate of the losses that will be incurred, based on the information available to Management at the date of the financial statements preparation, taking into account the Company's litigation and settlement strategies. These estimates are mainly made with the help of legal advisors. However, if the Management's estimates proved wrong, the current provisions could be inadequate and result in a charge to profits that could have a material adverse effect on the statements of financial position, comprehensive income, changes in equity and cash flows.

**EDENOR S.A.**

**Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011  
(Continued)**

**7. Interests in subsidiaries and joint ventures**

*a) Information on subsidiaries*

The data showing the Company's consolidated controlling interest at December 31, 2012 are as follow:

Directly controlled companies	Percentage interest held in capital stock and possible votes	Controlled/Indirectly and jointly controlled companies	Percentage interest held in capital stock and possible votes	Non-controlling percentage interest in capital stock and possible votes
	<u>12.31.12</u>		<u>12.31.12</u>	
AESEBA	99.99	Empresa Distribuidora de Energía Norte S.A. (EDEN S.A.)	90.00	10.00

The subsidiaries' accounting policies have been changed, if applicable, in order to ensure consistency with the policies adopted by the Company.

The investment in AESEBA has been incorporated on a line-by-line basis in accordance with the general consolidation method established by IFRS 10.

*b) Summarized financial information on subsidiaries with significant non-controlling interest*

EDEN S.A.

*i. Condensed statements of financial position*

**EDEN S.A.**

	<u>12.31.12</u>	<u>12.31.11</u>
Non-current assets	880,267	828,922
Current assets	329,713	246,438
<b>Total assets</b>	<b>1,209,979</b>	<b>1,075,360</b>
Non-current liabilities	186,601	138,596
Current liabilities	550,398	423,601
<b>Total liabilities</b>	<b>736,999</b>	<b>562,197</b>
<b>Equity</b>	472,980	513,163
Equity attributable to the owners	472,980	513,163
Cash paid dividends to non-controlling interests	-	1,950

**EDENOR S.A.**

**Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011  
(Continued)**

*ii. Condensed statement of comprehensive income*

	<b>12.31.12</b>	<b>12.31.11</b>
Revenue from sales / construction	857,873	591,147
Operating costs	(787,054)	(490,475)
Net financial expense	(22,584)	(21,904)
Income tax	(16,247)	(30,387)
<b>Income for the year</b>	<b>31,988</b>	<b>48,381</b>
Other comprehensive income	(2,103)	(2,286)
<b>Comprehensive gain for the year</b>	<b>29,885</b>	<b>46,095</b>

*iii. Condensed statement of Cash Flows*

	<b>12.31.12</b>	<b>12.31.11</b>
Net cash flows provided by operating activities	93,033	91,759
Net cash flows used in investing activities	(93,675)	(57,718)
Net cash flows provided by financing activities	(48,885)	(113,102)
<b>Net increase in cash and cash equivalents</b>	<b>(49,527)</b>	<b>(79,061)</b>
Cash and cash equivalents at beginning of year	31,908	111,693
Cash and cash equivalents at the end of year	(17,619)	32,632
<b>Decrease of cash and cash equivalent</b>	<b>49,527</b>	<b>79,061</b>

*c) Interest in joint ventures*

		<b>Equity attributable to the owners</b>		
		<b>12.31.12</b>	<b>12.31.11</b>	<b>01.01.11</b>
<b>Percentage interest held in capital stock and possible votes</b>				
SACME	50.00%	422	419	415

**EDENOR S.A.**

**Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011  
(Continued)**

**8. Segment information**

The Company's business activities focus primarily on the distribution and sale of electricity carried out by Edenor S.A. or its subsidiaries. Based on the geographical distribution of its customers, the Company has identified the following operating segments:

**AESEBA:** Through its subsidiary, it renders electric power distribution and sale services in the northern and northwestern areas of the Province of Buenos Aires.

**EMDERSA:** Through its subsidiaries, it renders electric power distribution and sale services in the Provinces of San Luis, La Rioja and Salta.

**EDENOR:** It has the exclusive right to render electric power distribution and sales services to all users connected to the electricity distribution network within the concession area, which is comprised of the following: In the Federal Capital: the area encompassing Dock "D", unnamed street, path of the future Autopista Costera (coastline highway), extension of Pueyrredón Ave., Pueyrredón Ave., Córdoba Ave., Ferrocarril San Martín railway tracks, General San Martín Ave., Zamudio, Tinogasta, General San Martín Ave., General Paz Ave. and Río de La Plata river. In the Province of Buenos Aires the area includes the following districts: Belén de Escobar, General Las Heras, General Rodríguez, former General Sarmiento (which at present comprises San Miguel, Malvinas Argentinas and José C. Paz), La Matanza, Marcos Paz, Merlo, Moreno, former Morón (which at present comprises Morón, Hurlingham and Ituzaingó), Pilar, San Fernando, San Isidro, San Martín, Tigre, Tres de Febrero and Vicente López.

The information on each operating segment identified by the Company for the year ended December 31, 2011 and 2012 is as follow:

**EDENOR S.A.**  
**Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011**  
**(Continued)**

At December 31, 2011	Emdersa	Aeseba	Edenor	Eliminations	As per segment information	Discontinued operations	As per consolidated statement of comprehensive loss
Revenue from sales	764,276	503,772	2,302,045	-	3,570,093	(764,276)	2,805,817
Revenue from construction	-	87,374	-	-	87,374	-	87,374
Electric power purchases	(264,511)	(194,568)	(1,130,890)	-	(1,589,969)	264,511	(1,325,458)
Cost of construction	-	(87,374)	-	-	(87,374)	-	(87,374)
<b>Sub total</b>	<b>499,765</b>	<b>309,204</b>	<b>1,171,155</b>	<b>-</b>	<b>1,980,124</b>	<b>(499,765)</b>	<b>1,480,359</b>
Transmission and distribution expenses (1)	(168,652)	(131,288)	(970,501)	-	(1,270,441)	175,616	(1,094,825)
<b>Gross profit</b>	<b>331,113</b>	<b>177,916</b>	<b>200,654</b>	<b>-</b>	<b>709,683</b>	<b>(324,149)</b>	<b>385,534</b>
Selling expenses (1)	(97,313)	(49,916)	(261,948)	-	(409,177)	98,865	(310,312)
Administrative expenses (1)	(99,122)	(29,111)	(196,602)	-	(324,835)	100,519	(224,316)
Other operating income	2,768	8,680	22,499	(3,278)	30,669	(2,768)	27,901
Other operating expense	(5,314)	(5,596)	(52,562)	3,278	(60,194)	5,314	(54,880)
Gain from acquisition of companies	-	-	434,959	-	434,959	-	434,959
Gain from interest in joint ventures	924	-	48,935	(48,931)	928	(924)	4
Impairment of assets available for sale	-	-	(218,340)	(29,527)	(247,867)	247,867	-
<b>Operating profit (loss)</b>	<b>133,056</b>	<b>101,973</b>	<b>(22,405)</b>	<b>(78,458)</b>	<b>134,166</b>	<b>124,724</b>	<b>258,890</b>
Financial income	118	3,919	85,847	(24,285)	65,599	(10,031)	55,568
Financial expenses and other financial results (1)	(73,598)	(26,488)	(285,322)	24,281	(361,127)	47,790	(313,337)
<b>Net financial expense</b>	<b>(73,480)</b>	<b>(22,569)</b>	<b>(199,475)</b>	<b>(4)</b>	<b>(295,528)</b>	<b>37,759</b>	<b>(257,769)</b>
<b>Profit (Loss) before taxes</b>	<b>59,576</b>	<b>79,404</b>	<b>(221,880)</b>	<b>(78,462)</b>	<b>(161,362)</b>	<b>162,483</b>	<b>1,121</b>
Income tax	(17,455)	(30,387)	(82,177)	-	(130,019)	(22,952)	(152,971)
<b>Profit (Loss) from continuing operations</b>	<b>42,121</b>	<b>49,017</b>	<b>(304,057)</b>	<b>(78,462)</b>	<b>(291,381)</b>	<b>139,531</b>	<b>(151,850)</b>
Loss from discontinued operations	-	-	-	-	-	(139,531)	(139,531)
<b>Profit (Loss) for the year</b>	<b>42,121</b>	<b>49,017</b>	<b>(304,057)</b>	<b>(78,462)</b>	<b>(291,381)</b>	<b>-</b>	<b>(291,381)</b>
Non-controlling interests	(6,851)	(5,478)	-	(347)	(12,676)	-	(12,676)
<b>Profit (Loss) for the year attributable to the owners of the parent</b>	<b>35,270</b>	<b>43,539</b>	<b>(304,057)</b>	<b>(78,809)</b>	<b>(304,057)</b>	<b>-</b>	<b>(304,057)</b>

**EDENOR S.A.**  
**Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011**  
**(Continued)**

<b>Note (1)</b>	<b>Emdersa</b>	<b>Aeseba</b>	<b>Edenor</b>	<b>Eliminations</b>	<b>As per segment information</b>	<b>Discontinued operations</b>	<b>As per consolidated statement of comprehensive loss</b>
Depreciation of property, plant and equipment	(44,327)	(3,101)	(184,792)	-	(232,220)	44,327	(187,893)
Amortization of intangible assets	-	(20,093)	-	-	(20,093)	-	(20,093)
Financial expenses - Interest	(60,853)	(16,210)	(148,925)	36,058	(189,930)	25,334	(164,596)

At December 31, 2011, the Company decided to discontinue EMDERSA operating segment.

<b>Statement of Financial Position at 12.31.2011</b>	<b>Edenor</b>	<b>Aeseba</b>	<b>Discontinued operations</b>	<b>Eliminations</b>	<b>As per consolidated statement of financial position</b>
Assets	5,585,499	1,092,461	-	(957,445)	5,720,515
Assets of disposal groups classified as held for sale	-	-	1,291,078	-	1,291,078
Liabilities	4,154,114	571,427	-	(103,339)	4,622,202
Liabilities of disposal groups classified as held for sale	-	-	709,076	(166,871)	542,205
Non-controlling interests	-	50,302	365,471	28	415,801
Equity	1,431,385	470,732	-	(470,732)	1,431,385

**EDENOR S.A.**  
**Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011**  
**(Continued)**

At December 31, 2012	Emdersa	Emdersa H.	Aeseba	Edenor S.A.	Eliminations	As per segment information	Discontinued operations	As per consolidated statement of comprehensive loss
Revenue from sales	426,317	-	749,852	2,977,146	(1,742)	4,151,573	(426,317)	3,725,256
Revenue from construction	-	-	117,615	-	-	117,615	-	117,615
Electric power purchases	(201,037)	-	(321,989)	(1,740,231)	-	(2,263,257)	201,037	(2,062,220)
Cost of construction	-	-	(117,615)	-	-	(117,615)	-	(117,615)
<b>Subtotal</b>	<b>225,280</b>	<b>-</b>	<b>427,863</b>	<b>1,236,915</b>	<b>(1,742)</b>	<b>1,888,316</b>	<b>(225,280)</b>	<b>1,663,036</b>
Transmission and distribution expenses (1)	(175,438)	-	(225,956)	(1,344,730)	614	(1,745,510)	175,438	(1,570,072)
<b>Gross profit</b>	<b>49,842</b>	<b>-</b>	<b>201,907</b>	<b>(107,815)</b>	<b>(1,128)</b>	<b>142,806</b>	<b>(49,842)</b>	<b>92,964</b>
Selling expenses (1)	(57,607)	-	(78,429)	(352,938)	964	(488,010)	57,607	(430,403)
Administrative expenses (1)	(47,130)	(195)	(47,159)	(249,201)	151	(343,534)	47,130	(296,404)
Other operating income	52,259	-	1,683	32,351	(698)	85,595	(52,259)	33,336
Other operating expense	(636)	64	(9,660)	(103,125)	(66)	(113,423)	636	(112,787)
Gain from acquisition of companies	-	-	-	-	-	-	-	-
Gain from interest in joint ventures	-	-	-	30,321	(30,318)	3	-	3
Impairment of assets available for sale	(15,748)	-	-	-	-	(15,748)	15,748	-
<b>Operating profit (loss)</b>	<b>(19,020)</b>	<b>(131)</b>	<b>68,342</b>	<b>(750,407)</b>	<b>(31,095)</b>	<b>(732,311)</b>	<b>19,020</b>	<b>(713,291)</b>
Financial income	5,296	4,384	5,130	83,173	(6,678)	91,305	(5,296)	86,009
Financial expenses (1)	(42,713)	-	(26,178)	(277,350)	6,680	(339,561)	42,713	(296,848)
Other financial results	(5,008)	(2,723)	1,484	(166,236)	777	(171,706)	5,008	(166,698)
<b>Net financial expense</b>	<b>(42,425)</b>	<b>1,661</b>	<b>(19,564)</b>	<b>(360,413)</b>	<b>779</b>	<b>(419,962)</b>	<b>42,425</b>	<b>(377,537)</b>
<b>Profit (Loss) before taxes</b>	<b>(61,445)</b>	<b>1,530</b>	<b>48,778</b>	<b>(1,110,820)</b>	<b>(30,316)</b>	<b>(1,152,273)</b>	<b>61,445</b>	<b>(1,090,828)</b>
Income tax	39,078	-	(16,938)	116,717	-	138,857	(39,078)	99,779
<b>Profit (Loss) from continuing operations</b>	<b>-</b>	<b>1,530</b>	<b>31,840</b>	<b>(994,103)</b>	<b>(30,316)</b>	<b>(1,013,416)</b>	<b>-</b>	<b>(991,049)</b>
Loss from discontinued operations	(22,367)	-	-	(22,367)	-	(44,734)	22,367	(22,367)
<b>Profit (Loss) for the year</b>	<b>(22,367)</b>	<b>1,530</b>	<b>31,840</b>	<b>(1,016,470)</b>	<b>(30,316)</b>	<b>(1,058,150)</b>	<b>22,367</b>	<b>(1,013,416)</b>
Non-controlling interests	6,518	-	(3,050)	-	(4)	3,464	(6,518)	(3,054)
<b>Profit (Loss) for the year attributable to the owners of the parent</b>	<b>(15,849)</b>	<b>1,530</b>	<b>28,790</b>	<b>(1,016,470)</b>	<b>(30,320)</b>	<b>(1,054,686)</b>	<b>15,849</b>	<b>(1,016,470)</b>

**EDENOR S.A.**  
**Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011**  
**(Continued)**

Note (1)	Emdersa	Emdersa H.	Aeseba	Edenor S.A.	Eliminations	As per segment information	Discontinued operations	As per consolidated statement of comprehensive loss
Depreciation of property, plant and equipment	(43,659)	(43,659)	-	(5,317)	(192,554)	(285,189)	43,659	(241,530)
Amortization of intangible assets	(2,130)	(2,130)	-	(24,891)	-	(29,151)	2,130	(27,021)
Financial expenses - Interest	(18,891)	(18,891)	-	(14,103)	(229,753)	(281,638)	18,891	(262,747)

At December 31, 2011, the Company decided to discontinue EMDERSA operating segment.

Statement of Financial Position at 12.31.2012	Emdersa H.	Aeseba	Edenor	Eliminations	As per consolidated statement of financial position
Assets	19	1,229,242	5,903,295	(554,514)	6,578,042
Assets of disposal groups classified as held for sale	41,518	-	-	181,880	223,398
Liabilities	16	709,474	5,485,114	(39,719)	6,154,885
Liabilities of disposal groups classified as held for sale	-	-	-	157,267	157,267
Non-controlling interests	-	47,299	-	23,808	71,107
Equity	41,521	472,469	418,181	(513,990)	418,181

**EDENOR S.A.**

**Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011  
(Continued)**

**9. Contingencies and lawsuits**

The Company has contingent liabilities and is a party to lawsuits that arise from the ordinary course of business. Based on the opinion of its legal advisors, Management estimates that the outcome of the current contingencies and lawsuits will not exceed the amounts of the recorded provisions nor will be significant with respect to the Company's financial position or the results of its operations.

Furthermore, it is worth mentioning that there exist contingent obligations and labor, civil and commercial complaints filed against the Company relating to legal actions for individual non-significant amounts, which, nevertheless, a position of to \$ 90.5 million has been recorded.

The most significant legal actions in which the Company is a party involved are detailed below:

**a. Edenor**

**Legal action brought by the National Ombudsman**

**Purpose:** presentation against the resolutions by which the new electricity rate schedule went into effect as from 10/01/08 and the application of the Program for the Rational Use of Electric Power (PUREE).

**Procedural stage of the proceedings:** on 12/07/09, the Company filed an appeal ("*Queja por Recurso denegado*") to the Federal Supreme Court requesting that the extraordinary appeal rejected by the Appellate Court be sustained. The appeal is currently being analyzed by the Supreme Court.

**Amount:** undetermined

**Conclusion:** no provision has been recorded for these claims in these financial statements as the Company's management, based on both that which has been previously mentioned and the opinion of its legal advisors, believes that there exist solid arguments to support its position.

**Legal action brought by Consumidores Libres Coop. Ltda. de provisión de servicios de acción comunitaria**

**Purpose:**

- a) That all the last resolutions concerning electricity rates issued by the ENRE and the National Energy Secretariat be declared null and unconstitutional, and, in consequence whereof, that the amounts billed by virtue of these resolutions be refunded.
- b) That all the defendants be under the obligation to carry out the Tariff Structure Review (RTI).
- c) That the resolutions issued by the Energy Secretariat that extend the transition period of the Adjustment Agreement be declared null and unconstitutional.
- d) That the defendants be ordered to carry out the sale process, through an international public bidding, of the class "A" shares, due to the fact that the Management Period of the Concession Agreement is considered over.
- e) That the resolutions as well as any act performed by a governmental authority that modify contractual renegotiations be declared null and unconstitutional.
- f) That the resolutions that extend the management periods contemplated in the Concession Agreement be declared null and unconstitutional.
- h) Subsidiarily, should the main claim be rejected, that the defendants be ordered to bill all customers on a bimonthly basis.

**Amount:** undetermined

**Procedural stage of the proceedings:** The Company answered the complaint rejecting all its terms and requesting that a summons be served upon CAMMESA as a third-party defendant. The Court hearing the case

**EDENOR S.A.**

**Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011  
(Continued)**

approved the request and CAMMESA answered the service of notice in due time and manner. The Federal Government has answered the complaint filed against it within the term granted for such purpose.

**Conclusion:** no provision has been recorded for these claims in these financial statements as the Company's management, based on both that which has been previously mentioned and the opinion of its legal advisors, believes that there exist solid arguments to support its position.

**Legal action brought by Consumidores Financieros Asociación civil para su defensa**

**Purpose:**

- 1) Reimbursement of the VAT percentage paid on the illegally "widened" taxable basis due to the incorporation of a concept (National Fund of Electricity - FNEE) on which no VAT had been paid by the defendants when CAMMESA (the company in charge of the regulation and operation of the wholesale electricity market) invoiced them the electricity purchased for distribution purposes.
- 2) Reimbursement of part of the administrative surcharge on "second due date", in those cases in which payment was made within the time period authorized for such second deadline (14 days) but without distinguishing the effective day of payment.
- 3) Application of the "borrowing rate" in case of customer delay in complying with payment obligation, in accordance with the provisions of Law No. 26,361.

**Amount:** undetermined

**Procedural stage of the proceedings:** On 04/22/10, the Company answered the complaint and filed a motion to dismiss for lack of standing ("*excepción de falta de legitimación*"), requesting, at such opportunity, that a summons be served upon the Federal Government, the AFIP and the ENRE as third-party defendants. These pleadings were made available to the plaintiff. Although the plaintiff's opposition to the requested summons had not yet been resolved, the proceedings were brought to trial, in response to which EDENOR S.A. filed a motion for reversal with a supplementary appeal. As of to date, the proceedings are "awaiting resolution", as a step prior to open the trial to testimony and other evidence.

**Conclusion:** no provision has been recorded for these claims in these financial statements as the Company's management, based on both that which has been previously mentioned and the opinion of its legal advisors, believes that there exist solid arguments to support its position.

**Legal action brought by Unión de Usuarios y Consumidores**

**Purpose:**

- a) that clause 4.6 and related clauses of Appendix I of the Adjustment Agreement be revoked, inasmuch as they establish that the rate increase will be retroactive;
- b) that Resolution No. 51/07 of the ENRE be nullified inasmuch as it authorizes the retroactive increase of rates in favor of the Company.
- c) that the Company be ordered to reimburse customers all the amounts paid as retroactive rate increase for the period of November 1, 2005 through January 31, 2007.
- d) that the reimbursement be implemented through a credit in favor of customers.

**Amount:** undetermined

**Procedural stage of the proceedings:** By resolution issued on 06/01/11, the Court of Appeals in Contentious and Administrative Federal Matters No. V, supporting the Company's arguments, ordered that the lower court decision be nullified as to the merits of the case. Against such decision, the Unión de Usuarios y Consumidores filed an extraordinary federal appeal ("*Recurso Extraordinario Federal*") which was granted on 11/03/11. The proceedings have been taken to the Supreme Court.

**EDENOR S.A.**

**Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011  
(Continued)**

**Conclusion:** no provision has been recorded for these claims in these financial statements as the Company's management, based on both that which has been previously mentioned and the opinion of its legal advisors, believes that there exist solid arguments to support its position.

**Legal action brought by the Company ("EDENOR S.A. VS RESOLUTION NO. 32/11 OF THE ENRE")**

**Purpose:**

By this action, the Company challenges such resolution, which – within the framework of the power cuts occurred between December 20 and December 31, 2010 – established the following:

- That the Company be fined in the amount of 750 due to its failure to comply with the obligations arising from Section 25) sub-sections a, f and g of the Concession Agreement and Section 27 of Law No. 24,065.
- That the Company be fined in the amount of 375 due to its failure to comply with the obligations arising from Section 25 of the Concession Agreement and Resolution No. 905/1999 of the ENRE.
- That Company customers be paid as compensation for the power cuts suffered the following amounts: 180 to each small-demand residential customer who suffered power cuts that lasted more than 12 continuous hours, 350 to those who suffered power cuts that lasted more than 24 continuous hours, and 450 to those who suffered power cuts that lasted more than 48 continuous hours. The resolution stated that such compensation did not include damages to customer facilities and/or appliances, which were to be dealt with in accordance with a specific procedure.

**Amount:** not specified in the complaint.

**Procedural stage of the proceedings:** on 07/08/11, the Company requested that notice of the substance of the case be served on the ENRE, which has effectively taken place. The proceedings are "awaiting resolution" since the date on which the ENRE answered the notice served. Furthermore, on 10/28/11, the Company filed an appeal ("*recurso de queja por apelación denegada*") to the Federal Supreme Court requesting that the rejected extraordinary federal appeal be sustained. On April 24, 2013, the Company was notified that such direct appeal had been denied by the Appellate Court in Contentious and Administrative Federal Matters No. 1. As of the date of this annual report, the Company, together with its legal counsel, is assessing the situation, which involves the precautionary measure and the appeal of this last resolution.

**Conclusion:** At the end of the year ended December 31, 2012, the provision recorded in relation to the aforementioned compensations amounts to \$ 30,4 million, including principal amount and accrued interest (Note 2.e). It is estimated that this case will not come to an end during 2013.

**Legal action brought by the Company ("EDENOR S.A. VS RESOLUTION ENRE No. 336/12")**

**Purpose:**

By this action, the Company challenges the ENRE's resolution pursuant to which:

- the Company is to determine the customers affected by the power cuts occurred as a consequence of failures between October 29 and November 14, 2012;
- the Company is to determine the discounts to be recognized to each of the customers identified in accordance with the preceding caption;
- the Company is to credit such discounts on account of the final discounts that will result from the evaluation of the Technical Service Quality relating to the six-month control period;
- the Company is to compensate each small-demand residential customer (T1R) who has been affected by the power cuts occurred during the aforementioned period. The amount of the compensation will depend on the length of the power cut, provided, however, that such power cut lasted more than 12 continuous hours.

**EDENOR S.A.**

**Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011  
(Continued)**

**Amount:** not specified in the complaint.

**Procedural stage of the proceedings:** This resolution has been contested by the Company.

**Conclusion:** At the closing date of the year ended December 31, 2012, the provision recorded in relation to the aforementioned penalties and compensations amounts to \$ 16.7 million (Note 2.1.e). It is estimated that this case will not come to an end during 2013.

**Legal action brought by ASOCIACIÓN DE DEFENSA DE DERECHOS DE USUARIOS Y CONSUMIDORES – ADDUC**

**Purpose:** that the Company be ordered to reduce or mitigate the default or late payment interest rates charged to customers who pay their bills after the first due date, inasmuch as they violate section 31 of Law No. 24,240, ordering both the non application of pacts or accords that stipulate the interest rates that are being applied to the users of electricity –their unconstitutional nature– as well as the reimbursement of interest amounts illegally collected from users of the service from 08/15/08 through the date on which the defendant complies with the order to reduce interest. It is also requested that the value added tax (VAT) and any other taxes charged on the portion of the surcharge illegally collected be reimbursed.

**Amount:** undetermined

**Procedural stage of the proceedings:** On 11/11/11, the Company answered the complaint and filed a motion to dismiss for both lack of standing (“*excepción de falta de legitimación activa*”) and the fact that the claims at issue were being litigated in another lawsuit (“*excepción de litispendencia*”), requesting, at such opportunity, that a summons be served upon the ENRE as a third-party defendant. These pleadings were made available to the plaintiff. Prior to rendering a decision on the motion to dismiss for the fact that the claims at issue were being litigated in another lawsuit (“*excepción de litispendencia*”), the Court ordered that the Court in Contentious and Administrative Federal Matters No. 2 – Clerk’s Office No. 3, provide it with the proceedings “Consumidores Financieros Asociación Civil vs EDESUR and Other defendants, in the case brought for BREACH OF CONTRACT”.

**Conclusion:** therefore, no provision has been recorded for these claims in these financial statements as the Company’s management, based on both that which has been previously mentioned and the opinion of its legal advisors, believes that there exist solid arguments to support its position.

**Payment agreement with Municipality of Moreno**

On October 31, 2012, the Company and the Municipality of Moreno entered into a payment plan agreement for the settlement of the balance owed, consisting of one payment of 600 to be made in November 2012 with the remaining balance being paid in 36 monthly and consecutive installments plus interest, to be calculated on the basis of the lending rate applied by Banco de la Nación Argentina for 30-day deposits.

**Petition against AFIP - DGI**

The Company has filed a petition for declaratory relief against AFIP – DGI pursuant to Section 322 of the Federal Civil and Commercial Procedural Code in order to obtain assurance as to the application of the minimum presumed income tax based on the decision by the Supreme Court in “Hermitage” passed on June 15, 2010.

In this established precedent, the Court had declared this tax unconstitutional since it may be unreasonable under certain circumstances and since it breaches the capacity to pay principle.

As at December 31, 2012 and 2011, the Company held a provision for the minimum presumed income tax for the fiscal years mentioned and for the proportional tax estimated for this period for a total amount of \$ 34.15 million and \$ 40.8 million, respectively, including compensatory interest.

**b. Subsidiary - EDEN**

**ADMINISTRATIVE CLAIM (ACCION DE REPETICION) – TAX ON MINIMUM PRESUMED INCOME**

**EDENOR S.A.**

**Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011  
(Continued)**

**Purpose:** To claim reimbursement by the Public Administration of Public Revenues (AFIP), of the excess amounts paid by AESEBA as Minimum Presumed Income Tax for fiscal periods 1998 through 2003.

**Amount:** \$ 25 thousand.

**Procedural stage of the proceedings:** The subsidiary company lodged two special appeals (Recurso de reconsideración) against the AFIP's resolutions claiming not only the approval of the amounts not approved by the tax authorities but also that interest be calculated as from the filing date of the administrative claim. To date, these appeals have not yet been resolved.

In August 2011, the AFIP corrected interest calculation and on 08/17/11 made payment for the period 1998 through 2001. The appeal concerning fiscal years 2002 and 2003 is still pending resolution.

**Conclusion:** Due to the above-mentioned, no provision has been recorded for this claim in these consolidated financial statements.

**MANAGEMENT OPERATOR, INCOME TAX, DEDUCTIONS, FOREIGN BENEFICIARIES**

**Purpose:** assessment procedure by the Federal Administration of Public Revenues ("AFIP") aimed at verifying the calculation of income tax and withholdings to foreign beneficiaries for fiscal periods 1998 and 1999.

Within the framework of this inspection, the AFIP noted a delay in the registration with the National Institute of Intellectual Property (INPI) of the technical assistance, know-how and operation agreement entered into on 06/02/97 by the Subsidiary Company and CEA Americas Operating Company (afterwards PSEG Americas Operating Company). As a consequence of the delay, the AFIP questioned the deduction of the amounts paid under the agreement on income tax returns for periods 1997, 1998 and 1999. Additionally, the AFIP questioned the presumed net income rate applied by the Subsidiary Company on such amounts.

**Amount:** undetermined

**Procedural stage of the proceedings:** on 04/28/09, the Subsidiary Company decided to adhere to the Tax and Social Security Contributions Regularization Plan set forth by Law No. 26,476/08, regulated by General Resolution No. 2,537/09, thereby abandoning the appeals filed with the Federal Tax Court.

**Conclusion:** Due to the above-mentioned, no provision has been recorded for these claims in these consolidated financial statements.

**EDENOR S.A.**  
**Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011**  
**(Continued)**

**10. Property, plant and equipment**

	Lands and buildings	Substations	High, medium and low voltage lines	Transforming chamber, platforms and meters	Furniture, tools, vehicles, equipment and communications	Constructions in progress	Supplies and spare parts	Total
<b>At 01.01.11</b>								
Cost	107,072	1,139,156	3,256,514	1,406,110	380,072	307,398	23,249	6,619,571
Accumulated depreciation	(24,079)	(392,709)	(1,618,749)	(556,931)	(314,773)	-	-	(2,907,241)
<b>Net amount</b>	<b>82,993</b>	<b>746,447</b>	<b>1,637,765</b>	<b>849,179</b>	<b>65,299</b>	<b>307,398</b>	<b>23,249</b>	<b>3,712,330</b>
Additions from business combinations	37,070	113,669	639,530	87,585	150,331	81,891	10,849	1,120,925
Additions	2,684	5,559	12,304	489	5,806	563,281	13,426	603,549
Disposals (1)	(444)	(139)	(1,307)	(41)	(157)	(1,633)	(5,857)	(9,578)
Transfers	59	15,294	109,429	19,378	17,191	(151,765)	(9,586)	-
Depreciation for the year (2)	(5,654)	(36,333)	(104,291)	(56,603)	(29,339)	-	-	(232,220)
Assets classified as available for sale	(22,012)	(130,940)	(739,875)	(99,765)	(142,732)	(55,540)	(8,832)	(1,199,696)
<b>Net amount 12.31.11</b>	<b>94,696</b>	<b>713,557</b>	<b>1,553,555</b>	<b>800,222</b>	<b>66,399</b>	<b>743,632</b>	<b>23,249</b>	<b>3,995,310</b>
<b>At 12.31.11</b>								
Cost	127,383	1,139,227	3,254,200	1,406,224	432,272	743,632	23,249	7,126,187
Accumulated depreciation	(32,687)	(425,670)	(1,700,645)	(606,002)	(365,873)	-	-	(3,130,877)
<b>Net amount</b>	<b>94,696</b>	<b>713,557</b>	<b>1,553,555</b>	<b>800,222</b>	<b>66,399</b>	<b>743,632</b>	<b>23,249</b>	<b>3,995,310</b>
Additions	110	-	-	-	7,060	537,547	4,329	549,046
Disposals	(320)	-	(1,268)	(98)	(200)	-	-	(1,886)
Transfers	16,255	103,340	236,606	243,161	86,174	(688,242)	2,706	-
Depreciation for the year	(5,394)	(40,626)	(84,364)	(52,232)	(12,854)	(2,401)	-	(197,871)
<b>Net amount 12.31.12</b>	<b>105,347</b>	<b>776,271</b>	<b>1,704,529</b>	<b>991,053</b>	<b>146,579</b>	<b>590,536</b>	<b>30,284</b>	<b>4,344,599</b>
<b>At 12.31.12</b>								
Cost	143,408	1,242,566	3,488,557	1,649,273	523,893	590,536	30,284	7,668,517
Accumulated depreciation	(38,061)	(466,295)	(1,784,028)	(658,220)	(377,314)	-	-	(3,323,918)
<b>Net amount</b>	<b>105,347</b>	<b>776,271</b>	<b>1,704,529</b>	<b>991,053</b>	<b>146,579</b>	<b>590,536</b>	<b>30,284</b>	<b>4,344,599</b>

(1) Includes \$ 7.7 million relating to the net disposal of the assets available for sale.

(2) Includes \$ 44.3 million relating to the year's depreciation of the assets available for sale.

- During the years ended December 31, 2012 and 2011, direct costs capitalized amounted to \$ 107.54 million and \$ 76.89 million.
- Financial costs capitalized for the years ended December 31, 2012 and 2011, amounted to \$ 25.40 million and \$ 16.13 million.

**EDENOR S.A.**

**Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011  
(Continued)**

**11. Intangible assets**

	<b>Contract right from the concessions</b>	<b>Total</b>
<b>At 01.01.11</b>		
Cost	-	-
Accumulated amortization	-	-
<b>Net amount</b>	<b>-</b>	<b>-</b>
Additions from business combinations		
	760,479	760,479
Additions	63,366	63,366
Disposals	(10,737)	(10,737)
Amortization	(20,093)	(20,093)
<b>Net amount 12.31.11</b>	<b>793,015</b>	<b>793,015</b>
<b>At 12.31.11</b>		
Cost	1,072,089	1,072,089
Accumulated amortization	(279,074)	(279,074)
<b>Net amount</b>	<b>793,015</b>	<b>793,015</b>
Additions	85,686	85,686
Disposals	(7,962)	(7,962)
Amortization	(24,891)	(24,891)
<b>Net amount 12.31.12</b>	<b>52,833</b>	<b>52,833</b>
<b>At 12.31.12</b>		
Cost	1,146,241	1,146,241
Accumulated amortization	(300,393)	(300,393)
<b>Net amount</b>	<b>845,848</b>	<b>845,848</b>

The subsidiary EDEN is the holder of the concession for the provision of the public service of electric power distribution and sale in the northern area of the Province of Buenos Aires. As stipulated in the concession agreement, the concession authority controls the services to be provided and their prices, and maintains a significant interest in the infrastructure at the end of the concession period. Due to the fact that the concession agreement grants EDEN the right to charge users for the electricity distributed, the Company recognizes an intangible asset.

The resulting intangible asset is amortized on a straight-line basis throughout the estimated useful life of each of the underlying fixed assets that make up its value, without exceeding the term of the concession.

**12. Assets under construction**

Detailed below are the main construction works financed with funds from, the Company's own funds, Program for the Rational Use of Electric Power (PUREE), Electric Power Control Authority of the Province of Buenos Aires (OCEBA) and FREBA.

	<b>Construction works with the Company's own funds</b>	<b>Construction works with PUREE funds</b>	<b>Construction works with OCEBA funds</b>	<b>Construction works with FREBA funds</b>	<b>Total</b>
<b>At January 1, 2011</b>	-	-	-	-	-
Balances at beginning of period	29,967	4,985	2,283	-	37,235
Additions	30,499	10,056	2,063	-	42,618
Transfers	(24,281)	(10,045)	(23)	-	(34,349)
<b>At December 31, 2011</b>	<b>36,185</b>	<b>4,996</b>	<b>4,323</b>	-	<b>45,504</b>
Additions	53,243	10,711	1,726	50,234	115,914
Transfers	(26,747)	(2,008)	(1,977)	(46,220)	(76,952)
<b>At December 31, 2012</b>	<b>62,681</b>	<b>13,699</b>	<b>4,072</b>	<b>4,014</b>	<b>84,466</b>

## EDENOR S.A.

Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011  
(Continued)

## 13. Financial instruments

## 13.1 Financial instruments by category

	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Non-financial assets	Total
<b>At December 31, 2012</b>				
<b>Assets</b>				
Trade receivables	891,425	-	45,688	937,113
Other receivables	113,500	-	92,569	206,069
<i>Cash and cash equivalents</i>				
Cash and Banks	18,697	-	-	18,697
Checks to be deposited	976	-	-	976
Time deposits	481	-	-	481
Money market funds	-	50,954	-	50,954
<i>Financial assets at fair value through profit or loss:</i>				
Government bonds	-	3,415	-	3,415
<b>Total</b>	<b>1,025,079</b>	<b>54,369</b>	<b>138,257</b>	<b>1,217,705</b>
<b>At December 31, 2011</b>				
<b>Assets</b>				
Trade receivables	534,732	-	45,725	580,457
Other receivables	25,364	-	101,164	126,528
Derivative financial instruments	-	1,316	-	1,316
<i>Cash and cash equivalents</i>				
Cash and Banks	22,818	-	-	22,818
Checks to be deposited	277	-	-	277
Time deposits	48,511	-	-	48,511
Money market funds	-	58,903	-	58,903
<i>Financial assets at fair value through profit or loss:</i>				
Government bonds	-	2,132	-	2,132
<b>Total</b>	<b>631,702</b>	<b>62,351</b>	<b>146,889</b>	<b>840,942</b>
<b>At January 1, 2011</b>				
<b>Assets</b>				
Trade receivables	421,193	-	45,531	466,724
Other receivables	29,767	-	28,798	58,565
<i>Cash and cash equivalents</i>				
Cash and Banks	8,016	-	-	8,016
Checks to be deposited	595	-	-	595
Time deposits	17,523	-	-	17,523
Money market funds	-	219,873	-	219,873
<i>Financial assets at fair value through profit or loss:</i>				
Government bonds	-	315,267	-	315,267
Corporate notes	-	115,569	-	115,569
<b>Total</b>	<b>477,094</b>	<b>650,709</b>	<b>74,329</b>	<b>1,202,132</b>

EDENOR S.A.

Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011  
(Continued)

	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Subtotal financial liabilities	Non-financial liabilities	Total
<b>At December 31, 2012</b>					
<b>Liabilities</b>					
Trade payables and other liabilities	1,359,623	-	1,359,623	2,029,381	3,389,004
Borrowings	1,453,843	-	1,453,843	-	1,453,843
<b>Total</b>	<b>2,813,466</b>	<b>-</b>	<b>2,813,466</b>	<b>2,029,381</b>	<b>4,842,847</b>
<b>At December 31, 2011</b>					
<b>Liabilities</b>					
Trade payables and other liabilities	742,788	-	742,788	1,470,890	2,213,678
Borrowings	1,248,907	-	1,248,907	-	1,248,907
<b>Total</b>	<b>1,991,695</b>	<b>-</b>	<b>1,991,695</b>	<b>1,470,890</b>	<b>3,462,585</b>
<b>At January 1, 2011</b>					
<b>Liabilities</b>					
Trade payables and other liabilities	434,031	-	434,031	984,518	1,418,549
Borrowings	1,081,968	-	1,081,968	-	1,081,968
Derivative financial instruments	-	7,253	7,253	-	7,253
<b>Total</b>	<b>1,515,999</b>	<b>7,253</b>	<b>1,523,252</b>	<b>984,518</b>	<b>2,507,770</b>

The income, expenses, gains and losses resulting from each category of financial instruments are as follow:

	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Total
<b>At December 31, 2012</b>			
Interest income	56,362	29,647	86,009
Exchange differences	16,277	-	16,277
Bank fees and expenses	(58,845)	-	(58,845)
Gain from financial instruments at fair value	-	39,053	39,053
Adjustment to present value of retroactive tariff increase arising from the application of the new electricity rate schedule and other trade receivables	421	-	421
<b>Total</b>	<b>14,215</b>	<b>68,700</b>	<b>82,915</b>
<b>At December 31, 2011</b>			
Interest income	33,222	22,346	55,568
Exchange differences	18,074	-	18,074
Bank fees and expenses	(37,692)	-	(37,692)
Gain from financial instruments at fair value	-	13,296	13,296
Adjustment to present value of retroactive tariff increase arising from the application of the new electricity rate schedule and other trade receivables	1,170	-	1,170
<b>Total</b>	<b>14,774</b>	<b>35,642</b>	<b>50,416</b>

	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Non-financial instruments	Total
<b>At December 31, 2012</b>				
Interest expense	(225,258)	-	(11,920)	(237,178)
Other financial results	(12,085)	-	-	(12,085)
Bank fees and expenses	(825)	-	-	(825)
Exchange differences	(210,364)	-	-	(210,364)
<b>Total</b>	<b>(448,532)</b>	<b>-</b>	<b>(11,920)</b>	<b>(460,452)</b>
<b>At December 31, 2011</b>				
Interest expense	(162,095)	-	(2,501)	(164,596)
Bank fees and expenses	(13,835)	-	-	(13,835)
Exchange differences	(120,896)	-	-	(120,896)
Gain from the purchase of financial debt	6,546	-	-	6,546
Other financial results	(15,404)	-	-	(15,404)
<b>Total</b>	<b>(305,684)</b>	<b>-</b>	<b>(2,501)</b>	<b>(308,185)</b>

EDENOR S.A.

Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011  
(Continued)

13.2 Credit quality of trade receivables

The credit quality of financial assets that are neither past due nor impaired may be assessed based on external credit ratings or historical information.

	<u>12.31.12</u>	<u>12.31.11</u>	<u>01.01.11</u>
Customers with no external credit rating (1):			
Group 1 (i)	621,425	345,866	339,428
Group 2 (ii)	211,190	64,191	66,902
Group 3 (iii)	54,091	157,226	46,231
Group 4 (iv)	50,407	13,174	14,163
<b>Total trade receivables</b>	<b><u>937,113</u></b>	<b><u>580,457</u></b>	<b><u>466,724</u></b>

(1) Balances do not include the allowance for the impairment of trade receivables

- (i) Relates to customers with debt to become due.
- (ii) Relates to customers with up to 3 months past due debt.
- (iii) Relates to customers with 3 to 12 months past due debt.
- (iv) Relates to customers with more than 12 months past due debt.

13.3 Financial assets at fair value through profit or loss

	<u>12.31.2012</u>	<u>12.31.2011</u>	<u>01.01.2011</u>
Government bonds	3,415	2,132	315,267
Corporate notes	-	-	115,569
	<b><u>3,415</u></b>	<b><u>2,132</u></b>	<b><u>430,836</u></b>

14. Other receivables

	<u>12.31.12</u>	<u>12.31.11</u>	<u>01.01.11</u>
<b>Non-current</b>			
Prepaid expenses	1,260	1,140	1,199
Tax on minimum presumed income	26,201	30,743	12,283
Tax credits	11,697	1,714	3,693
Financial receivable with SIESA (Note 40)	12,993	-	-
Receivable with EDEN S.A. class "C" shareholders	17,263	15,417	-
Other	1,077	1,249	1,321
<b>Total non-current</b>	<b><u>70,491</u></b>	<b><u>50,263</u></b>	<b><u>18,496</u></b>
<b>Current</b>			
Prepaid expenses	1,893	2,986	4,625
Advances to suppliers	47,410	39,163	4,415
Advances to personnel	3,666	4,627	6,276
Guarantee deposits	1,074	-	-
Receivables from activities other than the main activity	27,521	20,405	23,321
Financial receivable with SIESA (Note 40)	2,516	-	-
Credit with FOCEDE (Res. 347/12)	3,789	-	-
Note receivable with EDESUR S.A.	3,529	2,846	-
Judicial deposits	4,216	5,859	4,418
Related parties (Note 30)	52,292	8,282	4,169
Allowance for the impairment of other receivables	(16,011)	(12,253)	(12,799)
Other	3,683	4,350	5,644
<b>Total current</b>	<b><u>135,578</u></b>	<b><u>76,265</u></b>	<b><u>40,069</u></b>

The carrying amount of other receivables approximates fair value.

EDENOR S.A.

Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011  
(Continued)

The aging analysis of these other receivables is as follows:

	<u>12.31.12</u>	<u>12.31.11</u>	<u>01.01.11</u>
Past due	24,028	15,003	30,045
Up to 3 months	55,048	37,508	25,157
From 3 to 6 months	1,534	851	582
More than 6 months	125,459	73,166	2,781
<b>Total other receivables</b>	<b><u>206,069</u></b>	<b><u>126,528</u></b>	<b><u>58,565</u></b>

The evolution of the allowance for the impairment of receivables is as follow:

	<u>12.31.12</u>	<u>12.31.11</u>
Balance at beginning of year	12,253	12,799
Incorporation for acquisition of subsidiaries	-	4,358
Increase	4,095	1,495
Increase related parties	-	-
Uses	(337)	(6,399)
<b>Balance at end of year</b>	<b><u>16,011</u></b>	<b><u>12,253</u></b>

At the consolidated statement of financial position date, the maximum exposure to credit risk is the carrying amount of each class of other receivables.

The carrying amount of the Company's other receivables is denominated in the following currencies:

	<u>12.31.12</u>	<u>12.31.11</u>	<u>01.01.11</u>
Argentine pesos	141,283	109,105	53,918
US dollars	64,514	16,446	4,063
Euros	272	977	584
	<b><u>206,069</u></b>	<b><u>126,528</u></b>	<b><u>58,565</u></b>

**15. Trade receivables**

	<u>12.31.12</u>	<u>12.31.11</u>	<u>01.01.11</u>
<b>Non-current:</b>			
Receivables from Cost Monitoring Mechanism and others	45,688	45,725	45,531
Bonds for the cancellation of debts of the Province of Bs. As.	2,042	-	-
<b>Total non-current</b>	<b><u>47,730</u></b>	<b><u>45,725</u></b>	<b><u>45,531</u></b>
<b>Current:</b>			
Sales of electricity - Billed (1)	564,338	344,116	216,749
Sales of electricity – Unbilled	325,623	196,598	149,046
Retroactive tariff increase arising from the application of the new electricity rate schedule	-	-	20,272
Framework Agreement	25,438	25,662	33,047
National Fund of Electricity	2,984	3,353	3,437
Bonds for the cancellation of debts of the Province of Bs. As.	4,095	-	8,743
Specific fee payable for the expansion of the network, transportation and others	9,933	6,512	4,477
In litigation	20,237	16,109	14,681
Allowance for the impairment of trade receivables	(63,265)	(57,618)	(29,259)
<b>Total current</b>	<b><u>889,383</u></b>	<b><u>534,732</u></b>	<b><u>421,193</u></b>

(1) Net of Stabilization factor (Note 2.h)

The carrying amount of trade receivables approximates fair value.

At December 31, 2012, 2011 and January 1, 2011, trade receivables that were past due but for which no allowance had been recorded amounted to \$ 252.42 million, \$ 176.97 million and \$ 98.04 million, respectively. These balances relate to independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

**EDENOR S.A.**

**Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011  
(Continued)**

	<u>12.31.12</u>	<u>12.31.11</u>	<u>01.01.11</u>
Past due	315,688	216,973	127,296
Up to 3 months	573,396	317,306	292,923
From 3 to 6 months	162	246	488
More than 6 months	47,867	45,932	46,017
<b>Total trade receivables</b>	<b><u>937,113</u></b>	<b><u>580,457</u></b>	<b><u>466,724</u></b>

The roll forward of the allowance for the impairment of receivables is as follow:

	<u>12.31.12</u>	<u>12.31.11</u>
Balance at beginning of year	57,618	29,259
Additions from business combinations	-	26,400
Increase	14,425	9,313
Uses	(8,778)	(7,354)
<b>Balance at end of year</b>	<b><u>63,265</u></b>	<b><u>57,618</u></b>

At the consolidated statement of financial position date, the maximum exposure to credit risk is the carrying amount of each class of other receivables.

The carrying amount of the Company's trade receivables is denominated in the following currencies:

	<u>12.31.12</u>	<u>12.31.11</u>	<u>01.01.11</u>
Argentine pesos	937,113	580,457	466,724
	<b><u>937,113</u></b>	<b><u>580,457</u></b>	<b><u>466,724</u></b>

**16. Inventories**

	<u>12.31.12</u>	<u>12.31.11</u>	<u>01.01.11</u>
Supplies and spare-parts	85,002	45,325	12,407
<b>Total inventories</b>	<b><u>85,002</u></b>	<b><u>45,325</u></b>	<b><u>12,407</u></b>

**17. Cash and cash equivalents**

	<u>12.31.12</u>	<u>12.31.11</u>	<u>01.01.11</u>
Cash and Banks	19,673	23,095	8,611
Time deposits	481	48,511	17,523
Money market funds	50,954	58,903	219,873
<b>Total cash and cash equivalents</b>	<b><u>71,108</u></b>	<b><u>130,509</u></b>	<b><u>246,007</u></b>

**18. Discontinued operations**

As a consequence of that mentioned in note 39 to these Consolidated Financial Statements, the interest held by the subsidiary EMDERSA Holding in its subsidiary EMDERSA has been classified as "Assets of disposal groups classified as held for sale", due to the Company Management's decision to discontinue the related operations.

These assets must be valued at the lower of the book value and fair value less costs to sell. At December 31, 2012, these assets have been valued at their fair value less costs to sell, which is lower than their book value.

**EDENOR S.A.**  
**Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011**  
**(Continued)**

The detail of assets classified as held for sale is as follows:

	<b>12.31.12</b>	<b>12.31.11</b>
Em dursa Holding's equity	41,522	263,183
Percentage interest held	99.99%	99.99%
<b>Value on equity method:</b>	<b>41,518</b>	<b>263,157</b>
<b>Assets of disposal groups classified as held for sale at Net Realizable Value (NRV):</b>	<b>41,518</b>	<b>216,531</b>
<b>Change in Net Realizable Value:</b>		
Realization of assets of disposal groups classified as held for sale	(152,646)	
Gain on Net Realizable Value	(22,367)	
<b>Net change</b>	<b>(175,013)</b>	

**19. Share capital and additional paid-in capital**

	<b>Number of shares (1)</b>	<b>Share capital (2)</b>	<b>Additional paid-in capital</b>	<b>Total</b>
<b>At January 1, 2011</b>	<b>906,455,100</b>	<b>1,902,944</b>	<b>18,317</b>	<b>1,921,261</b>
Additional purchase of non-controlling interests	-	-	3,452	3,452
<b>At December 31, 2011</b>	<b>906,455,100</b>	<b>1,902,944</b>	<b>21,769</b>	<b>1,924,713</b>
Absorption of accumulated losses - Shareholders' Meeting of 04/27/2012 (Note 41)	-	(588,426)	(18,317)	(606,743)
<b>At December 31, 2012</b>	<b>906,455,100</b>	<b>1,314,518</b>	<b>3,452</b>	<b>1,317,970</b>

- (1) Includes 9,412,500 treasury shares December 31, 2012, 2011 and January 1, 2011.
- (2) Includes the nominal value of capital and treasury stock and the adjustment for inflation value of both concepts (see Note 4.26).

At December 31, 2012 and 2011, the Company's share capital amounts to 906,455,100 shares, represented by 462,292,111 common, book-entry Class A shares with a par value of one peso each and the right to one vote per share; 442,210,385 common, book-entry Class B shares with a par value of one peso each and the right to one vote per share; and 1,952,604 common, book-entry Class C shares with a par value of one peso each and the right to one vote per share. Each and every share maintains the same voting rights, i.e. one vote per share. There are no preferred shares of any kind, dividends and/or preferences in the event of liquidation, privileged participation rights, prices and dates, or unusual voting rights. Moreover, there are no significant terms of contracts allowing for either the issuance of additional shares or any commitment of a similar nature.

During fiscal year 2008, the Company acquired 9,412,500 Class B treasury shares with a nominal value of 1 peso. The amount disbursed to acquire these shares totaled \$ 6.4 million, which was deducted from inappropriate retained earnings of the equity attributable to the owners of the Company at that date.

At the date of these consolidated financial statements, these shares are held as "treasury stock". The Company is entitled to reissue these shares at a future date.

On March 3, 2011, the Company held the General Annual Meeting which resolved by majority of votes to extend for 3 years the term for holding the treasury shares acquired within the framework of section 68 of Law No. 17,811 (text consolidated by Decree No. 677/01). All the shares issued have been fully paid-in.

**The Company's Employee Stock Ownership Program**

At the time of the privatization of SEGBA (the Company's predecessor), the Argentine Government assigned the Company's Class C shares, representing 10% of the Company's outstanding capital stock, for the creation of an Employee Stock Ownership Program (ESOP) in compliance with the provisions of Law No. 23,696 and its regulatory decrees. Through this program, certain eligible employees (including former SEGBA employees who had been transferred to the Company) were entitled to receive a specified number of Class C shares, to be calculated on the basis of a formula that took into consideration a number of factors including employee salary, position and seniority. In order to implement the ESOP, a general transfer agreement, a voting trust agreement and a trust agreement were signed.

Pursuant to the general transfer agreement, participating employees were allowed to defer payment of the Class C shares over time. As security for the payment of the deferred purchase price, the Class C shares were pledged in favor of the Argentine government. This pledge was released on April 27, 2007 upon full payment to the Argentine Government of the deferred purchase price of all Class C shares. Additionally, in

## EDENOR S.A.

### Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011 (Continued)

accordance with the terms of the original trust agreement, the Class C shares were held in trust by Banco de la Nación Argentina, acting as trustee, for the benefit of the ESOP participating employees and the Argentine Government. Furthermore, in accordance with the voting trust agreement, all political rights of participating employees (including the right to vote at the Company's ordinary and extraordinary shareholders' meetings) were to be jointly exercised until full payment of the deferred purchase price and release of the pledge in favor of the Argentine Government. On April 27, 2007, ESOP participating employees fully paid the deferred purchase price to the Argentine Government, accordingly, the pledge was released and the voting trust agreement was terminated.

In accordance with the regulations applicable to the ESOP, participating employees who retired before full payment of the deferred purchase price to the Argentine Government was made, were required to transfer their shares to the Guarantee and Repurchase Fund (*Fondo de Garantía y Recompra*) at a price to be calculated in accordance with a formula established in the general transfer agreement. At the date of payment of the deferred purchase price, the Guarantee and Repurchase Fund had not fully paid the amounts due to former ESOP participating employees for the transfer of their Class C shares.

A number of former employees of both SEGBA and the Company have brought legal actions against the Guarantee and Repurchase Fund, the Argentine Government and, in few cases, against the Company, in cases in relation to the administration of the Employee Stock Ownership Program. The plaintiffs who are former employees of SEGBA were not deemed eligible by the corresponding authorities to participate in the Employee Stock Ownership Program at the time of its creation. This decision is being disputed by the plaintiffs who are therefore seeking compensation. The plaintiffs who are former employees of the Company are claiming payment for the unpaid amounts owed to them by the Guarantee and Repurchase Fund either due to non-payment of the transfer of their shares upon retirement in favor of the Guarantee and Repurchase Fund or incorrect calculation of amounts paid to them by the Guarantee and Repurchase Fund. In several of these claims, the plaintiffs have obtained attachment orders or prohibitory injunctions against the Guarantee and Repurchase Fund on Class C shares and the amounts deposited in such Fund. Due to the fact that the resolution of these legal proceedings is still pending, the Federal Government has instructed Banco de la Nación Argentina to create a Contingency Fund so that a portion of the proceeds of the offering of the Employee Stock Ownership Program Class C shares be kept during the course of the legal actions.

No provision has been recorded in these consolidated financial statements in connection with the legal actions brought against the Company as the Company's management believes that EDENOR S.A. is not responsible for the above-mentioned claims.

In accordance with the agreements, laws and decrees that govern the Employee Stock Ownership Program, the Class C shares may only be held by personnel of the Company, therefore before the public offering of the Class C shares that had been separated from the Program, such shares were converted into Class B shares and sold. In conformity with the by-laws, the political rights previously attributable to Class C shares are at present jointly exercised with those attributable to Class B shares and the holders of the remaining Class C shares will vote jointly as a single class with the holders of Class B shares when electing directors and supervisory committee members. At December 31, 2012, 2011 and January 1, 2011, 1,952,604 Class C shares, representing 0.22% of the Company's share capital are outstanding.

#### **Section 206 – Argentine Business Organizations Law**

The negative results recorded by the Company at December 31, 2012 consume 100% of the reserves and more than 50% of capital. Section 206 of the Argentine Business Organizations Law establishes the mandatory reduction of a company's capital stock when this situation occurs. Therefore, the Company's shareholders are currently analyzing alternatives, in accordance with regulation effective, to resolve this situation.

#### **20. Allocation of profits**

##### ***Restrictions on the distribution of dividends***

- i. In accordance with the provisions of Law No. 19,550, the General Annual Meeting held on April 27, 2012 resolved that the loss for the year ended December 31, 2011 must be absorbed by the Retained Earnings account.
- ii. In accordance with the provisions of Law No. 25,063, passed in December 1998, dividends to be distributed, whether in cash or in kind, in excess of accumulated taxable profits at the fiscal year-end immediately preceding the date of payment or distribution, shall be subject to a final 35% income tax withholding, except for those dividends distributed to shareholders who are residents of countries benefiting from conventions for the avoidance of double taxation who will be subject to a lower tax rate.

**EDENOR S.A.**

**Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011  
(Continued)**

- iii. Additionally, as indicated in Note 2, and in accordance with the Adjustment Agreement entered into between Edenor S.A. and the Federal Government, there are certain restrictions on the distribution of dividends by the Company and the ENRE's approval for any distribution is necessary.
- iv. In accordance with the provisions of Argentine Business Organizations Law No. 19,550, not less than five percent (5%) of the net profit arising from the statement of income for the year must be allocated to the legal reserve, until it equals twenty percent (20%) of the share capital. No charge has been recorded for this concept in the current year.
- v. Recording of the legal reserve for up to the amount absorbed, as resolved by the General Annual Meeting held on April 27, 2012 (Note 41).

**21. Trade payables**

	<u>12.31.12</u>	<u>12.31.11</u>	<u>01.01.11</u>
<b>Non-current</b>			
Customer deposits	57,785	53,477	49,129
Customer contributions	95,723	33,338	-
Pay ables for purchase	1,805	867	1,855
<b>Total non-current</b>	<u>155,313</u>	<u>87,682</u>	<u>50,984</u>
<b>Current</b>			
Pay ables for purchase of electricity - CAMMESA	421,398	138,112	115,598
Pay ables for purchase	329,509	270,585	106,028
Provision for unbilled electricity purchases - CAMMESA	259,762	134,151	111,860
Related parties	14,257	4,065	8
Customer contributions	68,237	45,954	33,965
Funding contributions substations	53,286	-	-
Other	42,083	30,806	9,654
<b>Total current</b>	<u>1,188,532</u>	<u>623,673</u>	<u>377,113</u>

The carrying amount of Trade payables approximates fair value.

**22. Other liabilities**

	<u>12.31.12</u>	<u>12.31.11</u>	<u>01.01.11</u>
<b>Non-current</b>			
Program for the rational use of electric power (Note 2.c.III)	1,277,761	867,087	529,097
ENRE penalties and discounts	617,011	506,602	455,421
<b>Total non-current</b>	<u>1,894,772</u>	<u>1,373,689</u>	<u>984,518</u>
<b>Current</b>			
Program for the rational use of electric power (Res. MIVSPBA N° 252/07)	74,693	61,566	-
ENRE penalties and discounts	45,031	35,636	-
Advance payments received for EDELAR's sale agreement	7,377	6,455	-
Related parties	2,382	15,597	1,392
Pay ables with FOCEDA (Res. 347/12)	3,789	-	-
Dividends payable	7,509	1,211	-
Other	9,606	8,169	4,542
<b>Total current</b>	<u>150,387</u>	<u>128,634</u>	<u>5,934</u>

The carrying amount of other liabilities approximates fair value.

EDENOR S.A.

Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011  
(Continued)

23. Deferred revenue

	<u>12.31.12</u>	<u>12.31.11</u>	<u>01.01.11</u>
<b>Non-current:</b>			
Related to IFRIC 12	230,061	157,338	-
Customer contribution non refundable	<u>34,366</u>	<u>17,458</u>	-
<b>Total Non-current</b>	<u><b>264,427</b></u>	<u><b>174,796</b></u>	<u>-</u>

24. Borrowings

	<u>12.31.12</u>	<u>12.31.11</u>	<u>01.01.11</u>
<b>Non-current</b>			
Financial loans	5,424	6,890	-
Corporate notes	<u>1,345,276</u>	<u>1,182,992</u>	<u>1,035,113</u>
<b>Total non-current</b>	<u><b>1,350,700</b></u>	<u><b>1,189,882</b></u>	<u><b>1,035,113</b></u>
<b>Current</b>			
Financial loans	31,371	6,871	-
Interest	35,107	28,869	21,237
Corporate notes	11,665	23,285	25,618
Overdrafts	25,000	-	-
<b>Total current</b>	<u><b>103,143</b></u>	<u><b>59,025</b></u>	<u><b>46,855</b></u>

The maturities of the Company's borrowings and its exposure to interest rates are as follow:

	<u>12.31.12</u>	<u>12.31.11</u>	<u>01.01.11</u>
<b>Fixed rate</b>			
Less than 1 year	61,028	35,740	-
From 1 to 2 years	424	-	37,467
From 2 to 3 years	-	-	-
From 3 to 4 years	-	-	-
From 4 to 5 years	-	-	-
More than 5 years	<u>1,345,276</u>	<u>1,171,326</u>	<u>997,646</u>
	<u><b>1,406,728</b></u>	<u><b>1,207,066</b></u>	<u><b>1,035,113</b></u>
<b>Floating rate</b>			
Less than 1 year	42,115	23,285	46,855
From 1 to 2 years	5,000	15,111	-
From 2 to 3 years	-	3,445	-
From 3 to 4 years	-	-	-
From 4 to 5 years	-	-	-
More than 5 years	-	-	-
	<u><b>47,115</b></u>	<u><b>41,841</b></u>	<u><b>46,855</b></u>
	<u><b>1,453,843</b></u>	<u><b>1,248,907</b></u>	<u><b>1,081,968</b></u>

The carrying amount of current borrowings approximates fair value due to their short-term maturity.

At December 31, 2012, 2011 and January 1, 2011, the fair value of non-current borrowings amounts to \$ 1,220.22 million, \$ 1,061.08 million and \$ 905.44 million, respectively.

The Company's borrowings are denominated in the following currencies:

	<u>12.31.12</u>	<u>12.31.11</u>	<u>01.01.11</u>
Argentine pesos	72,294	49,973	42,037
US dollars	<u>1,381,549</u>	<u>1,198,934</u>	<u>1,039,931</u>
	<u><b>1,453,843</b></u>	<u><b>1,248,907</b></u>	<u><b>1,081,968</b></u>

**EDENOR S.A.**

**Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011  
(Continued)**

The roll forward of the Company's borrowings during the year was as follows:

<b>Balance at 01.01.2011</b>	<b>1,081,968</b>
Principal borrowed	298,190
Principal repaid	(252,542)
Interest paid	(127,891)
Exchange difference and interest accrued	249,182
<b>Balance at 12.31.2011</b>	<b>1,248,907</b>
Principal borrowed	95,751
Principal repaid	(177,530)
Interest paid	(32,733)
Exchange difference and interest accrued	319,448
<b>Balance at 12.31.2012</b>	<b>1,453,843</b>

The main features of the Company and each of its subsidiaries' borrowings are detailed below:

**THE COMPANY'S BORROWINGS**

**Corporate notes programs**

The Company is included in a Corporate Notes program, the relevant information of which is detailed below:

**Debt issued in United States dollars**

Corporate Notes	Class	Rate	Year of Maturity	Million of USD					Million of \$ At 12-31-12
				Debt structure at 01-01-11	Debt purchase in 2011	Issuance 4-26-11	Debt structure at 12-31-11	Debt structure at 12-31-12	
Floating Rate Par Note	A	LIBO + 2	2019	12.66	(12.66)	-	-	-	-
Fixed Rate Par Note	7	10.50	2017	24.76	-	-	24.76	24.76	121.77
Fixed Rate Par Note <sup>(1)</sup>	9	9.75	2022	219.18	(41.45)	69.70	247.43	247.43	1,222.51
<b>Total</b>				<b>256.60</b>	<b>(54.11)</b>	<b>69.70</b>	<b>272.19</b>	<b>272.19</b>	<b>1,344.28</b>

(1) Net of issuance expenses.

**Debt issued in Argentine pesos**

Corporate Notes	Debt Structure (Million of \$)			
	Class	Rate	Year of Maturity	At 12.31.12
Floating Rate Par Note	8	BADLAR + 6,75	2013	11.66
<b>Total</b>				<b>11.66</b>

The Company used the net proceeds from the sale of the Corporate Notes in these offerings to refinance part of its short-term indebtedness, finance its capital expenditures plan and increase working capital.

**The main covenants are the following:**

- i. Negative Covenants

The terms and conditions of the Corporate Notes include a series of negative covenants that limit the Company's actions with regard to, among others, the following:

- encumbrance or authorization to encumber its property or assets;
- incurrence of indebtedness, in certain specified cases;
- sale of the Company's assets related to its main business;
- carrying out of transactions with shareholders or related companies;
- making certain payments (including, among others, dividends, purchases of Edenor's common shares or payments on subordinated debt).

## EDENOR S.A.

### Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011 (Continued)

#### ii. Suspension of Covenants:

Certain negative covenants stipulated in the terms and conditions of the Corporate Notes will be suspended or adjusted if:

The Company's long-term debt rating is raised to Investment Grade, or the Company's Level of Indebtedness is equal to or lower than 2.5.

If the Company subsequently loses its Investment Grade rating or its Level of Indebtedness is higher than 2.5, as applicable, the suspended negative covenants will be once again in effect.

However, the reinstatement of the covenants will not affect those acts which the Company may have performed during the suspension of such covenants.

#### EDENOR'S FINANCIAL LOANS

In August 2011, the Company took out a financial loan from Banco Ciudad for a principal amount of \$ 5.8 million accruing interest at an annual rate of 14.8% and falling due on February 6, 2012. Interest is paid on a monthly basis as from August 31, 2011. At the closing date of these consolidated financial statements, the Company entered into an Addendum with Banco Ciudad pursuant to which the maturity date of the aforementioned loan is extended to February 2014.

Additionally, in March and June 2011, the Company took out loans from Banco de la Provincia de Buenos Aires for a total principal amount of \$ 22 million accruing interest at an annual rate of 14% and falling due in March 2012, May 2012 and June 2014. Interest is paid on a monthly basis.

At December 31, 2012 and 2011, the outstanding balance under the aforementioned loans amounts to \$ 1.17 million and \$ 13.86 million respectively.

#### AESEBA'S FINANCIAL LOANS

##### Loans

On March 4, 2011, EDEN S.A. made an early repayment of the balance outstanding at that date under the financial loan granted by Standard Bank Argentina S.A. and HSBC Argentina S.A. Such repayment was made with the Distribution Company's own funds and the proceeds of a loan in local currency for \$ 80 million granted at that date to EDEN S.A. by the Company. As stipulated in the original loan agreement, the loan accrues interest at an annual nominal rate of 16% with both principal and interest falling due on April 30, 2011.

On April 29, 2011, EDEN S.A. agreed with the Company to extend the maturity date of the loan to April 30, 2012, having paid at that time interest accrued through April 30, 2011 for \$ 2 million. Additionally, the new agreement stipulates that interest will be paid semi-annually in arrears, with the first installment falling due on October 31, 2011.

Furthermore, on November 3, 2011, EDEN S.A. entered into an agreement with the Company for the granting of a USD 3.1 million one-year term loan to be applied to the settlement of the debt with the management operator. As stipulated in the agreement, the loan accrues compensatory interest at an annual nominal rate of 8.5% payable quarterly, with principal falling due at maturity.

On February 10, 2012, EDEN entered into an agreement with Banco Nación Argentina for the granting of a \$ 60 million two-year term loan. The loan accrues compensatory interest at the Badlar rate plus 400 basis points, with principal and interest payments falling due on a monthly basis. Such amount was applied to the repayment of the financial loan granted by Edenor.

On June 22, 2012, Empresa Distribuidora de Energía Norte S.A. entered into an overdraft agreement with Banco Santander Rio, the main aspects of which are as follow: (i) the Bank will grant financial assistance for a maximum amount of up to \$ 35 million to be provided by means of three applications under the overdraft agreement; (ii) the funds will be mainly used to refinance working capital; (iii) the final maturity of the funds will be as follow: two applications for \$ 5 million each, on July 23, 2012 and August 21, 2012, respectively; the remaining application, for an amount of \$ 25 million, will fall due on February 27, 2013; (iv) the funds will accrue compensatory interest at an annual nominal rate (ANR) of 16.50%; 16.75% and 21.75% respectively, which will be fixed during the term of each application under the overdraft agreement; (v) Empresa Distribuidora de Energía Norte S.A. will pay late payment/default interest at an annual nominal rate equivalent to 50% of the applicable interest rate if it does not pay amounts when due or fails to comply with any of its payment obligations.

On April 13, 2012, EDEN Shareholders' Meeting approved: (i) the creation of a short-term debt securities program of up to \$200,000,000 (or its equivalent in other currencies) outstanding at any time, in

**EDENOR S.A.**

**Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011  
(Continued)**

the form of unsecured, subordinated or not, with or without limited recourse, and with or without third-party guarantee short-term (simple, non-convertible into shares) corporate notes, promissory notes and/or short-term securities, under the special system of short-term debt securities established in the CNV's Regulations, (ii) the issuance, in the framework of the Program, of unsecured, subordinated or not, with or without limited recourse, and with or without third-party guarantee short-term (simple, non-convertible into shares) corporate notes for up to the maximum amount of the Program outstanding at any time, to be issued in one or more classes and/or series and denominated in pesos and/or in any other currency, and (iii) the consideration of the application for the registration of the company in the special registry for the issuance and public offering, to qualified investors only, of short-term debt securities.

On June 26, 2012, the CNV informed about the registration of the application made by the Subsidiary Company in accordance with that mentioned in the preceding paragraph. As of the date of these Financial Statements, the Program's approval is in process.

**25. Salaries and social security**

a) Salaries and social security taxes payable

	<u>12.31.12</u>	<u>12.31.11</u>	<u>01.01.11</u>
<b>Non-current</b>			
Early retirements payable	1,983	5,526	6,845
Seniority-based bonus	<u>15,477</u>	<u>18,065</u>	<u>12,432</u>
<b>Total non-current</b>	<b><u>17,460</u></b>	<b><u>23,591</u></b>	<b><u>19,277</u></b>
<b>Current</b>			
Salaries payable and provisions	327,568	260,007	160,616
Social security taxes payable	53,018	10,536	13,651
Early retirements payable	<u>3,721</u>	<u>5,246</u>	<u>6,165</u>
<b>Total current</b>	<b><u>384,307</u></b>	<b><u>275,789</u></b>	<b><u>180,432</u></b>

b) Salaries and social security taxes expenses

	<u>12.31.12</u>	<u>12.31.11</u>
Salaries	663,434	480,948
Social security taxes	<u>220,352</u>	<u>189,448</u>
<b>Total salaries and social security taxes</b>	<b><u>883,786</u></b>	<b><u>670,396</u></b>

Early retirements payable correspond to individual optional agreements. After employees reach a specific age, the Company may offer them this option. The related accrued liability represents future payment obligations which at December 31, 2012, 2011 and January 1, 2011, amount to \$ 3.72 million, \$ 5.25 million and \$ 6.17 million (current) and \$ 1.98 million, \$ 5.53 million and \$ 6.85 million (non-current), respectively.

A seniority-based bonus to be granted to employees with a certain number of years of service, as stipulated in collective bargaining agreements in effect. As of December 31, 2012, 2011 and January 1<sup>o</sup> 2011, the accrual for such bonuses amounted to \$ 15.48 million, \$ 18.07 million and \$ 12.43 million, respectively.

At December 31, 2012, 2011 and January 1, 2011, the number of contracted employees amounts to 2,966, 2,836 and 2,687, respectively.

**EDENOR S.A.**

**Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011  
(Continued)**

**26. Benefit plans**

Benefit plans grants to employees which certain age and in condition to be retired under ordinary pension plan.

The amounts and conditions vary in accordance with the collective bargaining agreement and for employees who are not union members.

	<b>12.31.12</b>	<b>12.31.11</b>	<b>01.01.11</b>
Non-current	97,436	83,503	41,492
Current	14,968	11,326	-
<b>Total Benefit plans</b>	<b>112,404</b>	<b>94,829</b>	<b>41,492</b>

The detail of the benefit plan obligations at December 31, 2012 and 2011 is as follows:

	<b>12.31.12</b>	<b>12.31.11</b>
Benefit payment obligations at beginning of year (1)	94,829	73,155
Current service cost	5,134	3,211
Interest cost	25,892	12,436
Actuarial losses	(4,701)	13,764
Benefits paid to participating employees	(8,750)	(7,737)
<b>Benefit payment obligations at end of year</b>	<b>112,404</b>	<b>94,829</b>

- (1) Include \$ 31.67 million related to EDEN S.A. business combination.

The breakdown of the benefit obligations by segments is as follow:

**Segment information:**

EDENOR	67,104	58,666
AESEBA	45,300	36,163
	<b>112,404</b>	<b>94,829</b>

At December 31, 2012, 2011 and January 1, 2011, the Company does not have any assets related to the benefit plans or post-retirement benefits.

The detail of the charge recognized in the consolidated statement of comprehensive loss is as follows:

	<b>12.31.12</b>	<b>12.31.11</b>
Cost	5,134	3,211
Interest	25,892	12,436
	<b>31,026</b>	<b>15,647</b>

The main actuarial assumptions used by the Company were the following:

	<b>12.31.12</b>	<b>12.31.11</b>
Discount rate	6%	6%
Salary increase	2%	2%
Inflation	22%	29%

The following information shows the effect of a 1% variation in the discount rate for the projection at December 31, 2012 and 2011:

	<b>Changes in assumptions</b>	<b>Increase in assumptions</b>	<b>Decrease in assumptions</b>
Discount rate	1%	6.75%	5.93%
Salary growth rate	1%	6.28%	5.56%

Estimates based on actuarial techniques imply the use of statistical tools, such as the so-called demographic tables used in the actuarial valuation of Edenor S.A. active personnel.

In order to determine the mortality of Edenor active personnel, the "Group Annuity Mortality of the year 1971" has been used. In general, a mortality table shows for each age group the probability that a person

**EDENOR S.A.**

**Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011  
(Continued)**

in any such age group will die before reaching a predetermined age. Male and female mortality tables are elaborated separately inasmuch as men and women's mortality rates are substantially different.

In order to estimate total and permanent disability due to any cause, 80% of the "1985 Pension Disability Study" table has been used.

In order to estimate the probability that Edenor S.A. active personnel will leave the Company or stay therein, the "ESA 77" table has been used.

Liabilities related to the above-mentioned benefit plans have been determined contemplating all the rights accrued by the beneficiaries of the plans through the closing date of the year ended December 31, 2012.

**27. Income tax and tax on minimum presumed income**

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

	<u>12.31.12</u>	<u>12.31.11</u>	<u>01.01.11</u>
<i>Deferred tax assets:</i>			
Deferred tax assets to be recovered in more than 12 months	366,307	131,421	172,147
Deferred tax assets to be recovered in less than 12 months	<u>7,044</u>	<u>6,205</u>	<u>18,562</u>
	<u><b>373,351</b></u>	<u><b>137,626</b></u>	<u><b>190,709</b></u>
<i>Deferred tax liabilities:</i>			
Deferred tax liabilities to be recovered in more than 12 months	(590,145)	(471,129)	(436,502)
Deferred tax liabilities to be recovered in less than 12 months	<u>(13,617)</u>	<u>(15,246)</u>	<u>(4,486)</u>
	<u><b>(603,762)</b></u>	<u><b>(486,375)</b></u>	<u><b>(440,988)</b></u>

The rollforward of deferred tax assets and liabilities considered at December 31, 2012 and 2011, respectively, is detailed below:

<b>Balance at January 1, 2011</b>	<u><b>(250,279)</b></u>
Charged to the statement of comprehensive loss	(114,147)
Charged to other comprehensive loss	10,192
Effect for acquisition of subsidiaries net of subsidiaries classified as held for sale	5,485
<b>Balance at December 31, 2011</b>	<u><b>(348,749)</b></u>
Charged to the statement of comprehensive loss	119,984
Charged to other comprehensive loss	(1,646)
<b>Balance at December 31, 2012</b>	<u><b>(230,411)</b></u>

	<u>Total</u>	<u>Property, plant and equipment and Other</u>
<b>Deferred tax liabilities:</b>		
<b>Balance at January 1, 2011</b>	<u><b>440,988</b></u>	<u>440,988</u>
Charged to the statement of comprehensive loss	45,387	45,387
<b>Balance at December 31, 2011</b>	<u><b>486,375</b></u>	<u><b>486,375</b></u>
Charged to the statement of comprehensive loss	117,387	117,387
<b>Balance at December 31, 2012</b>	<u><b>603,762</b></u>	<u><b>603,762</b></u>

	<u>Total</u>	<u>Accrued provisions and provisions for impairment</u>	<u>Tax losses carry forward</u>	<u>Other</u>
<b>Deferred tax assets:</b>				
<b>Balance at January 1, 2011</b>	<u><b>190,709</b></u>	<u><b>178,681</b></u>	<u><b>11,586</b></u>	<u><b>442</b></u>
Business combinations	5,485	5,485	-	-
Charged to the statement of comprehensive loss	(68,760)	(56,770)	(11,586)	(404)
Charged to other comprehensive loss	10,192	10,192	-	-
<b>Balance at December 31, 2011</b>	<u><b>137,626</b></u>	<u><b>137,588</b></u>	<u><b>-</b></u>	<u><b>38</b></u>
Charged to the statement of comprehensive loss	237,371	237,356	-	15
Charged to other comprehensive loss	(1,646)	(1,646)	-	-
<b>Balance at December 31, 2012</b>	<u><b>373,351</b></u>	<u><b>373,298</b></u>	<u><b>-</b></u>	<u><b>53</b></u>

EDENOR S.A.

Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011  
(Continued)

The detail of the income tax charge is disclosed below:

	<u>12.31.2012</u>	<u>12.31.2011</u>
Current tax	4,602	40,266
Deferred tax	(119,985)	114,147
Difference between provision and tax return	15,604	(1,442)
<b>Income tax</b>	<b><u>(99,779)</u></b>	<b><u>152,971</u></b>

The reconciliation between income tax as charged to the results of operations and the amount that would result from applying the tax rate in effect to the results of operations before taxes, is as follows:

	<u>12.31.2012</u>	<u>12.31.2011</u>
Loss before income tax	(1,090,828)	1,121
<b>Subtotal</b>	<b><u>(1,090,828)</u></b>	<b><u>1,121</u></b>
Applicable tax rate	35%	35%
<b>(Loss) Profit at the tax rate</b>	<b><u>(381,790)</u></b>	<b><u>392</u></b>
Tax effects of:		
Unrecognized losses carry forward	262,059	149,011
Permanent differences	4,348	5,010
Difference between provision and tax return	15,604	(1,442)
<b>Income tax</b>	<b><u>(99,779)</u></b>	<b><u>152,971</u></b>

Tax losses carryforward in effect and not recognized in the financial statements, in accordance with that mentioned in Note 1, are as follow:

<b>Tax loss carryforward</b>	<u>Amount</u>	<u>Rate 35%</u>	<u>Year of expiration</u>
Generated in fiscal year 2008	70	25	2013
Generated in fiscal year 2009	12,134	4,247	2014
Generated in fiscal year 2010	25,048	8,767	2015
Generated in fiscal year 2011	262,997	92,049	2016
Generated in fiscal year 2012	932,712	326,449	2017
<b>Total tax loss carryforward al December 31, 2012</b>	<b><u>1,232,961</u></b>	<b><u>431,537</u></b>	

Additionally, at December 31, 2012, the minimum presumed income tax receivable of \$ 26.2 million have been disclosed in other non-current receivables.

The detail of the aforementioned receivable is as follows.

<b>Minimum presumed income tax receivable</b>	<u>Amount</u>	<u>Year of expiration</u>
Generated in fiscal year 2010	17,330	2020
Generated in fiscal year 2011	34,683	2021
Generated in fiscal year 2012	35,805	2022
	<b><u>87,818</u></b>	

**28. Taxes liabilities**

	<u>12.31.12</u>	<u>12.31.11</u>	<u>01.01.11</u>
<b>Non-current:</b>			
Tax regularization plan Law No. 26,476	9,971	17,652	8,979
<b>Total Non-current</b>	<b><u>9,971</u></b>	<b><u>17,652</u></b>	<b><u>8,979</u></b>
<b>Current:</b>			
Provincial, municipal and federal contributions and taxes	88,720	44,130	32,024
VAT payable	21,204	14,196	30,901
Income tax and tax on minimum presumed income (net of advances and payments on account)	4,525	19,093	-
Withholdings taxes	35,873	20,358	9,798
Municipal taxes	40,462	36,855	27,159
Tax regularization plan Law No. 26,476	2,825	1,415	1,364
Other	8,937	11,676	9,834
<b>Total Current</b>	<b><u>202,546</u></b>	<b><u>147,723</u></b>	<b><u>111,080</u></b>

**EDENOR S.A.**

**Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011  
(Continued)**

**29. Leases**

• **As lessee**

The features that these lease contracts have in common are that lease payments (installments) are established as fixed amounts; there are neither purchase option clauses nor renewal term clauses (except for the lease contract of the Energy Handling and Transformation Center that has an automatic renewal clause for the term thereof); and there are prohibitions such as: transferring or sub-leasing the building, changing its use and/or making any kind of modifications thereto. All operating lease contracts have cancelable terms and lease periods of 2 to 13 years.

Among them the following can be mentioned: commercial offices, two warehouses, the headquarters building (comprised of administration, commercial and technical offices), the Energy Handling and Transformation Center (two buildings and a plot of land located within the perimeter of Central Nuevo Puerto and Puerto Nuevo) and Las Heras substation.

At December 31, 2012, 2011 and January 1, 2011, future minimum payments with respect to operating leases are as follow:

	<b>12.31.12</b>	<b>12.31.11</b>	<b>01.01.11</b>
2011	-	-	6,748
2012	-	12,101	8,659
2013	16,653	9,483	8,470
2014	17,006	9,087	8,406
2015	9,657	3,127	2,900
2016	4,943	147	147
2017	4,753	147	-
2018	147	-	-
<b>Total minimum future payments</b>	<b>53,159</b>	<b>34,092</b>	<b>35,330</b>

Total rental expenses for all operating leases for the years ended December 31, 2011 and 2012 are as follow:

	<b>12.31.12</b>	<b>12.31.11</b>
<b>Total lease expenses</b>	<b>14,687</b>	<b>11,751</b>

• **As lessor**

The Company has entered into operating lease contracts with certain cable television companies granting them the right to use the poles of the Company's network. Most of these lease contracts include automatic renewal clauses.

At December 31, 2012, 2011 and January 1, 2011, future minimum lease collections with respect to operating leases are as follow:

	<b>12.31.12</b>	<b>12.31.11</b>	<b>01.01.11</b>
2011	-	-	20,898
2012	-	26,836	1,924
2013	42,817	24,383	89
2014	3,299	22	20
2015	146	-	-
2016	-	-	-
2017	-	-	-
2018	-	-	-
<b>Total future minimum lease collections</b>	<b>46,262</b>	<b>51,241</b>	<b>22,931</b>

**EDENOR S.A.**

**Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011  
(Continued)**

Total rental income for all operating leases for the years ended December 31, 2011 and 2012 is as follows:

	<b>12.31.12</b>	<b>12.31.11</b>
<b>Total lease income</b>	<b>34,762</b>	<b>22,511</b>

The information contained in this note relates exclusively to Edenor S.A. as the effect of the Subsidiaries is not significant.

**30. Provisions**

	<b>Non-current liabilities</b>	<b>Current liabilities</b>
	<b>Contingencies</b>	<b>Contingencies</b>
<b>Balances at beginning of year 01.01.11</b>	<b>6,816</b>	<b>57,832</b>
Balances incorporates for acquisitions of companies	2,751	17,169
Increases	4,490	3,604
Decreases	(1,454)	(14,720)
Reclassifications	53,541	(53,541)
<b>Balances at end of year 31.12.11</b>	<b>66,144</b>	<b>10,344</b>
Increases	13,700	12,742
Increases related companies	-	-
Decreases	-	(12,418)
Reclassifications	175	(175)
<b>Balances at end of year 31.12.12</b>	<b>80,019</b>	<b>10,493</b>

**31. Revenue from sales**

	<b>12.31.12</b>	<b>12.31.11</b>
Sales of Electricity	3,679,264	2,771,226
Right of use on poles	39,012	26,604
Connection charges	4,951	5,631
Reconnection charges	2,029	2,356
	<b>3,725,256</b>	<b>2,805,817</b>

**32. Expenses by nature**

The detail of expenses by nature (including those relating to discontinued operations) is as follows:

<b>Description</b>	<b>12.31.12</b>			
	<b>Transmission and distribution expenses</b>	<b>Selling expenses</b>	<b>Administrative expenses</b>	<b>Total</b>
Salaries and social security taxes	582,365	161,840	139,581	<b>883,786</b>
Pension plan	13,324	3,368	14,334	<b>31,026</b>
Communication expenses	7,890	20,852	3,860	<b>32,602</b>
Allowance for doubtful accounts	-	18,520	-	<b>18,520</b>
Supplies consumption	93,130	-	6,513	<b>99,643</b>
Rent and insurance	5,120	-	18,504	<b>23,624</b>
Security services	11,839	3,430	4,570	<b>19,839</b>
Fees and remuneration for services	495,328	170,534	78,326	<b>744,188</b>
Maintenance expenses	32,815	-	11,574	<b>44,389</b>
Public relations and marketing	-	-	4,808	<b>4,808</b>
Advertising and sponsorship	-	-	2,477	<b>2,477</b>
Reimbursement to personnel	1,640	359	1,105	<b>3,104</b>
Depreciation of property, plant and equipment	187,454	7,165	3,252	<b>197,871</b>
Amortization of intangible assets	24,891	-	-	<b>24,891</b>
Directors and Supervisory Committee members' fees	-	-	2,695	<b>2,695</b>
ENRE penalties	113,632	11,018	-	<b>124,650</b>
Taxes and charges	-	32,506	3,516	<b>36,022</b>
Other	644	811	1,289	<b>2,744</b>
<b>Total at 12.31.2012</b>	<b>1,570,072</b>	<b>430,403</b>	<b>296,404</b>	<b>2,296,879</b>

The expenses included in the chart above are net of the Company's own expenses capitalized in property, plant and equipment at December 31, 2012 for \$ 107.54 million.

EDENOR S.A.

Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011  
(Continued)

Description	12.31.11			
	Transmission and distribution expenses	Selling expenses	Administrative expenses	Total
Salaries and social security taxes	462,747	110,273	97,376	670,396
Pension plan	10,801	2,574	2,272	15,647
Communication expenses	6,714	16,579	4,401	27,694
Allowance for doubtful accounts	-	10,808	-	10,808
Supplies consumption	57,225	1,152	3,288	61,665
Rent and insurance	4,124	527	14,545	19,196
Security services	8,159	2,281	3,803	14,243
Fees and remuneration for services	249,525	129,261	62,680	441,466
Maintenance expenses	11,583	-	4,086	15,669
Public relations and marketing	-	-	11,212	11,212
Advertising and sponsorship	-	392	5,857	6,249
Reimbursement to personnel	1,507	314	1,059	2,880
Depreciation of property, plant and equipment	183,159	1,997	2,737	187,893
Amortization of intangible assets	20,093	-	-	20,093
Directors and Supervisory Committee members' fees	-	-	4,868	4,868
ENRE penalties	74,753	6,305	-	81,058
Taxes and charges	-	26,992	2,101	29,093
Other	4,435	857	4,031	9,323
<b>Total at 12.31.2011</b>	<b>1,094,825</b>	<b>310,312</b>	<b>224,316</b>	<b>1,629,453</b>

The expenses included in the chart above are net of the Company's own expenses capitalized in property, plant and equipment at December 31, 2011 for \$ 76.89 million.

**33. Other operating income / (expense)**

	12.31.12	12.31.11
<b>Other operating income</b>		
Services provided to third parties	15,866	14,898
Commissions on municipal taxes collection	6,650	5,387
Other net income with Related Companies	2,790	352
Recovery of tax credits	5,112	6,606
Others	2,918	658
<b>Total other operating income</b>	<b>33,336</b>	<b>27,901</b>
<b>Other operating expense</b>		
Net expense from technical services	(10,598)	(5,148)
Cost for services provided to third parties	(13,688)	(8,013)
Voluntary Retirements - Bonuses	(10,126)	(10,897)
Severance paid	(4,819)	(5,844)
Impairment of other receivables (Note 40)	(37,266)	-
Provision for contingencies	(26,442)	(8,094)
Disposals of property, plant and equipment	(1,886)	(1,878)
Disposals of intangible assets	(7,962)	(10,737)
Transaction costs	-	(4,269)
<b>Total other operating expense</b>	<b>(112,787)</b>	<b>(54,880)</b>

EDENOR S.A.

Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011  
(Continued)

34. Net financial expense

	<u>12.31.12</u>	<u>12.31.11</u>
<u>Financial income</u>		
Late payment charges	29,130	31,269
Interest	56,879	24,299
<b>Total financial income</b>	<b>86,009</b>	<b>55,568</b>
<u>Financial expenses</u>		
Financial interest (1)	(160,757)	(156,958)
Fiscal interest	(11,920)	(2,501)
Commercial interest	(64,501)	(5,137)
Bank fees and expenses	(59,670)	(51,527)
<b>Total financial expenses</b>	<b>(296,848)</b>	<b>(216,123)</b>
<u>Other financial results</u>		
Exchange differences	(194,087)	(102,822)
Adjustment to present value of retroactive tariff increase arising from the application of the new electricity rate schedule and other trade receivables	421	1,170
Changes in fair value of financial instruments	39,053	13,296
Gain from the purchase of financial debt	-	6,546
Other financial results	(12,085)	(15,404)
<b>Total other financial results</b>	<b>(166,698)</b>	<b>(97,214)</b>
<b>Total net financial expense</b>	<b>(377,537)</b>	<b>(257,769)</b>

- (1) Net of financial costs capitalized for the years ended December 31, 2012 and 2011, amounted to \$ 107.54 million and \$ 76.89 million, respectively.

35. Gain (losses) per share

*Basic*

The basic losses per share are computed by dividing the result attributable to the holders of the Company's equity instruments by the weighted average number of common shares outstanding at December 31, 2012 and 2011, excluding treasury shares acquired by the Company (Notes 4.26 and 19).

*Diluted*

Diluted losses per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. There are no losses per share dilution, as the Company has issued neither preferred shares nor corporate notes convertible into common shares.

	<u>12.31.12</u>		<u>12.31.11</u>	
	<u>Continuing operations</u>	<u>Discontinued operations</u>	<u>Continuing operations</u>	<u>Discontinued operations</u>
Loss for the year attributable to the parent	(1,000,621)	(15,849)	(157,675)	(146,382)
Weighted average number of thousands common shares outstanding	897,043	897,043	897,043	897,043
<b>Basic and diluted (loss) gain per share – in pesos</b>	<b>(1.12)</b>	<b>(0.02)</b>	<b>(0.17)</b>	<b>(0.16)</b>

The Company has not issued any stock option.

**EDENOR S.A.**  
**Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011**  
**(Continued)**

**36. Transactions among related parties**

- Transactions carried out among related parties are as follow:

**a. Income**

**EDENOR**

<u>Companies</u>	<u>Description</u>	<u>12.31.12</u>	<u>12.31.11</u>
CYCSA	Other income	2,790	352
PYSSA	Interest	-	25
PESA	Interest	5,572	-
		<b>8,362</b>	<b>377</b>

**b. Expense**

**EDENOR**

<u>Companies</u>	<u>Description</u>	<u>12.31.12</u>	<u>12.31.11</u>
EASA	Technical advisory services on	(11,325)	(10,300)
SACME	Implementation of operative system	(10,883)	(8,009)
Errecondo, Salaverri, Dellatorre, Gonzalez & Burgio	Legal fees	(685)	(3,534)
PYSSA	Financial and granting of loan services to customers	(74)	(90)
PESA	Financing expenses and costs	-	(1,760)
		<b>(22,967)</b>	<b>(23,693)</b>

**EDEN**

<u>Companies</u>	<u>Description</u>	<u>12.31.12</u>	<u>12.31.11</u>
EASA	Financing expenses and costs	(15,461)	(10,969)
EASA	Exchange difference on commercial debts	(790)	-
CTG	Electric power purchase	(2,495)	(307)
CPB	Electric power purchase	(13,689)	(1,109)
		<b>(32,435)</b>	<b>(12,385)</b>

- Balances carried out among related parties are as follow:

**c. Financial assets at fair value, receivables and payables**

**EDENOR**

<u>Companies</u>	<u>12.31.12</u>	<u>12.31.11</u>	<u>01.01.11</u>
<u>Financial assets at fair value</u>			
Transener S.A.	-	-	17,527
	-	-	<b>17,527</b>
<u>Other receivables</u>			
SACME	9,007	8,068	4,168
PESA (Note 40)	43,285	179	-
PYSSA	-	35	1
	<b>52,292</b>	<b>8,282</b>	<b>4,169</b>
<u>Trade payables</u>			
EASA	-	(1,080)	-
PYSSA	-	(8)	(8)
	-	<b>(1,088)</b>	<b>(8)</b>
<u>Other liabilities</u>			
SACME	(2,375)	(1,317)	(1,392)
PESA	(7)	(9,252)	-
	<b>(2,382)</b>	<b>(10,569)</b>	<b>(1,392)</b>

**EDENOR S.A.**

**Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011  
(Continued)**

**EDEN**

<u>Companies</u>	<u>12.31.12</u>	<u>12.31.11</u>	<u>01.01.11</u>
<u>Trade payables</u>			
POWERCO	(873)	(5)	-
EASA	(11,178)	(2,561)	-
CTG	(488)	(343)	-
CPB	(1,718)	(68)	-
	<b><u>(14,257)</u></b>	<b><u>(2,977)</u></b>	<b><u>-</u></b>

**AESEBA**

<u>Companies</u>	<u>12.31.12</u>	<u>12.31.11</u>	<u>01.01.11</u>
<u>Other liabilities - Dividends</u>			
PISA	-	(5,028)	-
	<b><u>-</u></b>	<b><u>(5,028)</u></b>	<b><u>-</u></b>

**d. Key management personnel's remuneration**

	<u>12.31.12</u>	<u>12.31.11</u>	<u>01.01.11</u>
Salaries	32,648	29,128	21,618
	<b><u>32,648</u></b>	<b><u>29,128</u></b>	<b><u>21,618</u></b>

Other receivables with related parties are not secured and do not accrue interest. No allowances have been recorded for these concepts in any of the periods covered by these financial statements.

The main agreements entered into with related parties are as follow:

*(a) Agreement with Comunicaciones y Consumos S.A.*

During 2007 and 2008, the Company and Comunicaciones y Consumos S.A. (CYCSA) entered into agreements pursuant to which the Company granted CYCSA the exclusive right to provide telecommunications services to the Company customers through the use of the Company's network in accordance with the provisions of Decree No. 764/2000 of the Federal Government, which contemplates the integration of voice, data and image transmission services through the existing infrastructure of electricity distribution companies such as the Company's network, as well as the right to use the poles and towers of overhead lines under certain conditions. Additionally, the Company has the right to use part of the optical fiber capacity. In accordance with the terms of the agreement, CYCSA will be responsible for all maintenance expenses and expenses related to the adapting of the Company's network for the rendering of such telecommunications services. The term of the agreement, which was originally ten years to commence from the date on which CYCSA were granted the license to render telecommunications services, was subsequently extended to 20 years by virtue of an addendum to the agreement. In consideration of the use of the network, CYCSA grants the Company 2% of the annual charges collected from customers, before taxes, as well as 10% of the profits obtained from provision of services.

*(b) Agreement with Préstamos y Servicios S.A.*

The agreement grants Préstamos y Servicios S.A. (PYSSA) the exclusive right to conduct its direct and marketing services through the use of the Company's mailing services. The agreement established that its term was subject to the authorization of the National Regulatory Authority for the Distribution of Electricity, which approved this through Resolution ENRE No. 381/2007.

The activities related to the aforementioned agreement have been temporarily suspended in the Company's offices.

*(c) Agreement with Electricidad Argentina S.A.*

The agreement stipulates the provision to the Company of technical advisory services on financial matters as from September 19, 2005 for a term of five years, which has been extended for another 5 years until 2015. In consideration of these services, the Company pays EASA an annual amount of USD 2.5 million. Any of the parties may terminate the agreement at any time by giving 60 days' notice, without having to comply with any further obligations or paying any indemnification to the other party.

## EDENOR S.A.

### Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011 (Continued)

(d) *Loan with subsidiaries and related companies (Section 33 Law No. 19,550)*

#### *Loan with Pampa Energía S.A.*

On March 4, 2011, the Company and Pampa Energía S.A. entered into an agreement pursuant to which the Company would receive a USD 5 million two-year term loan at an annual rate of 5%. The loan was used to finance several investments that the Company intended to make in accordance with its business plan. This loan was repaid on November 3, 2011.

#### *Loan with subsidiaries*

On April 29, 2011, the Company entered into an agreement with EDEN, EDESAL, EDELAR and EDESA for the refinancing of the loans granted to them at the time of acquisition with the purpose of allowing for the restructuring of their financial loans, for \$ 80 million in the case of EDEN, \$ 31.178 million in the case of EDELAR, \$ 131.320 million in the case of EDESA and \$ 37.503 million in the case of EDESAL, at an annual nominal rate of 16% on each of them, with interest falling due semiannually on October 31, 2011 and April 30, 2012. The one-year term loans fall due on April 30, 2012. The financing conditions are in accordance with those usually obtained in the market for this type of transactions.

At December 31, 2012, the Company recorded an allowance of \$ 37.266 million for the total amount of the loan granted to EDELAR, as it considers it unlikely that such subsidiary, considering its current cash flows, will comply with payment when due.

With the exception of the previously mentioned loan to EDELAR, at the date of issuance of these Financial Statements, the other loans have been totally repaid by the Subsidiaries.

Furthermore, on November 3, 2011, the Company granted a loan to EDEN for USD 3.1 million at an annual nominal rate of 8.50% and final maturity on November 2, 2012.

During November 2012, the Company granted loans to EMDERSA for a total amount of \$ 0.60 million that fall due on May 31, 2013 and November 20, 2013, and accrue at an annual rate of 16%.

### **37. Transactions with non-controlling interest**

In the June-December 2011 period, in successive market transactions, the Company acquired 2,951,000, 281,294 and 15,000 common shares of EMDERSA, representing 1.25%, 0.12% and 0.0064% of that company's capital stock and votes, respectively. In this manner, the Company has increased its interest in EMDERSA to 78.56%. The Company derecognized \$ 9.86 million of non-controlling interest and recorded an increase in equity attributed to the owners of the parent of \$ 3.45 million.

	<u>12.31.12</u>	<u>12.31.11</u>
Carrying amount of non-controlling interest acquired	-	9,861
Consideration paid to non-controlling interest	-	(6,409)
<b>Defect of consideration paid recognised in parent's equity</b>	<u>-</u>	<u>3,452</u>

### **38. Business combinations**

#### ***Acquisition of EMDERSA and AESEBA***

On March 4, 2011, the Company's Board of Directors approved an offer from its indirect controlling company Pampa Energía S.A. ("Pampa"), pursuant to which the Company was offered the possibility of acquiring certain electricity distribution assets, which Pampa was entitled to acquire (either directly or through one or more subsidiaries), from Grupo AEI in accordance with an agreement entered into on January 19, 2011 by and between Pampa, party of the first part, and AEI Utilities, S.L., a limited company (*sociedad limitada*) organized under the laws of Spain ("AEIU"), AEI Servicios Argentina S.A., a corporation (*sociedad anónima*) organized under the laws of Argentina, and AEI, a company organized under the laws of the Cayman Islands, parties of the second part.

As a consequence of the acceptance by the Company of said offer, Edenor S.A. was appointed by Pampa as the acquiring party under the PESA-AEI Agreement. Therefore, on March 4, 2011, the Company acquired from AEIU (i) 182,224,095 common shares of EMDERSA S.A. ("Emdersa"), representing 77.19% of Emdersa's capital stock and votes ("Emdersa Shares"), (ii) 2 common shares of Empresa Distribuidora de San Luis S.A. ("Edesal") representing 0.01% of Edesal's capital stock and votes, (iii) 600 common shares of Emdersa Generación Salta S.A. ("EGSSA") representing 0.02% of EGGSA's capital stock and votes, (iv) 1 common share of Empresa Distribuidora de Electricidad de la Rioja S.A. ("EDELAR") representing 0.01% of

## EDENOR S.A.

### Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011 (Continued)

EDELAR's capital stock and votes, (v) 1 common share of Empresa de Sistemas Eléctricos Abiertos S.A. ("ESED") representing 0.01% of ESED's capital stock and votes, (all the shares mentioned in items (ii) through (v) hereinafter referred to as the "Residual Shares") and (vi) 29,118,127 common shares of AESEBA S.A. representing 99.99% of AESEBA's capital stock and votes ("AESEBA's Shares"). The price paid by the Company for the aforementioned assets amounted to USD 90,000 thousand for Emdersa's Shares and the Residual Shares acquired from AEIU and to USD 49,998 thousand for AESEBA's Shares acquired from AEIU.

Emdersa holds: (i) 99.99% of EDESAL's capital stock and votes, (ii) 90% of the capital stock and votes of Empresa Distribuidora de Electricidad de Salta S.A. ("EDESA"), (iii) 99.98% of EGSSA's capital stock and votes, and (iv) 99.99% of EDELAR's capital stock and votes. EDESA holds 99.99% of ESED's capital stock and votes. Furthermore, AESEBA in turn holds 90% of the capital stock and votes of Empresa Distribuidora de Energía Norte, S.A. ("EDEN"), which provides electricity distribution services in the northern and central parts of the Province of Buenos Aires.

Within the framework of the offer made by Pampa and accepted by the Company, the parties have additionally agreed that if within the 3 years following acquisition date of Emdersa's Shares, the Residual Shares and AESEBA's Shares, the Company sold either totally or partially any of such shares, Pampa would be entitled to receive from the Company a payment equivalent to 50% of the amount received for the sale thereof in excess of the amount paid to AEIU for any of such Shares (Emdersa's Shares and/or Residual Shares and/or AESEBA's Shares).

In order to evaluate the above described transaction, the Company engaged the services of the investment bank Citigroup Global Markets Inc. ("Citigroup") to render a fairness opinion to the Company's Board of Directors, concerning the fairness of the price that would have to be paid for Emdersa's shares, the Residual shares and AESEBA's shares. The opinion of the Company's Audit Committee was also requested. Both Citigroup and the Company's Audit Committee rendered their opinion, prior to the acquisition, stating that the informed values were adequate and within the market's parameters.

In compliance with current regulations, the Company has formally consulted the National Securities Commission about the steps to be followed with regard to the public offering for the acquisition of Emdersa's shares that the Company is required to make to Emdersa's minority shareholders due to the change in that company's control and in accordance with the provisions of the Capital Markets Law and the National Securities Commission's regulations. The aforementioned consultation was made due to the fact that the authorization and carrying out of the public acquisition offering that for the same reasons is to be carried out by AEIU at a price of USD 0.68 per Emdersa's common share, is still pending. Therefore, the situation generated by the potential coexistence of two public offerings should, in the Company's opinion, be clarified.

The Company has fully assumed its obligation to carry out the public acquisition offering it is required to make due to the new change in Emdersa's control, which will be carried out at the same price per Emdersa's common share that the Company paid to AEIU, i.e. USD 0.49 per Emdersa's common share, in the manner and time period established by the control authority. The carrying out of said public acquisition offering was approved by the Company's Board of Directors on March 4, 2011, and constitutes an irrevocable commitment with Emdersa's shareholders.

Furthermore, the Company has initiated the proceedings aimed at obtaining authorization from the corresponding control authorities

Finally, within the framework of the reported transaction for the acquisition of shares, the change in control of the acquired companies constitutes grounds for calling the loans taken out by their subsidiaries due. Therefore, on March 4, 2011, the Company granted to them a series of loans at an annual interest rate of 16% and final maturity on April 30, 2011 in order for them to be in a better position to negotiate the restructuring. The loans have been distributed in the following manner: i) EDEN 80,000; ii) EDELAR 31,178; iii) EDESA 131,320 and iv) EDESAL 37,503, which was repaid on October 25, 2011.

The purpose of companies acquired is to engage in the distribution and sale of electricity within specific concession areas. The Company decided to acquire this group of assets because the seller had started a process for divesting its net assets in the region. Consequently, it sold this group of assets at market values which were lower than their respective fair value.

The acquisitions have been recorded in accordance with the purchase method on the basis of the fair value measurements of the acquired assets and liabilities.

**EDENOR S.A.**

**Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011  
(Continued)**

The consideration paid, the amount of the net acquired assets recognized at acquisition date and the generated gain are as follow:

	\$
<b>Consideration:</b>	
Cash	(561,953)
<b>Consideration transferred</b>	<b>(561,953)</b>
Fair value of net assets acquired	996,912
<b>Gain bargain purchase</b>	<b>434,959</b>

In addition, under NIIF the excess of the fair value of the net assets acquired, including those recognized in the reassessment of the purchase price allocation, over the consideration paid and the non-controlling interest has been considered as a gain in bargain purchase, because the seller had started a process for divesting its net assets in the region and, consequently, it sold them at values lower than their respective fair value.

This gain from acquisition of companies is included in the consolidated statement of comprehensive loss.

The fair value of the assets acquired and liabilities assumed, recognized at the date of acquisition, as well as the fair value of the non-controlling interest are as follow:

	Fair value
Cash and cash equivalents	119,042
Property, plant and equipment	1,120,925
Intangible assets	760,479
Inventories	4,256
Trade receivables	255,260
Other receivables	84,649
Trade payables	(257,770)
Borrowings	(450,018)
Deferred tax liability	(78,845)
Other liabilities	(331,026)
<b>Net assets</b>	<b>1,226,952</b>
Non-controlling interests	(230,040)
<b>Net assets acquired</b>	<b>996,912</b>

The breakdown of cash and cash equivalents applied to the acquisition was the following:

<b>Consideration paid – Argentine GAAP</b>	<b>(566,222)</b>
Transaction costs (See Note 30)	4,269
<b>Consideration paid – IFRS</b>	<b>(561,953)</b>
Cash and cash equivalents in acquired companies	119,042
<b>Net cash outflow for acquisition of companies</b>	<b>(442,911)</b>

**Proforma (unaudited):**

The amounts of EMDERSA and AESEBA's revenues and earning included in EDENOR's Consolidated Statements of Operations for the year ended December 31, 2011, and the revenue and earnings of the combined entity had the acquisition date been January 1, 2011, or January 1, 2010, are as follows:

	<b>12.31.11</b>
Net Sales / Services revenues	3,279,157
Net loss	(354,879)

**39. Spin-off Process - EMDERSA**

The Extraordinary Shareholders' Meeting of EMDERSA held on December 16, 2011, which was resumed on January 13, 2012 after a recess, approved the corporate reorganization consisting of the spin-off of EMDERSA's following assets, together with any other rights, assets, liabilities or contingencies related to such assets (the Spin-off): (a) the ownership of the shares held by EMDERSA in Empresa Distribuidora San Luis S.A. (EDESAL), together with all the rights and obligations relating to or arising from such shareholding, as well as any right, obligation or contingency related to EDESAL's business activity, for the setting up of a new

## EDENOR S.A.

### Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011 (Continued)

company named EDESAL Holding S.A. (EDESALH); (b) the ownership of the shares held by EMDERSA in Empresa Distribuidora de Electricidad de Salta S.A. (EDESA), together with all the rights and obligations relating to or arising from such shareholding, as well as any right, obligation or contingency related to EDESA's business activity, for the setting up of a new company named EDESA Holding S.A. (EDESALH); and (c) the ownership of the shares held by EMDERSA in Empresa Generación Salta S.A. (EGSSA), together with all the rights and obligations relating to or arising from such shareholding, as well as any right, obligation or contingency related to EGSSA's business activity, for the setting up of a new company named EGSSA Holding S.A. (EGSSAH).

The Spin-off has been approved by the National Securities Commission and registered with the Regulatory Agency of Corporations, together with the registration of the three new companies. On November 8, 2012, the new companies were authorized by the National Securities Commission to go public and obtained admission to the Buenos Aires Stock Exchange listing.

#### 40. Disposal group classified as held for sale

##### Company sale agreements and Companies available for sale:

The Company's Board of Directors approved at different times the offer letters received for the carrying out of the following transactions:

- v. From Rovella Carranza S.A., for the acquisition of the Company's direct and indirect stake in Edesal (EDESAL Sale).
- vi. From Andes Energía Argentina S.A., to buy a purchase option for the acquisition of the Company's direct and indirect stake in Edelar (EDELAR Offer).
- vii. From Salta Inversiones Eléctricas S.A. (SIESA), for the acquisition of the Company's direct and indirect stake in Edesa (EDESA Sale)
- viii. From Pampa Energía S.A. for the acquisition of the Company's direct and indirect stake in EGSSA (EGSSA Sale).

Additionally, in order for these transactions to be carried out, the Company was required to cause Emdersa to complete its partial spin-off process, which would result in the creation of three new investment companies, EDESAL Holding (holder of 99.99% of EDESAL's capital stock and votes), EDESA Holding (holder of 90% of EDESA's capital stock and votes) and EGGSA Holding (holder of 99.99% of EGGSA's capital stock and votes).

At December 31, 2011, the valuation of these investments at their fair value less costs to sell, and the result of EDESAL sale resulted in a loss of \$ 247.87 million, which is set off by the profit made during the same fiscal year, as disclosed in Note 38. The aforementioned loss arises from the process of divesting net assets initiated by the Company; consequently the market value recognized was lower than the fair value.

#### EDESAL sale

On September 16, 2011, the Board of Directors approved the offer for the acquisition of Edesal by Rovella Carranza S.A. for a total and final price of USD 26.698 million that was paid in two payments. The first of them, for USD 4.005 million was made within the three days of the acceptance of the offer, and the remaining balance, i.e. an amount of USD 22.694 million was collected by the Company on October 25, 2011.

Furthermore, as stipulated in the Offer Letter, on that date EDESAL repaid the financial loan granted by the Company to EDESAL for an amount of 37,503, plus interest accrued through the settlement date.

At that time the Company transferred 24.80% of EMDERSA's shares and 0.01% of EDESAL's shares to Rovella Carranza S.A. which set up a collateral trust, comprised by the parties and Deutsche Bank S.A. to ensure compliance with the parties' obligations.

From the date of final payment and during the term of the trust, EDESAL's management was in charge of a board of directors appointed by EMDERSA, in accordance with the buyer's proposal, which is comprised of 5 directors, four (4) of whom were elected by the buyer and one (1) of whom was elected by the seller, and equal number of alternate directors, four (4) of whom were elected by the buyer and one (1) of whom was elected by the seller.

As security for the compliance with the obligations undertaken, the Company has provided a performance bond in favor of Banco Itaú Argentina S.A. and Standard Bank Argentina S.A. for the total amount of 60,000 thousand as principal plus compensatory interest at an annual nominal rate of up to 16% as

## EDENOR S.A.

### Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011 (Continued)

collateral for EDESAL's payment obligations with respect to these banks. The performance bond was enforceable if any of the following conditions precedent (whichever takes place first) occur:

1. That at September 16, 2013, EMDERSA's spin-off has not been carried out; or
2. That during the term of the trust the Company fails to comply with certain obligations concerning EDESAL's joint management.

Given the fact that neither of these two conditions occurred, the performance bond was not enforced.

At December 31, 2012, as a consequence of the above-described transaction and EMDERSA's spin-off resolution, the Company no longer holds any direct or indirect interest in EDESAL HOLDING S.A. or EDESAL.

#### EDELAR offer

The offer from Andes Energía Argentina S.A. received by the Company in fiscal year 2011 implied a proposal to buy a purchase option for a price of USD 1.5 million to buy, if EMDERSA's spin-off was completed within the term of 2 years, 78.44% of the Company's direct and indirect stake in EDELAR for USD 20.29 million, to be paid in two payments. The purchase option was paid by the buyer on September 16, 2011.

Subsequently, the Company's Board of Directors approved proposals from Andes Energía Argentina S.A. to extend the term until which the buyer could exercise the option, with the Company maintaining the right to freely sell or assign to any third party or cause the sale or assignment of some or all the shares that are the object of the transaction and/or the rights on such shares. In the event that a sale to a third party is made, Andes Energía Argentina S.A.'s option may not be exercised, there being no outstanding payment or any responsibility of any kind for the Company or Andes Energía Argentina S.A.

At December 31, 2012, Andes Energía Argentina S.A.'s purchase option has expired. The Company is currently negotiating with the buyer the terms under which such problem may be solved.

In this regard, and considering both that the Company maintains its decision to sell this asset and that it has received other expressions of interest in connection thereto, which are currently being analyzed although no specific offers have yet been received, such asset continues to be classified as assets available for sale.

At the end of the year being reported, the Company has recorded the assets related to EDELAR at their estimated recoverable value. Consequently, it has recorded a loss of \$ 64.8 million in the Loss from discontinued operations line item due to the valuation at fair value less costs to sell (which is estimated to be similar to the asset's book value) and \$ 37.3 million in the Other expense line item, in the understanding that the result of the recoverability analysis of the receivable is part of the controlling company's own result.

#### EDESA sale

At December 31, 2011, this investment has been classified as Disposal group and associated liabilities classified as held for sale within assets and has been valued at fair value less costs to sell, which is lower than its book value.

For purposes of determining the fair value less costs to sell, the Company used the incurred acquisition value.

On April 23, 2012, the Company's Board of Directors accepted the offer made by Salta Inversiones Eléctricas S.A. ("SIESA") to Edenor S.A. and its subsidiary EMDERSA Holding, for the acquisition of shares representing: (i) 78.44% of the capital stock and voting rights of EDESA Holding, a corporation in the process of formation as a result of the spin-off process of EMDERSA currently underway, upon the conclusion of which will become the holder of 90% of the capital stock and voting rights of EDESA, which in turn owns 99.99% of ESED's capital stock and voting rights, and (ii) the remaining 0.01% of ESED.

The transaction was carried out on May 10, 2012 at the offered price payable through the delivery of Argentina's sovereign debt bonds (Boden 2012) for a value equivalent to \$ 100.5 million. Such price was partially cancelled through the payment of \$ 83.8 million, with a sixth of the agreed-upon price remaining outstanding, whose payment SIESA is required to make in five annual and consecutive installments in US dollars, with the first of them falling due on May 5, 2013, at a LIBOR + 2% p.a. interest rate. Payments relating to the price will be made (i) in immediately and freely available US dollars through transfer to a bank account specified by the seller, or, alternatively and at the seller's exclusive option (that may be exercised in respect of each of the payments), (ii) through the delivery to the seller of an amount of Argentina's sovereign debt bonds.

## EDENOR S.A.

### Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011 (Continued)

As part of the aforementioned transaction, EDESA fully repaid the loan granted by the Company for a total principal amount of 131,300, plus interest accrued, and the buyer released EMDERSA from all liability for the collateral granted by the latter to EDESA in connection with the syndicated loan held by this company with various banks. By virtue of this transaction, EMDERSA Holding ("EHSA"), a directly controlled company of Edenor S.A., transferred to SIESA the shares representing 28.93% of EMDERSA's capital stock and votes, whereas the Company transferred to that company 0.01% of ESED's capital stock and votes.

As a consequence of this transaction, on May 9, 2012, the Company obtained from EHSA an \$83.88 million loan falling due on May 9, 2013 and accruing interest as from the date of disbursement at an annual nominal rate of 16%, payable together with principal. Early repayment permitted. This loan was repaid by means of the capital reduction process carried out by EHSA, which is described in note 42.

Due to that which has been previously mentioned, and as a consequence of this transaction, the Company no longer holds any direct or indirect interest in EDESA and has recorded during the year 2012 a profit of \$ 21.6 million in the discontinued operations line item of the Statement of Comprehensive loss.

As agreed by the parties in EDESA sale agreement, SIESA and EHSA, as trustors and beneficiaries, and Deutsche Bank S.A. ("DB") as trustee, set up a collateral trust to which they transferred their shareholdings representing EMDERSA's capital stock and votes, with SIESA transferring the 28.93% received with the closing of the transaction, and EHSA the remaining 24.84% of the shares.

Upon the conclusion of EMDERSA's spin-off process, the shares representing 78.44% of the capital stock and votes of EDESA Holding, holder of 90% of EDESA's shares and votes, were issued, and DB, the trustee, transferred to EHSA the totality of EMDERSA's shares that had been transferred by SIESA and EHSA to the trust, with SIESA holding 78.44% of EDESA Holding S.A.'s capital stock and votes.

#### **EGSSA sale**

On October 11, 2011, the Company's Board of Directors approved the offer received from its controlling shareholder Pampa Energía S.A. (PESA), for the acquisition through a conditioned purchase and sale transaction of 78.44% of the shares and votes of an investment company to be organized, which will be the holder of 99.99% of the shares and votes of EMDERSA Generación Salta S.A. ("EGSSA") together with 0.01% of EGSSA's capital stock held by the Company.

The condition precedent of the purchase and sale transaction was the carrying out of EMDERSA's spin-off in the maximum term of 24 months as from the date of acceptance of the offer, which has been complied with as disclosed in Note 39.

The total and final agreed-upon price for this transaction amounts to USD 10.85 million to be paid in two payments, the first of them for an amount of USD 2.17 million was made on October 31, 2011 as partial payment of the price, and the remaining balance, i.e. an amount of USD 8.68 million will have to be paid in October 2013. The latter amount will accrue interest at an annual rate of 9.75%, payable semi-annually.

Furthermore, the offer implied the repayment by PESA of the financial loan granted by the Company to EGSSA for an amount of USD 4.17 million, plus interest accrued through the settlement date, which took place on October 31, 2011.

Having EMDERSA's spin-off process been concluded (Note 39), on November 22, 2012, 78.44% of the capital stock and votes of EGSSA Holding S.A were transferred in favor of Pampa Energía S.A.

At December 31, 2012, as a consequence of the aforementioned transaction, the Company no longer holds any direct or indirect interest in EGSSA.

#### **Classification of assets of disposal groups classified as held for sale and liabilities of disposal groups classified as held for sale:**

In the framework of that described under "The Company's economic and financial situation" in Note 1, the Company's Management has decided to divest from the companies comprising EMDERSA and EMDERSA HOLDING, and has begun to take the necessary steps for the sale thereof, classifying them as Assets available for sale and Associated liabilities and discontinuing their activity at December 31, 2011.

The indicated Assets and Liabilities are part of the EMDERSA business segment and have been valued at their fair value less costs to sell, which is lower than their equity value.

The respective charges to profit or loss have been included in the Loss from discontinued operations line item in the Company's Consolidated Statement of Comprehensive loss.

**EDENOR S.A.**

**Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011  
(Continued)**

In order to determine the fair value less costs to sell, the Company used the values of the offers received for EDELAR and EGSSA and the acquisition values for the other companies.

The main types of assets and liabilities are:

	<u>12.31.12</u>	<u>12.31.11</u>
Property, plant and equipment and intangible assets	100,197	1,021,929 (*)
Inventories	1,148	5,340
Trade and other receivables	74,026	223,157
Deferred tax asset	36,873	12,347
Cash and cash equivalents	11,154	28,305
<b>Total assets available for sale</b>	<b><u>223,398</u></b>	<b><u>1,291,078</u></b>
Trade payables	126,335	214,198
Borrowings	4,623	185,264
Salaries and social security taxes payable	10,012	37,617
Taxes	6,073	22,117
Deferred tax liability	-	62,228
Other liabilities	914	921
Provisions	9,310	19,860
<b>Total liabilities associated with assets available for sale</b>	<b><u>157,267</u></b>	<b><u>542,205</u></b>

(\*) The breakdown of the account is as follows:

Property, plant and equipment and intangible assets as per Exhibit:	115,945	1,199,696
Impairment from valuation at net fair value less costs to sell:	<u>(15,748)</u>	<u>(177,767)</u>
<b>Total Property, plants and equipment and intangible assets account:</b>	<b>100,197</b>	<b>1,021,929</b>

The financial statements related to discontinued operations are disclosed below:

**a. Statement of comprehensive loss**

	<u>12.31.12</u>	<u>12.31.11</u>
Revenue from sales	426,317	764,276
Cost of sales	<u>(201,037)</u>	<u>(264,511)</u>
<b>Gross profit</b>	<b><u>225,280</u></b>	<b><u>499,765</u></b>
Transmission and distribution expenses	<u>(175,438)</u>	<u>(168,652)</u>
Selling expenses	<u>(57,607)</u>	<u>(97,313)</u>
Administrative expenses	<u>(47,130)</u>	<u>(99,122)</u>
Other operating income	52,259	2,768
Other operating expense	<u>(636)</u>	<u>(5,314)</u>
Gain from interest in joint ventures	-	924
<b>Operating loss</b>	<b><u>(3,272)</u></b>	<b><u>133,056</u></b>
Financial income	5,296	118
Financial expenses	<u>(42,713)</u>	<u>(35,676)</u>
Other financial expense	<u>(5,008)</u>	<u>(12,114)</u>
Net financial expense	<b><u>(42,425)</u></b>	<b><u>(47,672)</u></b>
<b>Loss before taxes</b>	<b><u>(45,697)</u></b>	<b><u>85,384</u></b>
Income tax and tax on minimum presumed income	<u>39,078</u>	<u>(17,455)</u>
<b>Loss after taxes</b>	<b><u>(6,619)</u></b>	<b><u>67,929</u></b>
Loss recognized on the re-measurement of assets of disposal group	<u>(15,748)</u>	<u>(177,727)</u>
Disposal loss from assets classified as held for sale	-	(70,140)
Tax effect	-	40,407
<b>Loss for the year</b>	<b><u>(22,367)</u></b>	<b><u>(139,531)</u></b>
<b>Loss for the year attributable to:</b>		
Owners of the parent	<u>(15,849)</u>	<u>(146,382)</u>
Non-controlling interests	<u>(6,518)</u>	<u>6,851</u>
	<b><u>(22,367)</u></b>	<b><u>(139,531)</u></b>

**EDENOR S.A.**

**Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011  
(Continued)**

	<b>12.31.12</b>	<b>12.31.11</b>
<b>Other comprehensive loss</b>		
<i>Items that will not be reclassified to profit or loss</i>		
Actuarial gains and losses related to defined benefit plans	-	(5,220)
Income tax related to items that will not be reclassified to profit or loss	-	1,827
<b>Other comprehensive loss for the year</b>	-	<b>(3,393)</b>
<b>Comprehensive loss for the year</b>	<b>(22,367)</b>	<b>(142,924)</b>
<b>Comprehensive loss for the year attributable to:</b>		
Owners of the parent	(15,849)	(149,001)
Non-controlling interests	(6,518)	6,077
	<b>(22,367)</b>	<b>(142,924)</b>

**b. Statement of cash flows**

	<b>12.31.12</b>	<b>12.31.11</b>
Net cash flows provided by operating activities	246,227	202,348
Net cash flows used in investing activities	(200,839)	(279,940)
Net cash flows used in financing activities	(39,920)	98,547
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>5,468</b>	<b>20,955</b>
Cash and cash equivalents at beginning of year	5,686	7,350
Change in cash and cash equivalents	5,468	20,955
Cash and cash equivalents at end of year	<b>11,154</b>	<b>28,305</b>

**41. Ordinary and Extraordinary Shareholders' Meeting**

The General Annual Meeting held on April 27, 2012 approved, among other items of the agenda, the Financial Statements as at December 31, 2011 as well as the actions taken by the Board of Directors and the Supervisory Committee. Furthermore, it resolved that the Accumulated Deficit of 670,751 be absorbed by the Legal Reserve, the Additional Paid-in Capital and the Adjustment to Capital for 64,008, 18,317 and 588,426, respectively.

**42. EHSA – Capital reduction**

The Shareholders' Meeting of EHSA held on August 21, 2012 approved such company's reduction of capital for \$ 98 million, representing 98,083,563 common shares with a nominal value of \$ 1 per share. This capital reduction process has been approved by the Regulatory Agency of Corporations (*Inspección General de Justicia de la Ciudad Autónoma de Buenos Aires*).

As a consequence of this process, the \$ 83.88 million loan that the Company had with EHSA at June 30, 2012 was repaid.

Moreover, on December 10, 2012 the Shareholders' Meeting of EHSA approved a second reduction of capital for \$ 56.11 million, representing 56,108,232 common shares with a nominal value of \$ 1 per share. At the date of issuance of these Consolidated Financial Statements, the aforementioned capital reduction process is pending approval by the Regulatory Agency of Corporations.

The aforementioned transactions did not generate results for the Company.

**43. Trust for the Management of Electric Power Transmission Works (FOTAE)**

Due to the constant increase recorded in the demand for electricity as a result of the economic recovery, the Energy Secretariat, through Resolution 1875 dated December 5, 2005, established that the interconnection works through an underground power cable at TWO HUNDRED AND TWENTY KILOVOLTS (220 kV) between COSTANERA and PUERTO NUEVO Transformer Stations with MALAVER Transformer Station were necessary. These works require not only the execution of expansion works but also new layout-designs of the high-voltage subsystems of Edenor and Edesur S.A.'s networks. In addition, it established that a fraction of the electricity rate increase granted to distribution companies through ENRE Resolution No. 51/07 (as mentioned in Note 2.c.I), will be used to finance up to 30% of the total execution cost of these works, with the remaining 70% of the total cost of the works being absorbed by the MEM's demand. Fund inflows and outflows relating to the aforementioned expansion works are managed by the WORKS TRUST FUND ENERGY SECRETARIAT RESOLUTION No. 1/2003, which will act as the link among CAMMESA (the company in charge of the regulation and operation of the wholesale electricity market), the Contracting Distribution Companies and the companies that would have been awarded the contracts for the provision of engineering services, supplies and main pieces of equipment as well as those for the execution of the works and provision of minor supplies.

At December 31, 2012, the amount transferred to CAMMESA by the Company as from the commencement date of the project, through contributions in cash, supplies and services totals \$ 45.8 million.

**EDENOR S.A.**

**Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011  
(Continued)**

The adjusting entry of these funds has been recognized by the Company as construction in process within Property, plant and equipment.

In accordance with the agreements entered into on August 16, 2007 by and between the Company and the National Energy Secretariat and on December 18, 2008 by and between the Company and Banco de Inversión y Comercio Exterior, in its capacity as Trustee of the Trust for the Management of Electric Power Transmission Works (FOTAE), the Company is responsible for the development of all the stages of the project, regardless of the oversight tasks to be performed by the Works Commission Energy Secretariat Resolution No. 1/03. The agreement stipulates that the Company will be in charge of the operation and the planned and reactive maintenance of the facilities comprising the expansion works, being entitled to receive as remuneration for the tasks and obligations undertaken 2% of the cost of major equipment and 3% of all the costs necessary for the carrying out of civil engineering and electromechanical assembly works relating to the MALAVER-COLEGIALES and MALAVER-COSTANERA electrical transmission lines, the expansion of Malaver Substation and the remaining expansion works of Puerto Nuevo Substation.

In January 2013, part of the works of the "Interconnection at two hundred and twenty kilovolts (220 KV) between Costanera Transformer Station and Malaver Transformer Station" project was inaugurated. It is estimated that the works will be completely finished during 2013.

At the date of these financial statements, it has not been defined if ownership of the aforementioned works will be assigned to the Company inasmuch as the National Energy Secretariat has not yet defined who the remainderman will be, in the framework of the aforementioned Agreement entered into on December 18, 2008.

In summary, at the date of these financial statements:

- 1) The Company, as agreed, has made contributions to CAMMESA for an amount of \$ 45.8 million.
- 2) Up to date, the Company has complied with its responsibility with regard to the development of all the stages of the project, as well as with the operation and the planned and reactive maintenance of the facilities comprising the expansion works. Nevertheless, the Company has not recognized in the accounting any amount for the tasks performed up to now as it is waiting for the calculation basis thereof to be reliably determined.

Furthermore, the Company is awaiting the Energy Secretariat's definition concerning who will be the designated owner of the works as well as the valuation thereof. Based on such definitions, the Company will make the necessary adjustments to the recordings made up to now and described in this note.

**44. Construction work San Miguel and San Martín**

The Company carried out construction works of a 7.3 km-long electrical transmission line consisting of four 13.2 kV lines in trefoil formation to link Rotonda Substation with San Miguel Transformer Center, owned by ENARSA, necessary for the provision of electric power generation services; and a 6.2 km-long electrical transmission line consisting of a 13.2 kV line in trefoil formation to link Rotonda Substation with San Martín Transformer Center, owned by ENARSA.

Negotiations are being held concerning the assignment to Edenor S.A. of the ownership of the works, which were financed by ENARSA, when the respective agreements are signed. At December 31, 2012, the Company continues to recognize liabilities for this concept in the deferred revenue account. The recordings made until now and described in this note will be adjusted based on the previously mentioned definitions.

## EDENOR S.A.

### Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011 (Continued)

#### 45. Events after the reporting period

##### Offer for the acquisition of EDEN

In 2013, the Company received offers from two investment groups for the acquisition of all of the shares of AESEBA, the controlling company of EDEN. On February 27, 2013, the Company's Board of Directors unanimously approved the acceptance of the offer letter sent by Servicios Eléctricos Norte BA S.L. (the "Purchaser") for the acquisition of AESEBA's shares representing 100% of its capital stock and voting rights. The price offered by the Purchaser is payable through the delivery of Edenor's debt securities for an amount equivalent, at the closing date of the transaction, to approximately U.S. \$80 million of face value of such securities. Such delivery is secured by the Purchaser's contribution to trust (the "Management Trust") of Ps. 326 million in Argentina's public debt securities, valued at the closing date of the transaction.

Furthermore, in order to implement this transaction, on March 19, 2013, the aforementioned Management Trust was set up by and among Purchaser (as settlor), Equity Trust Company (Uruguay) S.A. (as trustee) and the Company.

At the closing date of the transaction (April 5, 2013), the Trust received as contributions Argentina's public debt securities for a face value amount equivalent to Ps.262 million considering the market value of each bond at the closing date, and including the guarantee the Company had received at the time of the acceptance of the offer. Moreover, the Purchaser is required to complete contributions on or prior to December 31, 2013, of Argentina's sovereign bonds for an amount equivalent to approximately Ps. 64 million, taking into account the market value at the closing date. As a result of the liquidation of said securities that are contributed to the Management Trustee, the Company's Class 7 and/or Class 9 Corporate Notes, maturing in 2022 and 2017, respectively, will be purchased.

At the closing date of this transaction, the Company has divested the AESEBA segment resulting in a loss for 2013 of about Ps. 194.3 million (a Ps. 104.9 million loss after income tax effect). The repurchase of the Edenor's Corporate Bonds will be recognized at the time the purchase transactions are executed.

At December 31, 2012, the recording in the accounting of the Company's interest in AESEBA remained unchanged, given that at the end of the year such interest did not meet the criteria necessary to be classified and valued as "assets held for sale" in accordance with the international financial reporting standards for discontinued operations.

As of the date of this annual report, the Trust purchased U.S.\$ 17.3 million of face value of our Notes due 2022 in the open market.

##### Salary agreement

On February 26, 2013, the Company, the Ministry of Labor, the Economic Policy and Development Planning Secretariat of the Economy Ministry, the Management Coordination and Control Under-Secretariat of the Federal Planning Ministry, the Sindicato de Luz y Fuerza (Electric Light and Power Labor Union) and other companies of the electric power sector entered into a salary agreement for a term of eighteen months which establishes an 18% increase as from January 2013, a 5% non-cumulative increase as from June 2013 and a 7% cumulative increase as from January 2014.

##### General Ordinary and Extraordinary Shareholders' Meeting: Approval of Financial Statements and Mandatory Stock Reduction

On April 25, 2013, the general ordinary and extraordinary shareholders' meeting approved the annual individual financial statements and the annual consolidated financial statements of Edenor, corresponding to the fiscal year ended December 31, 2012. In addition, the shareholders' meeting resolved to reduce Edenor's capital stock pursuant to Article 206 of the Argentine Corporations Law, which mandates a mandatory capital stock reduction when a company's losses at any given year exceed 100% of the company's reserves and more than 50% of its capital stock, and, therefore, the shareholders' meeting decided to reduce the number of shares maintaining the proportionality of the holdings. As a consequence of the mandatory capital stock reduction, the losses shall be offset against (i) the totality of the following line items: share premium (prima de emisión) and capital stock adjustment (ajuste sobre el capital social), plus (ii) 10% of the capital stock.

**RICARDO TORRES**  
Chairman

**F. REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Shareholders of  
Empresa Distribuidora y Comercializadora Norte  
Sociedad Anónima (Edenor S.A.)

In our opinion, the accompanying consolidated statements of financial position and the related consolidated statements of comprehensive loss, of changes in equity and of cash flows present fairly, in all material respects, the financial position of Empresa Distribuidora y Comercializadora Norte Sociedad Anónima (Edenor S.A.) (hereinafter, Edenor S.A.) and its subsidiaries at December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2012 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control Over Financial Reporting appearing under Item 15 to the Form 20-F. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Notes 1 and 2 c. 1 to the financial statements, the delay in obtaining tariff increases and the cost adjustments recognition ("MMC"), requested in the presentations made until now by the Company in accordance with the terms of the Adjustment Agreement ("Acta Acuerdo") and the continuous increase in operating expenses that are necessary to maintain the level of the service, significantly affected the economic and financial position of the Company and raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

**EDENOR S.A.**  
**Notes to the Consolidated Financial Statements as at December 31, 2012, 2011 and January 1, 2011**  
**(Continued)**

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Autonomous City of Buenos Aires, April 30, 2013.

/s/ PRICE WATERHOUSE & CO. S.R.L.

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Andrés Suarez (Partner)