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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, 2013 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)

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

New York Stock Exchange, Inc.\*

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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## 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”) ,between March 1, 2011 and March 31, 2013, (iii) Edenor and Emdersa”, between March 1, 2011 and September 30, 2013, and (iv) Edenor on a standalone basis, from October 1, 2013 through the date of filing of this annual report. References to Edenor, Emdersa and/or Aeseba on a standalone basis are made by naming each company as the case may be. 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, 2013, 2012 and 2011. This information should be read in conjunction with our audited consolidated financial statements as of December 31, 2013 and 2012 and for each of the three years in the period ended December 31, 2013, 2012 and 2011 (the “Consolidated Financial Statements”), the related notes thereto and the information under “Item 5. Operating and Financial Review and Prospects” included elsewhere in this annual report. The financial data as of December 31, 2013, has been derived from our Consolidated Financial Statements.

Our 2013 consolidated financial statements have been prepared in accordance with IFRS, as issued by the IASB, and these have been approved by resolution of the Board of Directors’ meeting held on March 7, 2014.

The selected Consolidated Statement of Comprehensive Income (Loss) data for the years ended December 31, 2013 and 2012, and the selected consolidated Statement of Financial Position data as of December 31, 2013 and 2012 have been prepared in accordance with International Financing Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) 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 is dated March 7, 2014 and is included elsewhere herein. See “Item 18 – Financial Statements”.

We have prepared our annual financial statements for the fiscal year ended December 31, 2013 included herein, assuming that we will continue as a going concern. Our independent auditors, PwC, issued a report dated March 7, 2014 on our financial statements as of and for the years ended December 31, 2013 and 2012, 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 adjustment recognition as requested by us in accordance with the terms of the Adjustment Agreement (as defined below) and the continuous increase in operating expenses that are necessary to maintain the level of service have significantly affected our economic and financial position 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 December 31, 2013 and for the years ended December 31, 2013, 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 tariffs 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.” As a result, there is substantial doubt with respect to our ability to continue as a going concern.” See “Item 18: Financial Statements.”

Our Consolidated Financial Statements are included on pages F-1 through F-87 of this annual report.

In accordance with the decision of the Board of Directors to divest and sell the subsidiary Aeseba as of March 31, 2013 and the subsidiaries Emdersa Holding S.A. (“Emdersa Holding” or “EHSA”), including 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”), as of December 31, 2011, we have classified the corresponding assets and liabilities associated to these subsidiaries in the Consolidated Financial Statements as of December 31, 2013, 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 (profit) from discontinued operations” line item in our consolidated statements of

comprehensive loss for the years ended December 31, 2012 and 2011. As of April 5, 2013, the Company sold its stake in Aeseba. The corresponding charges to results have been included within “Loss from Discontinued operations” line item in our consolidated statements of comprehensive loss for the year ended December 31, 2013.

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, 2013 have been translated into U.S. Dollars at the selling exchange rate for U.S. Dollars quoted by *Banco de la Nación Argentina* (the “Banco Nación”) on December 31, 2013, which was Ps. 6.521 to U.S. \$1.00, unless otherwise indicated. 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. In January 2014, the Peso lost approximately 23% of its value with respect to the Dollar. On April 23, 2014, the exchange rate was Ps. 8.00 to U.S.\$1.00. As a result of fluctuations in the Dollar/Argentine Peso exchange rate, the exchange rate at such date may not be indicative of current or future exchange rates. See “Item 3. Key Information—Exchange Rates” and “Item 3. Key Information—Risk Factors—Risks Relating to Argentina—Fluctuations in the value of the Argentine Peso could adversely affect the Argentine economy, which could, in turn adversely affect our results of operations.”

Certain figures included in this annual report have been subject to rounding adjustments. Accordingly, any discrepancies between the totals and the sums of amounts are due to rounding.

**Consolidated Statement of Comprehensive Income (Loss)\***

	<u>2013</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
	<i>(Figures in millions)</i>			
<b>Continuing Operations</b>				
Revenue from sales <sup>(1)</sup> .....	U.S.\$ 527.6	Ps. 3,440.7	Ps. 2,976.2	Ps. 2,302.0
Electric power purchases .....	(314.4)	(2,050.3)	(1,740.2)	(1,130.9)
<b>Subtotal</b> .....	<u>213.3</u>	<u>1,390.4</u>	<u>1,236.0</u>	<u>1,171.1</u>
Transmission and distribution expenses .....	(315.2)	(2,055.3)	(1,344.1)	(970.5)
<b>Gross (loss) profit</b> .....	<u>(102.0)</u>	<u>(664.9)</u>	<u>(108.1)</u>	<u>200.6</u>
Selling expenses .....	(84.1)	(548.3)	(352.9)	(261.9)
Administrative expenses .....	(49.8)	(324.8)	(249.4)	(196.6)
Other operating income .....	9.4	61.6	32.3	22.5
Other operating expense .....	(21.9)	(142.8)	(150.2)	(93.8)
Gain from interest in joint ventures .....	-	-	-	-
Gain from acquisition of companies .....	-	-	-	435.0
Revenue from customers contributions exempt from devolutions .....	0.1	0.7	-	-
<b>Operating (loss) profit before Resolution SE 250/13 and Note 6852/13</b> .....	<u>(248.2)</u>	<u>(1,618.5)</u>	<u>(828.4)</u>	<u>105.8</u>
Higher costs recognition - Resolution SE 250/13 .....	449.8	2,933.1	-	-
<b>Operating profit (loss)</b> .....	<u>201.6</u>	<u>1,314.6</u>	<u>(828.4)</u>	<u>105.8</u>
Financial income <sup>(2)</sup> .....	44.0	287.1	75.5	53.5
Financial expenses <sup>(3)</sup> .....	(77.4)	(504.9)	(226.0)	(150.6)
Other financial expense .....	(41.9)	(273.1)	(168.1)	(93.5)
Net financial expense .....	(75.3)	(490.9)	(318.6)	(190.6)
<b>Profit (Loss) before taxes</b> .....	126.3	823.7	(1,147.0)	(84.8)
Income tax .....	6.8	44.1	116.7	(82.2)
Profit (Loss) for the year from continuing operations ..	133.1	867.8	(1,030.3)	(167.0)
(Loss) Profit from discontinued operations .....	(14.6)	(95.1)	16.9	(124.4)
<b>Profit (Loss) for the year</b> .....	<u>118.5</u>	<u>772.7</u>	<u>(1,013.4)</u>	<u>(291.4)</u>
<b>Profit (Loss) for the year attributable to:</b>				
Owners of the parent .....	118.3	771.7	(1,016.5)	(304.1)
Non-controlling interests .....	0.2	1.0	3.1	12.7
<b>Profit (Loss) for the year</b> .....	<u>U.S.\$ 118.5</u>	<u>Ps. 772.7</u>	<u>Ps. (1,013.4)</u>	<u>Ps. (291.4)</u>
<b>Profit (Loss) for the year attributable to the owners of the parent:</b>				
Continuing operations .....	133.1	867.9	(1,030.3)	(167.0)
Discontinued operations .....	(14.7)	(96.1)	13.8	(137.1)
	<u>118.4</u>	<u>771.8</u>	<u>(1,016.5)</u>	<u>(304.1)</u>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified to profit or loss</i>				
Results related to benefit plans .....	(3.2)	(21.0)	7.9	(10.2)
Tax effect of actuarial income (losses) on benefit plans .....	1.1	7.3	(2.8)	3.6
Total other comprehensive loss from discontinued operations .....	-	-	(2.1)	(5.7)
<b>Total other comprehensive (loss) income</b> .....	<u>(2.1)</u>	<u>(13.6)</u>	<u>3.0</u>	<u>(12.3)</u>
<b>Comprehensive income for the year attributable to:</b>				
Owners of the parent .....	116.3	758.1	(1,013.2)	(315.4)

Non-controlling interest .....	0.2	1.0	2.8	11.7
<b>Comprehensive income (loss) for the year</b>	<b>116.4</b>	<b>759.1</b>	<b>(1,010.4)</b>	<b>(303.7)</b>
<b>Comprehensive income (loss) for the year attributable to owner of the parent</b>				
Continuing operations .....	116.1	757.1	(1,025.1)	(173.6)
Discontinued operations .....	0.2	1.0	11.9	(141.8)
	U.S.\$ 116.3	Ps. 758.1	Ps. (1,013.2)	Ps. (315.4)
<b>Basic and diluted earnings (loss) per share attributable to the owners of the parent:</b>				
Basic and diluted earnings (loss) per share from continuing operations .....	0.154	1.004	(1.149)	(0.186)
Basic and diluted (loss) earnings per share from discontinued operations .....	(0.017)	(0.111)	0.015	(0.153)
<b>Basic and diluted earnings (loss) per ADS attributable to the owners of the parent: <sup>(4)</sup></b>				
Basic and diluted earnings (loss) per ADS from continuing operations .....	3.080	20.086	(22.971)	(3.723)
Basic and diluted (loss) earnings per ADS from discontinued operations .....	(0.341)	(2.225)	0.308	(3.057)

(\*) Certain amounts of the presented financial data for comparative purposes (2012 and 2011) have been reclassified (with regard to the consolidated financial statements as of such dates) following the disclosure criteria used for the consolidated financial statements as of December 31, 2013, mainly due to discontinued operations.

- (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) Includes interest on cash equivalents at December 31, 2013 and 2012 for Ps. 2.9 million and Ps. 32.6 million, respectively, and net interest for Ps.197.5 million relating to the CMM and the PUREE.
- (3) Net of interest capitalized at December 31, 2013, 2012 and 2011 for Ps. 24.5 million ,Ps. 25.4 million and Ps. 16.1 million respectively.
- (4) Each ADS represents 20 Class B common shares.

#### Consolidated Statement of Financial Position

	2013	2013	2012	2011
	<i>(Figures in millions)</i>			
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment .....	795.8	5,189.3	4,344.6	3,995.3
Intangible assets .....	-	-	845.8	793.0
Interest in joint ventures .....	0.1	0.4	0.4	0.4
Trade receivables .....	-	-	2.0	45.7
Other receivables .....	30.6	199.4	195.0	50.3
<b>Total non-current assets</b>	<b>U.S.\$ 826.5</b>	<b>Ps. 5,389.1</b>	<b>Ps. 5,387.8</b>	<b>Ps. 4,884.70</b>
<b>Current assets</b>				
Assets under construction .....	-	-	84.5	45.5
Inventories .....	12.9	83.9	85.0	45.3
Trade receivables .....	123.2	803.1	889.4	534.7
Derivative financial instruments	-	-	-	1.3
Other receivables .....	80.1	522.1	127.2	76.3
Financial assets at fair value through profit or loss .....	33.2	216.4	3.4	2.1
Cash and cash equivalents .....	37.3	243.5	71.1	130.5
<b>Total current assets</b>	<b>U.S.\$ 286.6</b>	<b>Ps. 1,869.0</b>	<b>Ps. 1,260.6</b>	<b>Ps. 835.7</b>
Assets of disposal group classified as held for sale .....	-	-	223.4	1,291.1

<b>TOTAL ASSETS</b>	<u>U.S.\$ 1,113.1</u>	<u>Ps. 7,258.1</u>	<u>Ps. 6,871.8</u>	<u>Ps. 7,011.5</u>
<b>EQUITY</b>				
<b>Capital and reserves attributable to the owners</b>				
Share capital .....	U.S.\$ 137.6	Ps. 897.0	Ps. 897.0	897.0
Adjustment to share capital .....	61.0	397.7	397.7	986.1
Additional paid-in capital .....	0.5	3.5	3.5	21.8
Treasury stock .....	1.4	9.4	9.4	9.4
Adjustment to treasury stock .....	1.6	10.3	10.3	10.3
Other comprehensive loss .....	(4.3)	(28.3)	(14.7)	64.0
Retained earnings/Accumulated deficit .....	(17.4)	(113.4)	(885.1)	(557.3)
<b>Equity attributable to the owners</b>	<u>180.4</u>	<u>1,176.2</u>	<u>418.1</u>	<u>1,431.4</u>
Non-controlling interest .....	0.0	-	71.1	415.8
<b>TOTAL EQUITY</b>	<u>180.4</u>	<u>1,176.2</u>	<u>489.2</u>	<u>1,847.2</u>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Trade payables .....	33.9	220.8	155.3	87.7
Deferred revenue .....	5.2	33.7	264.4	174.8
Other payables <sup>(1)</sup> .....	144.9	944.7	1,894.8	1,373.7
Borrowings .....	200.9	1,309.9	1,350.7	1,189.9
Salaries and social security taxes payable .....	4.0	26.0	17.5	23.6
Benefit plans .....	15.7	102.7	97.4	83.5
Provisions .....	12.7	83.1	80.0	66.1
Tax liabilities .....	0.7	4.4	10.0	17.7
Deferred tax liability .....	11.3	73.4	230.4	348.7
<b>Total non-current liabilities</b>	<u>U.S.\$ 429.3</u>	<u>Ps. 2,798.7</u>	<u>Ps. 4,100.5</u>	<u>Ps. 3,365.7</u>
<b>Current liabilities</b>				
Trade payables .....	380.5	2,481.3	1,208.7	623.7
Borrowings .....	6.2	40.6	103.1	59.0
Derivative Financial Instruments .....	-	-	-	-
Salaries and social security taxes payable .....	64.5	420.9	383.6	275.8
Benefit plans .....	-	-	15.0	11.3
Tax liabilities .....	28.0	182.5	253.6	147.7
Other payables .....	22.6	147.2	150.4	128.6
Provisions .....	1.6	10.7	10.5	10.3
<b>Total current liabilities</b>	<u>U.S.\$ 503.5</u>	<u>Ps. 3,283.1</u>	<u>Ps. 2,124.9</u>	<u>Ps. 1,256.4</u>
Liabilities of disposal group classified as held for sale .....	0.0	-	157.3	542.2
<b>TOTAL LIABILITIES</b>	<u>U.S.\$ 932.8</u>	<u>Ps. 6,081.8</u>	<u>Ps. 6,382.7</u>	<u>Ps. 5,164.3</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>U.S.\$ 1,113.2</u>	<u>Ps. 7,258.1</u>	<u>Ps. 6,871.9</u>	<u>Ps. 7,011.5</u>

- (1) Includes the amounts collected through the Program for the Rational Use of Electricity Power (PUREE) (net of the Ps. 1,661.1 million compensated pursuant to Resolution 250/2013 and Note 6852/2013, which as of December 31, 2013, 2012 and 2011 amounted to Ps. 108.6 million, Ps. 1,352 million and Ps. 928.7 million, respectively, included under current and non-current liabilities. Edeon 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.

<b>Consolidated Cash Flow</b>	<b>2013</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<i>(Figures in millions)</i>			
Profit (Loss) for the year	U.S.\$ 118.5	Ps. 772.8	Ps. (1,013.4)	Ps. (291.3)
<b>Adjustments to reconcile net profit (loss) to net cash flows provided by operating activities:</b>				
Depreciation of property, plant and equipment .....	32.5	212.1	192.6	184.8
Loss on disposals of property, plant and equipment .....	0.2	1.2	1.8	1.8
Loss on interest in joint ventures .....	(0.0)	(0.0)	(0.0)	(0.0)
Net Gain from the repurchase of Corporate Notes .....	(13.6)	(88.9)	-	(6.5)
Accrued interest, net of interest capitalized .....	30.1	196.6	182.6	95.3
Exchange differences .....	56.1	365.8	192.9	100.5
Income tax .....	(6.8)	(44.1)	(116.7)	82.2
Allowance for the impairment of trade and other receivables, net of recovery.....	5.2	33.7	54.4	13.2
Provision for contingencies .....	5.5	36.0	24.8	16.6
Adjustment to present value of other receivables .....	(0.4)	(2.4)	2.2	(1.2)
Changes in fair value of financial assets .....	(2.5)	(16.1)	(39.1)	(14.8)
Gain for acquisition of societies .....	-	-	-	(435.0)
Accrual of benefit plans .....	3.5	22.5	20.4	9.9
Higher costs recognition - Resolution SE 250/13 and Note SE 685/13	(449.8)	(2,933.1)	-	-
Discontinued operations .....	25.9	168.7	287.8	349.8
<b>Changes in operating assets and liabilities:</b>				
Net increase in trade receivables .....	(7.4)	(48.5)	(306.0)	(63.6)
Net increase in other receivables .....	(17.2)	(111.9)	(15.3)	(44.0)
Increase in inventories .....	(6.5)	(42.7)	(18.3)	(10.5)
Increase in assets under construction .....	-	-	-	(8.6)
Increase in trade payables .....	186.0	1,212.7	207.7	195.6
Increase in salaries and social security taxes payable .....	14.6	95.3	88.8	63.7
Decrease in benefit plans .....	(1.2)	(7.9)	(4.0)	(2.7)
(Decrease) / Increase in tax liabilities .....	(6.9)	(44.9)	43.4	(19.2)
(Decrease) / Increase in deferred revenue .....	(0.1)	(0.7)	16.9	17.5
Increase in other payables .....	40.2	262.1	40.9	120.2
Net decrease in provisions .....	(3.9)	(25.3)	(12.1)	(11.0)
Funds obtained from the program for the rational use of electric power (PUREE) (Res SE No. 1037/07)	75.4	491.9	410.7	338.0
<b>Subtotal before Cammesa financing</b>	<u>77.4</u>	<u>505.0</u>	<u>242.8</u>	<u>680.6</u>
Net Increase for funds obtained - Cammesa financing .....	<u>165.5</u>	<u>1,079.2</u>	<u>295.7</u>	<u>10.1</u>
<b>Net cash flows provided by operating activities</b>	<u>242.9</u>	<u>1,584.2</u>	<u>538.5</u>	<u>690.7</u>
	<b>2013</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Cash flows from investing activities</b>				
Net (payment for) collection of purchase / sale of financial assets at fair value .....	(14.9)	(97.4)	37.8	443.5
Acquisitions of property, plant and equipment .....	(159.5)	(1,039.9)	(537.9)	(434.7)
Payment for adquisition of companies .....	-	-	-	(442.9)
Payment for adquisition of additional non-controlling interests.....	-	-	-	(6.4)
Loans granted .....	-	-	(0.5)	(39.7)
Collection of financial receivables with related companies .....	0.3	2.1	142.4	90.6
Collection of receivables from sale of subsidiaries - SIESA .....	-	2.9	-	-
Collection for sales of discontinued operations.....	-	-	-	126.7
Incorporation of Cash and Cash equivalents in acquired companies .....	-	-	-	119.0
Discontinued operations.....	(19.0)	(124.2)	(232.1)	(610.9)
<b>Net cash flows used in investing activities</b>	<u>(192.7)</u>	<u>(1,256.6)</u>	<u>(590.4)</u>	<u>(754.8)</u>
<b>Cash flow from financing activities</b>				
Loans taken .....	-	-	0.8	298.2
Payment of principal and interest on loans .....	(31.1)	(202.5)	(165.4)	(380.4)
Discontinued operations .....	3.9	25.4	136.8	55.9
<b>Net cash flows used in financing activities</b>	<u>(27.2)</u>	<u>(177.1)</u>	<u>(27.8)</u>	<u>(26.3)</u>

<b>Net increase / (decrease) in cash and cash equivalents</b>	23.1	150.5	(79.7)	(90.4)
Cash and cash equivalents at beginning of year in the statement of financial position ...	U.S.\$ 10.9	Ps. 71.1	Ps. 130.5	Ps. 246.0
Cash and cash equivalents at beginning of year included in assets of disposal group classified as held for sale .....	1.7	11.2	28.3	-
Exchange Differences in cash and cash equivalents .....	1.6	10.7	3.2	3.3
Net increase / (decrease) in cash and cash equivalents.....	23.1	150.5	(79.7)	(90.5)
<b>Cash and cash equivalents at year end</b>	<u>U.S.\$ 37.3</u>	<u>Ps. 243.5</u>	<u>Ps. 82.3</u>	<u>Ps. 158.8</u>
Cash and cash equivalents at year end in the statement of financial position .....	37.3	243.5	71.1	130.5
Cash and cash equivalents at year end included in assets of disposal group classified as held for sale .....	-	-	11.2	28.3
Cash and cash equivalents at year end	<u>U.S.\$ 37.3</u>	<u>Ps. 243.5</u>	<u>Ps. 82.3</u>	<u>Ps. 158.8</u>

### Supplemental cash flows information

#### Non-cash operating, investing and financing activities

	(0.5)	(3.5)	(6.4)	4.1
	(254.7)	(1,661.1)	-	-
	(176.7)	(1,152.3)	-	-
Decrease in Cammesa payable for purchase of electricity (Res SE 250/13 and Note 6852/13)	(51.3)	(334.3)	-	-
Decrease in financial assets at fair value from subsidiary sale	25.3	165.1	-	-
Increase in financial assets at fair value from repurchase of Corporate Notes	3.2	21.0	(8.0)	10.2
Increase of benefit plans from actuarial losses exposed in other comprehensive income				-
Increase of other debts with related companies from Emdersa Holding S.A. shares purchases	8.1	52.8	-	-
Increase of other receivables for collection of corporate notes with related companies	(6.8)	(44.6)	-	-
Net increase of trade receivables from assets of disposal group classified as held for sale	(7.5)	(48.9)	-	-
Acquisition of property, plant and equipment through increased debt FOTAE				

#### Acquired Companies

Cash and Cash equivalents	-	-	-	119.0
Property, plant and equipment	-	-	-	1,881.4
Inventories	-	-	-	4.3
Trade receivables	-	-	-	255.3
Other receivables	-	-	-	84.6
Trade payables	-	-	-	(257.8)
Borrowings	-	-	-	(450.0)
Deferred tax liability	-	-	-	(78.8)
Other liabilities	-	-	-	(331.0)
<b>Net Assets</b>	-	-	-	<b>1,227.0</b>
Non-controlling interests	-	-	-	(230.0)
<b>Net assets acquired</b>	-	-	-	<b>997.0</b>
Bargain Purchase	-	-	-	435.0
<b>Cash Paid</b>	-	-	-	<b>(562.0)</b>
Cash and cash equivalents in acquired companies	-	-	-	119.0
<b>Net Cash Flow for acquisition of companies</b>				<b>(442.9)</b>

	Year ended December 31,				
	2013	2012	2011	2010	2009
<b>Operating data</b>					
Energy sales (in GWh):	21,674	20,760	20,098	19,292	18,220
Residential	9,114	8,662	8,139	7,796	7,344
Small Commercial	1,780	1,688	1,601	1,543	1,470
Medium Commercial	1,828	1,717	1,700	1,634	1,565
Industrial	3,458	3,335	3,442	3,378	3,204
Wheeling System <sup>(1)</sup>	4,374	4,261	4,156	3,891	3,622
Others:					
Public Lighting	683	668	656	654	644
Shantytowns	417	409	384	377	351
Others <sup>(2)</sup>	20	20	20	20	20
Customers (in thousands) <sup>(3)</sup>	2,773	2,726	2,699	2,662	2,605
Energy Losses (%)	13.0%	13.3%	12.6%	12.5%	11.9%
MWh sold per employee	6,023.9	7,088.0	7,188.1	7,123.9	6,936.1
Customers per employee	771	931	965	971	978

(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 of Argentina (*Banco Central de la República Argentina*, 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 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, 2015. 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, although the government has the power to intervene by buying and selling foreign currency for its own account, a practice in which it engages on a regular basis.

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 the 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>				
2009.....	3.45	3.85	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.....	4.30	4.92	4.55 <sup>(1)</sup>	4.92
2013.....	4.93	6.52	5.48 <sup>(1)</sup>	6.52
<b>Month</b>				
October 2013.....	5.80 <sup>(2)</sup>	5.91 <sup>(2)</sup>	5.85	5.91
November 2013.....	5.93 <sup>(2)</sup>	6.14 <sup>(2)</sup>	6.02	6.14
December 2013.....	6.16 <sup>(2)</sup>	6.52 <sup>(2)</sup>	6.32	6.52
January 2014.....	6.55 <sup>(2)</sup>	8.02 <sup>(2)</sup>	7.12	8.01
February 2014.....	7.76 <sup>(2)</sup>	8.01 <sup>(2)</sup>	7.85	7.87
March 2014.....	7.86 <sup>(2)</sup>	8.01 <sup>(2)</sup>	7.93	8.00
April 2014 <sup>(3)</sup> .....	8.00 <sup>(4)</sup>	8.00 <sup>(4)</sup>	8.00	8.00

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 23, 2014.
- (4) Represents the average of the lowest and highest daily rates from April 1 through April 23, 2014.

## 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 to 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 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 “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 vulnerable 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 vulnerable, 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.

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 to control inflation or address other macroeconomic developments 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 9.5% in 2011, 10.8% in 2012 and 10.6% in 2013. 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 *Coefficiente 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; it could adversely affect our ability to finance the working capital needs of our businesses on favorable terms; and it could 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 indices 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 indices, the inflation rate of Argentina and the other rates calculated by INDEC could be higher than as indicated in official reports.

On November 23, 2010, the Argentine government began consulting 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 an index. Notwithstanding the foregoing, reports published by the IMF state that its staff also uses alternative measures of inflation for macroeconomic surveillance, including data produced by private sources, and such measures have shown inflation rates that are considerably higher than those issued by the INDEC since 2007. Consequently, the IMF called on Argentina to adopt remedial measures to address the quality of its 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 had not been sufficient. As a result, the IMF issued a declaration of censure against Argentina in connection with the 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.

In order to address the quality of official data, a new price index was put in place on February 13, 2014. The new price index represents the first national indicator to measure changes in prices of final consumption by households. While the previous price index only measured inflation in the urban sprawl of the City of Buenos Aires, the new price index is calculated by measuring prices on goods across the entire urban population of the 24 provinces of Argentina. Pursuant to these calculations, the new consumer price index rose by 10% during the first quarter of 2014. The IMF has declared that it will review later in 2014 Argentina's reports on progress in revising its inflation and gross domestic product statistics.

Any further required correction or restatement of the INDEC indices could result in a 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, and 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.

***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 that 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. On August 23, 2013, the United States Second Circuit Court of Appeals ruled in favor of the plaintiffs. On November 18, 2013, the Second Circuit Court of Appeals denied Argentina's petition for rehearing.

On April 30, 2010, Argentina launched a new debt exchange directed 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 pursuing legal actions against Argentina for the recovery of debt, which could adversely affect Argentina's access to the international capital markets.

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. Even though preliminary negotiations have taken place close to the date of this annual report, no agreement has been reached in this respect and, as of the date of this annual report, the Argentine government had not yet

cancelled such debt. If no agreement with the Paris Club creditor nations is reached, financing from multilateral financial institutions may be limited or unavailable, which could adversely affect economic growth in Argentina and Argentina's public finances.

In addition, foreign shareholders of several Argentine companies have filed claims before the International Centre for Settlement of Investment Disputes (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, certain plaintiffs have prevailed against Argentina in such proceedings, including most recently, British Gas whose US\$ 185 million award was upheld by the United States Supreme Court. In October 2013, the Argentine government entered into settlement agreements with certain claimants worth U.S.\$677 million, to be satisfied with the delivery of newly issued sovereign bonds. Argentina's past default and its failure to completely restructure 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. An 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 efforts concerning Argentina's default on its public indebtedness. Over the years, such groups have 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.

***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, significantly reduce real wages, jeopardize the stability of businesses whose success depends 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. On January 2014, the peso lost approximately 23% of its value with respect to the US Dollar. If the Argentine Peso devalues further, 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 significant appreciation 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***

During recent years, the Argentine government has increased its direct intervention in the economy, including through the implementation of expropriation and nationalization measures, price controls and exchange controls.

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 “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. In February 2014, the Argentine government and Repsol announced that they had reached agreement on the terms of the compensation payable to Repsol for the expropriation of the YPF shares. Such compensation totals US\$ 5 billion, payable by delivery of Argentine sovereign bonds with various maturities. 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. 2,552/2012. 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, new regulation made 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 2011, the Argentine government has adopted exchange controls such as requiring an authorization of tax authorities to access the foreign currency exchange market and introduced measures that have imposed limits on access to 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 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 impair our ability to make interest or principal payments abroad or payments. Such measures 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 listed companies, such that the Argentine government became a significant shareholder of such companies***

Prior to 2009, a significant portion of the local demand for securities of Argentine companies came from 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's interests may differ from those of other investors and, consequently, those investors may understand that ANSES's actions might have an adverse effect on such companies. As of the date of this annual report, ANSES owns 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 and Argentina's economy is vulnerable to external shocks, including those related or similar to the global economic crisis that began in 2008. For example, the recent challenges faced in 2011 and 2012 by the European Union to stabilize certain of its member economies had international implications affecting the stability of global financial markets, which hindered economies worldwide and negatively affected 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.

### ***Recently approved Argentine judicial reforms, as well as challenges thereto, have generated uncertainty with respect to future administrative and judicial proceedings involving the Argentine government***

Law No. 26,854, which regulates injunctions in cases in which the Argentine government is a party or has intervened, was promulgated on April 30, 2013 as part of a judicial reform bill approved by the Argentine Congress. Among the principal changes proposed in the judicial reform bill are a time limitation on injunctions imposed in proceedings brought against the Argentine government and the creation of three new chambers of *Casación* (which hear appeals) prior to the intervention of the Supreme Court of Justice of Argentina. In addition, Law No. 26,855, which became effective on May 27, 2013, modified the structure and functions of the Argentine *Consejo de la Magistratura* (judicial council), which is in charge of appointing judges, of presenting charges against them, and of suspending or deposing them. However, several legal challenges have been brought against these laws, leading to rulings which for the time being have prevented them from entering into full effect.

Although it is not possible to predict the degree to which the reforms, if and when the same become effective, might affect future administrative and/or judicial proceedings, potential future claims by us against the Argentine government could be affected by these new laws.

### **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 of 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 for 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 caused substantial price differences within the market. The Argentine government has continued to intervene in this sector by, for example, 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 ("SE") issued Note 8,752, 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 8,752, certain provincial governments have initiated legal proceedings to challenge the jurisdiction of the SE to issue Note 8,752, particularly because of the potential chilling effect that this regulation may have on the ability of the provincial governments to increase electricity tariffs. As of the date of this annual report, at least one unfavorable ruling against the Argentine government has been rendered. 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 SE issued Resolution 2016, which approved the seasonal WEM prices – subsidized and not subsidized – for the period from November 2012 through April 2013. The seasonal price format was modified, concluding in a single purchase price without considering any demand nor time segmentation and taking into account the structure of the demand as of October 2012 as

the base. Subsequently, in June 2013, the SE adopted Resolution 408/13, which maintains both the single price and the criteria for raising subsidies during the winter season, with a reduction of the single price only for those months and a subsequent reversion of prices in October 2013. 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 SE 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. Our inability to cover the costs of distribution or to receive an adequate return on our asset base may further adversely affect our financial condition and results of operations..

***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 4.8% per annum from 2003 through 2013. 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, subsidies in the energy purchase price 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, government intervention and decreased results of operations***

In recent years, the condition of the Argentine electricity market has provided little incentive to generators and distributors to further invest in increasing their generation and distribution capacity, respectively, which would require material long-term financial commitments. As a result, the Argentine electricity market is currently operating at near full capacity and both generators and distributors may not be able to guarantee the supply of electricity to their customers, which could lead to a decline in growth of such companies. During December 2013, an increase in demand for electricity resulted in energy shortages and blackouts in Buenos Aires and other cities around Argentina. Under Argentine law, distribution companies, such as us, are responsible to their customers for any disruption in the supply of electricity. 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*. 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. Additionally, disruptions in the supply of electricity could expose us to intervention by the Argentine government, which warned of such possibility during the blackouts of December 2013. Such claims, fines, penalties or government intervention 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. See also "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."

## **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 tariffs 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***

Since execution of 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") and as required by them, we have been engaged in an Integral Tariff Revision (Revisión Tarifaria Integral, or "RTI") with the ENRE. 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 twelve additional increases under the CMM since

May 2008, eleven of which have been recognized by ENRE (they have been applied retroactively to amounts owed to us up to September 2013, pursuant to Resolution 250/13 and subsequent Note 6,852/13), but have not been transferred to the tariff structure as of the date of filing of this annual report. Under the terms of the Adjustment Agreement, these twelve increases should have been approved in May and November of each year from 2008 onwards.

During the years ended December 31, 2012 and 2011, we recorded a significant decrease in net income and operating income (we recorded operating loss in 2012), 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 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 2014.

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, and/or if 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, 2013 included herein, assuming that we will continue as a going concern. Our independent auditors, PwC, issued a report dated March 7, 2014, on our Consolidated Financial Statements as of December 31, 2013 and 2012 and for the years ended December 31, 2013, 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, despite the recognition of the CMM retroactive adjustments set in Resolution 250/13 and Note 6852/13, the steady increase in the operating costs necessary to maintain the level of service and the delay in obtaining genuine tariff increases will continue to affect our operating results and have raised substantial doubt with respect to our ability to continue as a going concern. In this respect, the recognition of the CMM retroactive adjustments is not enough to restore our economic and financial conditions to the level required by a public service concession such as ours. Management's plans in response to these matters are also described in Note 1. However, our financial statements as of December 31, 2013 and 2012 and for the years ended December 31, 2013, 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 inability to obtain tariff adjustments in line with the actual changes in costs could deepen our inability to meet our trade obligations and could also have a material adverse effect on our ability to meet our financial obligations***

Although Resolution 250/13 and Note 6,852/13 recognized the corresponding CMM adjustments retroactively, these have not been sufficient to support the real variation in costs, principally due to salary adjustments and increased operating expenses above the inflation recorded by the INDEC. Our inability to obtain tariff adjustments in line with the actual change in costs has deepened our inability to meet obligations vis-a-vis CAMMESA, our major supplier, and has had a material adverse effect on our ability to meet our financial obligations as a result of a shortage in liquidity, which may result in the need to restructure our debt and may have a material adverse effect on our business and results of operations and could also adversely impact on our financial condition and the market value of the ADSs.

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

Our tariffs have been challenged by Argentine consumer associations, such as the action brought again us in December 2009, by an Argentine consumer association (*Unión de Usuarios y Consumidores*) 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 a Federal Extraordinary Appeal ("*Recurso Extraordinario Federal*") against such decision, which was granted on March 11, 2011. On October 1, 2013, the Supreme Court of Justice decided to dismiss the Federal Extraordinary Appeal that had been filed. A final judgment in our favor has been rendered.

We cannot 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 in 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, 2013, December 31, 2012 and December 31, 2011, our consolidated accrued fines and penalties totaled Ps. 923.8 million, Ps. 662.0 million and Ps. 542.2 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 us. In addition, we cannot assure you that we will not incur significant 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. See "Item 4. Information on the Company—Our Business Overview—Fines and Penalties."

***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 contemplated by 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 13.0% in 2013, 13.3% in 2012 and 12.6% in 2011. 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. One of our indirect shareholders is currently engaged in a dispute with a former shareholder of EASA in connection with the suspension and release of such ICSID claims. See "Item 8. Financial Information—Legal and Administrative Proceedings—Legal Proceedings—Other Legal Proceedings."

In 2013, the fines and penalties imposed on Edenor by the ENRE amounted to Ps. 287.5 million, which represented 8.4% 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 obligations thereunder 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 may be unable to import certain equipment to meet the growing demand for electricity, which could lead to a breach of our concession contract and could have a material adverse effect on the operations and financial position of the Company***

Certain restrictions on imports imposed by Argentine government (see “The actions taken by the Argentine government to reduce imports may affect our ability to purchase significant capital goods”) could limit our ability to purchase capital goods that are necessary for our operations (including carrying out specific projects). Under our concession, 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 for our concession. If we are not able to purchase significant capital goods to satisfy all the demand, we could face fines and penalties which may, in turn, adversely affect our activity, financial position and results of operations and/or the market value of your ADSs.

***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, 2013, approximately 85% of Edenor employees 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 could 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, 2013, Edenor had approximately 2,518 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 a 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 will 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 Central Bank regulations at the time and by entering into currency forward contracts. However, pursuant to new regulations of the 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 (see “—Risks related to Argentina—Fluctuations in the value of the Argentine Peso could adversely affect the Argentine Economy, which could, in turn adversely affect our results of operations”). 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 further 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 other 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, 2013, our physical assets were insured for up to U.S. \$1.062,3 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 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.

***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 repay our commercial debt with CAMMESA, our major supplier***

As of December 31, 2013, we owed approximately Ps.1,500.6 million to CAMMESA. This debt is due and unpaid and we have not secured any waivers from CAMMESA; if CAMMESA requested that we repay such debt, we may be unable to raise the funds to repay it and, consequently, we could be exposed to a cash attachment, which could in turn result in our filing for a voluntary reorganization proceeding (*concurso preventivo*), which could cause the market value of our ADSs and Class B common shares to decline (see “—Risks related to Our Business—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”).

***Downgrades in our credit ratings could materially and adversely affect our business, financial condition and results of operations.***

A material downgrade of our credit ratings may have various effects including, but not limited to, the following: we may have to accept less favorable terms in our transactions with counterparties, including capital raising activities, or may be unable to enter into certain transactions; existing agreements or transactions may be cancelled; and we may be required to provide additional collateral in connection with derivatives transactions. Any of these or other effects of a downgrade of our credit ratings could have a negative impact on the profitability of our treasury and other operations, and could adversely affect our regulatory capital position, financial condition and results of operations.

***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.\$191.1 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, which could adversely affect our results of operations and cause the market value of our ADSs and Class B common shares to decline.

***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.\$ 191.1 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 of our obligations under the notes and require us to immediately repay all such accelerated debt. In addition, all of our outstanding financial indebtedness contains certain events of default related to bankruptcy and voluntary reorganization proceedings (*concurso preventivo*). If we are not able to fulfill certain payment obligations as a result of our current financial situation and if 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 may be mandatorily required to conduct a capital stock reduction and we may in the future be required to dissolve and liquidate***

In the absence of any tariff adjustment, it is possible that during 2014, our accumulated deficit exceeds our reserves plus 50% of our capital stock, in which case, under current applicable regulations, we will be required to mandatorily reduce our capital stock pursuant to Article 206 of the Argentine Corporations Law. In addition, if our shareholders' equity becomes negative (that is, if our total liabilities exceed our total assets) at the end of any fiscal year, 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, upon the occurrence of certain events relating to our financial situation***

The New York Stock Exchange ("NYSE") and the Buenos Aires Stock Exchange ("BASE") may suspend and/or cancel the listing of our ADSs and Class B common shares, in certain circumstances, including upon the occurrence of certain events relating to our financial situation. For example, the NYSE may decide such suspension or cancellation if our shareholders' equity becomes negative.

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 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 was prepared under Argentine GAAP prior to January 1, 2012***

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 (other than the one presented in 2013 with respect to the fiscal year ended December 31, 2012) 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 veedores (supervisors), by the CNV or otherwise, 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 *Comisión Nacional de Valores* (Argentine National Securities Commission, or “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 such person violated the interests of minority shareholders or any holder of securities that are subject to the Argentine public offering regime, it may appoint a *veedor* (supervisor), who will have veto powers. Additionally, the CNV may suspend the board of directors for a period of up to 180 days, until the CNV rectifies the situation. This measure may only be appealed before the Ministry of Economy and Finance of Argentina. If the CNV makes an inspection on the and considers that any right of a minority shareholder or holder of any security has been violated, it may proceed to suspend the board of directors for the up to 180-day period, in which case the economic and financial situation of the Company could be negatively affected. In addition, a *veedor* may be appointed through a judicial request. In this respect, on April 21, 2014, Molinos Rio de la Plata S.A., an Argentine company whose shares are publicly-traded in Argentina, reported the judicial appointment of a *veedor* at the request of ANSES, one of its shareholders, which is also a shareholder of the Company, for a period of six months. We cannot assure you that ANSES, or any other party, will not attempt to pursue a similar course of action with respect to the Company, which may have a negative effect on the Company.

***Changes in weather conditions or the occurrence of severe weather (whether or not caused by climate change or natural disasters), could adversely affect our operations and financial performance.***

Weather conditions may influence the demand for electricity, our ability to provide it and the costs of providing it. In particular, severe weather may adversely affect our results of operations by causing significant demand increases, which we may be unable to meet without a significant increase in operating costs. This could strongly impact the continuity of our services and our quality indicators. For example, the exceptional thunderstorms that occurred in April and December of 2013 and a heat wave that occurred in December of 2013 affected the continuity of our services, both in the low voltage and medium voltage networks. See “Item 4. Information on the Company — Business Overview — Quality Standards – Edenor’s Concession”. Furthermore, any such disruptions in the provision of our services could expose us to fines and orders to compensate those customers affected by any such power cuts, as has occurred in the past (see “Item 4. Information on the Company — Business Overview — Quality Standards – Fines and Penalties”). Our financial condition, results of operations and cash flows could therefore be negatively affected by changes in weather conditions and severe weather.

***A cyber-attack could adversely affect our business, financial condition, results of operations and cash flows.***

Information security risks have generally increased in recent years as a result of the proliferation of new technologies and the increased sophistication and activities of cyber-attacks. Through part of our grid and other initiatives, we have increasingly connected equipment and systems related to the distribution of electricity to the Internet. Because of the critical nature of our infrastructure and the increased accessibility enabled through connection to the Internet, we may face a heightened risk of cyber-attack. In the event of such an attack, we could have our business operations disrupted, property damaged and customer information stolen; experience substantial loss of revenues, response costs and other financial loss; and be subject to increased regulation, litigation and damage to our reputation. A cyber-attack could adversely affect our results of operations and financial condition and cause the market value of our ADSs and Class B common shares to decline.

**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 depositary 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 depositary to convert cash dividends paid in Pesos into U.S. Dollars. Under the terms of our deposit agreement with the depositary for the ADSs, the depositary 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 depositary 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 depositary 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 depositary 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 depositary 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 depositary 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 depositary. If we ask it to do so, the depositary 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 depositary as to voting the Class B common shares represented by their ADSs. Due to these procedural steps involving the depositary, 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 depositary 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 to. 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.

Provisions of Argentine securities laws could deter takeover attempts and have an adverse impact on the price of our shares and the ADSs.

Argentine securities laws contain provisions that may discourage, delay or make more difficult a change in control of Edenor, such as the requirement, upon the acquisition of a certain percentage of our capital stock, to launch a tender offer to acquire a certain percentage of our capital stock, which percentage ranges from 10% to 100% depending on several factors. These provisions may delay, defer or prevent a transaction or a change in control that might otherwise be in the best interest of our shareholders and may adversely affect the market value of our shares and ADSs.

#### **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 Argentine Electricity Agency (*Ente Nacional Regulador de la Electricidad*, the "ENRE") and registered with the Public Registry of Commerce (*Inspección General de Justicia*, the "IGJ") 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 Nihuales, 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 ("NYSE") under the symbol "EDN," and our 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 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 Argentine Social Security Administration (*Administración Nacional de la Seguridad Social*, 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.

### ***Recent Developments***

#### *Sale of Emdersa/Edelar*

On September 17, 2013, our Board of Directors approved an irrevocable offer to Energía Riojana S.A. (ERSA) and the Government of the Province of La Rioja for the (i) sale of our indirect stake in Emdersa, Edelar’s parent company, and (ii) assignment of certain account receivables that we had against Emdersa and Edelar. On October 4, 2013, ERSA and the Government of the Province of La Rioja in its capacity as controlling shareholder of ERSA accepted the offer. The transaction closed on October 30, 2013. The price agreed upon was Ps. 75.2 million payable in 120 monthly and consecutive installments. The first installment is not due until October 30, 2015, 24 months after the closing date.

#### *Merger process – Emdersa Holding*

On December 20, 2013, the merger of Emdersa Holding into Edenor was approved by an extraordinary shareholders’ meeting, as well as all documentation and information required by applicable regulation towards that end. As of the date of this annual report, the approval of the merger by the IGJ is pending. The effective reorganization date for all legal, accounting and tax purposes will be retroactive to October 1, 2013.

On October 7, 2013, the Company resolved to initiate the proceedings pursuant to which the Company will absorb Emdersa Holding in order to optimize its resources, simplifying its corporate, administrative and operating structure.

#### *Acquisitions and Subsequent Divestitures*

##### ***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) 77.19% of Emdersa’s capital stock and votes (“Emdersa’s Shares”), (ii) 0.01% of Empresa Distribuidora de San Luis S.A.’s (“Edesal”) capital stock and votes, (iii) 0.02% of Emdersa Generación Salta S.A.’s (“EGSSA”) capital stock and votes, (iv) 0.01% of Empresa Distribuidora de Electricidad de la Rioja S.A.’s (“EDELAR”) capital stock and votes, (v) 0.01% of Empresa de Sistemas Eléctricos Abiertos S.A.’s (“ESED”) capital stock and votes (all the shares mentioned in items (ii) through (v) hereinafter referred to as the “Residual Shares”), and (vi) 99.99% of AESEBA’s capital stock and votes (“AESEBA’s Shares”).

#### *Spin-off Process – Emdersa*

Emdersa’s shareholders’ meeting held on December 16, 2011, which was resumed on January 13, 2012 after a recess, approved: (i) a 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, (ii) the special spin-off financial statements for the period ended September 30, 2011 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 (iii) the spin-off prospectus.

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. ("EDESAAH") and EGSSA Holding S.A. ("EGSSAAH"). 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.

#### *Edesal Sale*

On September 16, 2011, our Board of Directors approved the offer for the acquisition of Edesal by Rovella Carranza S.A. and transferred 24.80% of Emdersa's shares and 0.01% of EDESAL's shares to Rovella Carranza S.A.

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

#### *EGSSA sale*

On October 11, 2011, our 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 organized to 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. On November 22, 2012, shares representing 78.44% of the capital stock and votes of EGSSAAH were transferred in favor of Pampa Energía.

#### *EDESA Sale*

On April 23, 2012, our 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 EDESAAH 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.

Upon the conclusion of Emdersa's spin-off process, the shares representing 78.44% of the capital stock and votes of EDESAAH, holder of 90% of EDESA's shares and votes, were issued, and Deutsche Bank, 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 EDESAAH's capital stock and votes. As a consequence of this transaction, Edenor held 0.13% interest in EDESA.

#### *EDELAR Offer*

An offer from Andes Energía Argentina S.A. ("Andes Energía") was accepted by our Board of Directors on September 16, 2011. Such offer 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 two 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.

On December 31, 2012, Andes Energía's purchase option expired. On September 17, 2013, the Company approved an irrevocable offer for the sale of its indirect stake in Emdersa, the parent company of EDELAR, to ERSA and the transfer of certain credits held against Emdersa and EDELAR.

The offer was accepted and the transaction closed on October 30, 2013. The total price agreed upon amounts to Ps. 75.2 million and is payable in 120 monthly and consecutive installments, with a grace period of 24 months.

#### *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, our Board of Directors approved the acceptance of the offer 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, a Management Trust was set up by and among Purchaser (as settlor), Equity Trust Company (Uruguay) S.A. (as trustee) and Edenor.

On April 5, 2013, we divested AESEBA which resulted in a loss in our Financial Statements for 2013 of about Ps. 194.3 million (a Ps. 104.9 million loss after income tax effect). As of the date of this annual report, Aeseba's sale trust purchased in the open market U.S.\$ 68.0 million principal amount of our Notes due 2022 and U.S.\$ 10.0 million principal amount of our Notes due 2017. These Notes were sent to Edenor and cancelled on March 26, 2013.

## 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 2013. 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, 2013, Edenor served 2,772,893 customers. The following table shows the percentage of the electricity produced and sold by generating companies that was purchased by us in the periods indicated:

	<b>Demand (GWh)</b>		
	Wholesale Electricity Market <sup>(1)</sup>	Edenor Demand <sup>(2)</sup>	Edenor Demand as a % of the Wholesale Electricity Market
2013	125,167	24,902	19.9%
2012	121,322	23,933	19.7%
2011	116,418	23,004	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.

### *Edenor Concession*

By a concession dated August 5, 1992, the Argentine government granted us 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 Integral Tariff Revision (*Revisión Tarifaria Integral*, or "RTI") process, subject to the ENRE's approval. We presented requests for such extension in May 2007 and on July 5, 2007, and the ENRE, pursuant to its Resolution No. 467/2007, agreed to extend the initial management period for an additional period of five years from the date when 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, 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, have 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, the ENRE applied a cost adjustment mechanism for the transition period during which the RTI process is being conducted. This mechanism is known as the Cost Monitoring Mechanism (“CMM”) and 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 CMM. 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. Because the Adjustment Agreement is effective retroactively as of November 1, 2005, in May 2006, 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, resulted 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 customers (excluding residential customers) 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 Secretariat of Energy (“SE”) 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 Program for the Rational Use of Electricity Power (Programa de Uso Racional de la Energía Eléctrica, or “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 bi-monthly consumption levels over 650 kWh. In addition, by Note No. 83,818, the ENRE authorized us to be reimbursed from the PUREE funds for the retroactive portion of the 7.56% CMM increase amounting to Ps. 45.5 million for the period between November 2007 and June 2008.

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, we have requested twelve additional increases under the CMM since May 2008, eleven of which have been recognized by ENRE pursuant to Resolution 250/13 and Note No. 6,852/13 of the SE with retroactive effect as of May 2008 until September 2013. However, these increases have not yet been incorporated into our tariff structure. Under the terms of the Adjustment Agreement, these twelve increases should have been incorporated into our tariff structure in May and November of each year from 2008 onwards.

As of December 31, 2013, we had submitted to the ENRE twelve requests for CMM adjustments as described in the table below

Period	Application Date	CMM Adjustment Requested	Status
November 2007 - April 2008	May-08	5.79%	Granted but not incorporated into tariffs
May 2008 - October 2008	Nov-08	5.68%	Granted but not incorporated into tariffs
November 2008 - April 2009	May-09	5.00%	Granted but not incorporated into tariffs
May 2009 - October 2009	Nov-09	5.03%	Granted but not incorporated into tariffs
November 2009 - April 2010	May-10	6.83%	Granted but not incorporated into tariffs
May 2010 - October 2010	Nov-10	7.48%	Granted but not incorporated into tariffs
November 2010 -April 2011	May-11	6.12%	Granted but not incorporated into tariffs
May 2011 - October 2011	Nov-11	7.69%	Granted but not incorporated into tariffs
November 2011 -April 2012	May-12	8.54%	Granted but not incorporated into tariffs
May 2012 - October 2012	Nov-12	6.98%	Granted but not incorporated into tariffs
November 2012 - April 2013	May-13	6.88%	Granted but not incorporated into tariffs
May 2013 -October 2013	Nov-13	7.90%	Neither granted nor incorporated into tariffs
Cummulative		116.65%	

As of December 31, 2013 and 2012 the amounts collected by Edenor through the PUREE (net of the effects of Resolution 250/13 and Note No. 6852/13 of the SE in the year 2013), amounted to Ps. 108.6 million and Ps. 1,277.8 million, respectively, and have been disclosed under other non-current liabilities.

The 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 specific 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. Distribution companies will collect such charges 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.

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 *acción de amparo* the Company 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 was timely appealed by the Company. With the publication of the Resolution 250/13 and Note 6,852/13, we believe that the SE has put an end to the administrative proceeding. On June 29, 2013, the Company brought an action to prevent the legal actions to avoid claims related to compliance with the Adjustment Agreement and compensation for damages from being time barred.

***Secretary of Energy – Note 8,752***

The ability of Edenor to increase its tariffs may also be affected by Note No. 8,752 of the SE, which is being challenged 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:

<b><u>Operating territory</u></b>	<b><u>Districts</u></b>
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

The table below sets forth certain information relating to operating territories of Edenor as of and for the year ended December 31, 2013:

Operating territory	Area (km <sup>2</sup> )	Customers (in thousands)		% of Sales
Morón	1,761	882.7	31.8%	27.6%
Norte	164	862.4	31.1%	27.5%
Olivos	1,624	514.9	18.6%	22.8%
Pilar	1,088	512.9	18.5%	22.2%
Total	4,637	2,772.9	100.0%	100.0%

### *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 that the pledge be extended to secure our obligations under such agreement.

**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 changed 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,		
	2013 (*)	2012	2011
Average frequency of interruptions.....	8.03	6.31	4.73
Average duration of interruption (in hours) .....	19.44	17.53	11.71

(\*) Provisional Values

Climatic factors during 2013 had a strong impact on quality indicators, both because of frequency and duration. Severe extreme weather affected the provision of our services during the exceptional thunderstorms that occurred in April and December of 2013 (with winds surpassing 130 km/h in the latter). Furthermore, a heat wave that occurred during December 2013 reached a historical record with respect to duration, starting on December 16, 2013 and lasting until the first days of January, 2014. On such occasion, the National Meteorological Service declared a red alert in the Metropolitan area of Buenos Aires. This unprecedented event affected the continuity of the service, both in the MV and LV networks.

Additionally, in order to satisfy quality standards, we must meet certain operating requirements relating to commercial service, including maintenance of the distribution network to minimize failures and to maximize the useful life of fixed assets and billing on actual meter records from which customer bills are generated. We may bill customers using estimates in cases of *force majeure*, but we may not send a customer who is billed bi-monthly more than two successive estimated bills, or more than three successive estimated bills if billed otherwise. Furthermore, estimated bills cannot exceed 8% of total billings in each category of customers.

### ***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 determined 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 Third Party Reserve Fund of the ENRE (*Reserva de Fondos de Terceros del ENRE*) in an account at Banco Nación. Payments accrue in such account until the amount deposited 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 2013, the fines and penalties imposed on Edenor by the ENRE amounted to Ps. 287.5 million, which represented 8.3% of our energy sales. As of December 31, 2013 our consolidated fines and penalties amounted to Ps. 923.8 million as compared to Ps. 662.0 million as of December 31, 2012. 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 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 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:

	Year ended December 31,												
	(in millions of Pesos)												
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Accruals at beginning of year	647.4	531.9	455.4	377.5	331.6	281.4	241.1	169.7	99.2	63.4	49	19	13.6
ENRE Fines and Penalties	287.5	116.9	81.1	80	58.5	34.8	23.9	25.2	72.7	36	14.6	31.7	16.4
Accrued interests	—	5.1	—	—	—	—	—	—	—	—	—	—	—
Quality of Technical Service	176.3	75.7	47	46	15	15.2	7	10.4	4.9	4.7	3.2	5.6	5.2
Quality of Technical Product	18.7	12.4	3.2	3.4	3.1	3	0.9	0.6	1.1	6.9	6.5	5.5	2.9
Quality of Commercial Service	13.9	6.8	5.1	3	2.4	1.6	1.1	1.2	—	1.2	0.5	1.5	1.7
Public Safety	37.6	17.7	19.8	19.4	34	11.6	10.3	6.7	25.4	10.9	2	4.9	4.2
Transport Technical Function	2.3	0.2	0.6	0.4	0.3	0.3	0.2	0.4	—	0.2	0.2	0.2	—
Reporting Violations	25.8	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	13.0	0.9	1.3	1.3	—	—	—	0.2	7.5	—	0.4	9	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	11.1	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	11.1	6.5	4.5	2	12.6	1.6	1.7	0.7	2.3	0.1	0.2	1.6	11
Plus: Adjustment to fines and penalties pursuant to the ratification of the Adjustment Agreement	—	—	—	—	—	17.2	18.1	47	—	—	—	—	—
Accruals at year-end	923.8	647.4	531.9	455.4	377.5	331.6	281.4	241.1	169.7	99.2	63.4	49	19

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 the provision of 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 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 denied the request for a precautionary measure. As a consequence, we filed a federal extraordinary 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, 2013, Edenor estimated a potential obligation of Ps. 34.9 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, 2013.

On April 24, 2013, we were notified that the direct appeal on the merits had been denied by the Appellate Court in Contentious and Administrative Federal Matters No. 1. We have appealed this decision to the Supreme Court of Justice on May 13, 2013. As of the date of this annual report, the appeals to the Supreme Court on the merits and on the denial of the request for a precautionary measure have not yet been resolved

On November 15, 2012, the Company was notified of ENRE’s Resolution No.336/2012, pursuant to which the office in charge of enforcing the ENRE’s regulations was instructed to immediately initiate the corresponding sanction proceeding so as to have the distribution companies EDENOR and EDESUR S.A.( “Edesur”): (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 such discounts towards 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 depends on the length of the power cut which must have lasted more than 12 continuous hours. We have recorded aPs. 16.7 million provision in connection with this compensation.

On January 7, 2014, we were notified of ENRE’s Resolution 1/2014 whereby the ENRE ordered the payment of compensation to each user affected by the extreme weather occurring in December 2013 and January 2014. A credit determined by the duration of the interruption of service is being recognized to each affected user in the Company’s invoices until the credit is cancelled, increasing in a 100% compensation for those users who have been affected by similar interruptions of supply in previous years. The total compensation amounts to Ps. 77.5 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 occurs:

- Edenor incurs 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 are not remedied upon request by the ENRE;
- EASA creates any lien or encumbrance on our Class A common shares (other than the existing pledge in favor of the Argentine government);
- EASA or Edenor obstruct the sale of the Class A common shares at the end of any management period according to the terms of 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 prior approval; or
- our shareholders or former shareholders fail to desist from any ICSID claim brought against the Argentine government following the completion of the RTI process and the approval of a new tariff regime. One of our indirect shareholders is currently engaged in a dispute with a former shareholder of EASA in connection with the suspension and release of such ICSID claims. See “Item 8. Financial Information—Legal and Administrative Proceedings—Legal Proceedings—Other Legal Proceedings.”

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 the terms of our concession, the Argentine government has the right to revoke our concession if we enter into bankruptcy and the Argentine government decides that we may 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.

***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, 2013, the system through which we supply electricity was composed of 74 Sub-Stations of high/high voltage, high/high/medium voltage and high/medium voltage, representing 14,943 MVA of transformer capacity and 1,413 kilometers of high-voltage power lines 220 kV, 132 kV and 27.5kV. The distribution system of medium/low voltage was comprised of 15,909 transformers of medium/low voltage, representing 6,505MVA of transformer capacity, 9,738 kilometers of medium-voltage power lines 33 and 13.2 kV and 25,806 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:

	At December 31,		
	2013	2012	2011
<b>Kilometers of transmission lines</b>			
High voltage .....	1,413	1,410	1,382
Medium voltage .....	9,738	9,573	9,446
Low voltage.....	25,806	25,479	25,328
Total .....	36,957	36,462	36,156
<b>Transformer capacity (MVA)</b>			
High voltage/high voltage.....	7,908	7,948	7,648
High voltage/medium voltage .....	7,035	6,755	6,695
Medium voltage/low voltage and medium voltage/medium voltage .....	6,505	6,238	6,025
Total .....	21,448	20,941	20,368

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 SE towards the installation of a new transformer of 500/220 kV to 800 MVA in the Rodriguez Substation, with financing by the Administration of Transport and Electric Supply Works Trust (FOTAE) . We believe that this addition 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.”

#### *Systems*

During 2013, we continued to consolidate the Systems Plan and Medium-Term Plan for Telecommunications. The major projects implemented were the following:

- With respect to the central CC&B (Customer Care & Billing) system implemented during 2012, the activities concentrated mainly in the system’s stabilization and optimization, as well as in the incorporation of new functionalities oriented to controlling and speeding up different processes.
- Regarding our technical system (Nexus), new versions were implemented including the placement installation of LV generators and provisional overhead wires as well as the dispatch of mobile devices for grouped documents. The Quality Services modules, SVP ENRE and New Supplies were improved. A website service for processing incoming

complaints from customers with energy supply interruptions linked to the ENRE's web page was installed and new functionalities in calls to verify the interruptions of energy supply added, so as to optimize mobile dispatch.

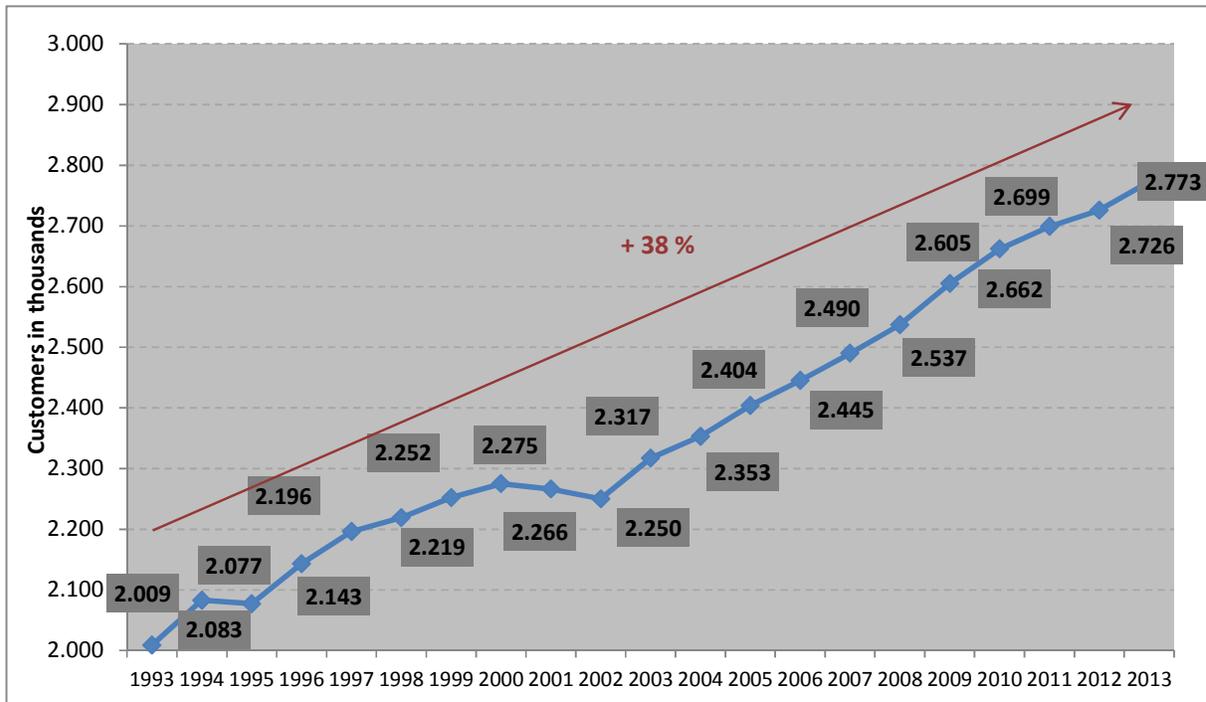
- As for the SAP system, the most important developments have been the improvement and administration and control tools for FOCEDA, the improvement in the lecture circuit which feeds CC&B and implementation of automation in the use of handhelds and the certifying process of the PM module services to fleet management.
- The Qlickview tool was implemented, allowing rapid access to information with different extraction and visualization criteria. This tool generates reports in a flexible way, giving valuable support to many areas of the Company.
- Within the Technology framework, the major developments have been the replacement of disc storing solutions for new Hitachi equipment with greater performance and monitoring of the CC&B components to assess compliance with the batch chain, the implementation of a new security model for Unix and implementation of a critical user's password administration process. Data was migrated to the last available version of SCOM (Microsoft operations control) PowerCenter (for systems integration) and Foglight (data base and operative system monitoring).
- Edenor 2.0 Project, which began in the month of October 2013, comprises a web solution and an application for Iphone, Android and Windows Phone which when fully implemented, will allow the customer to acknowledge their technical claims, print the last issued invoice, consult commercial data, take data from an internal lecturer and receive notifications of various kinds.

#### ***Telecommunications:***

- During the year 2013, Edenor's mobile phone network was entirely replaced, currently reaching up to 2000 ports of the new IP technology. This last generation technological leap includes new integration facilities between the fix and the mobile phone network for a better connectivity service for all personnel, independently of their location.
- An improvement in connectivity was implemented in 15 Commercial Offices which involved the installation of new communication links and an increase in bandwidth through fiber optic cables.
- New functionalities were added for the IVR platform in order to execute the new automatic telephone campaigns, which by means of a telephone call may verify the most recent energy level and depending on the customers' reply, close the complaint opened with the Nexus system.
- Adjustments were made at the Call Center, adding new licenses for additional service posts and communication linkages in order to assure a better customer service.
- Multiple internet links were added, distributed within the corporate network, aimed at improving the company's mail network.

#### ***Customers***

The following graph shows the evolution of our customer base through December 31, 2013:



As of December 31, 2013, Edenor served 2,772,893 customers. 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 2013, this category accounted for approximately 42% of our electricity sales.
- Small commercial (T1-G1 to T1-G3): commercial customers whose peak capacity demand is less than 10kW. In 2013, 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 2013, this category accounted for approximately 9% 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 2013, 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, 2013, the total number of such large users was 713, and in 2013 this category represented approximately 20% of our electricity sales.
- Others: public lighting (T1-PL) and shantytown customers whose peak capacity demand is less than 10kW. In 2013, this category accounted for approximately 5% of our electricity sales. See “—Framework Agreement (Shantytowns).”

We try to maintain an accurate categorization of our customers in order to charge the appropriate tariff to each of its customers. In particular, we focus 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.

We rely on the following measures to detect incorrectly categorized customers:

- reporting by our employees tasked with reading meter information 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 we should further evaluate the peak capacity demand of a given customer whose use might exceed 10kW.

#### *Reading, Billing and Collecting*

We bill our customers based on their category of service. Residential and small commercial customers are billed a fixed charge payable bi-monthly and a variable charge based on each unit of energy consumed. The price of these charges, in turn, is determined based on the bi-monthly 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 or T1-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.

	As of December 31,		
	2013	2012	2011
Residential .....	2,418,725	2,376,981	2,354,242
Small commercial .....	314,383	311,508	306,541
Medium commercial .....	32,276	30,681	30,678
Industrial .....	6,386	6,144	6,006
Wheeling system .....	713	707	682
Other* .....	410	401	399
Total .....	2,772,893	2,726,422	2,698,548

\* 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, that are subject to strict controls, distribute them.

#### *Slow-Paying Accounts and Past Due Receivables*

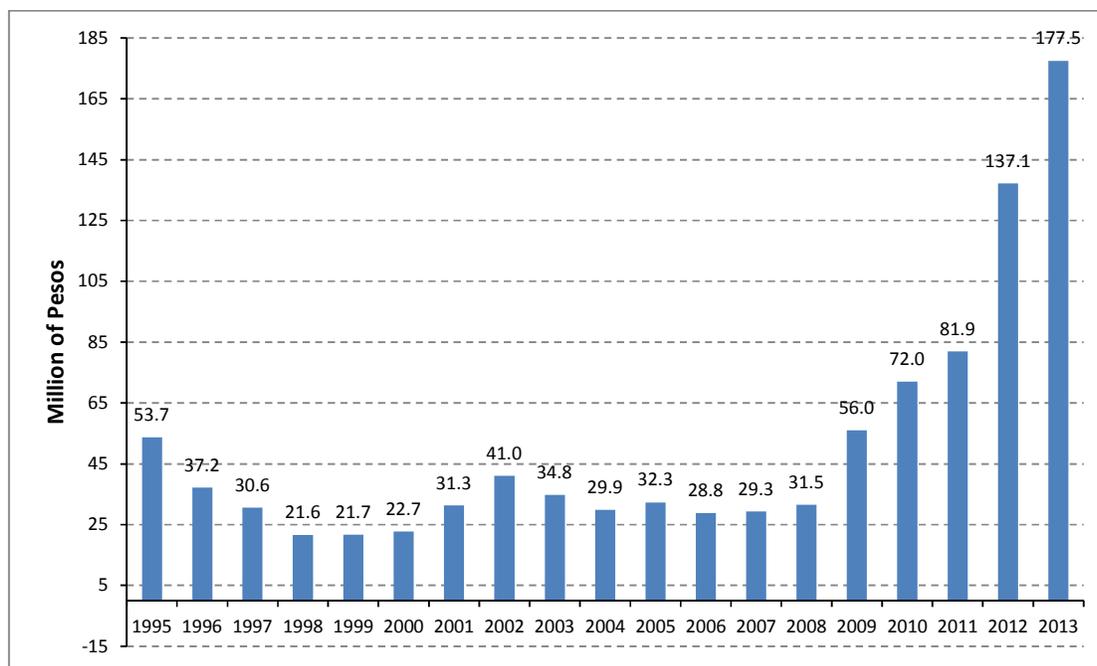
When we assumed the operation of the distribution system from SEGBA in September 1992, many residential electricity meters had not been read for months, individual customer account information was unreliable or nonexistent, and billing and collection systems and procedures required substantial improvement. 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. 137.1 million as of December 31, 2012 to Ps. 177.5 million as of December 31, 2013. This increase in past due receivables was mainly due to a delay in delinquency actions resulting from the implementation of our billing system and distortions in the amounts billed under the stabilization factor in addition to the consequences of the preliminary injunction awarded pursuant to the request of the Ombudsman challenging the October 2008 adjustment of our tariffs and to late payments from our government customers. 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."

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, though reduced through improvements in the network. We believe that the level of technical energy losses is approximately 7% in countries with similar distribution networks. The non-technical energy losses represent the remainder of our energy losses mainly due to the illegal use of its 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 average loss factor set at 10% pursuant to our concession. Therefore, the reduction of energy losses, reduces the amount of energy we have to purchase to satisfy apparent demand but cannot invoice, and increases the amount of electricity actually sold.

At the time of the privatization of the electricity sector in 1992, our total energy losses were approximately 30%. At that time, our non-technical losses represented 21%, with over half of that amount due to fraud and illegal uses of our service. At that time also, 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 on 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 Municipalities. Since 2008, over 3 million of such lamps were distributed to our customers through this program.

The following table illustrates our estimates of the approximate breakdown between technical and non-technical energy losses experienced in our concession area since 2003.

	Year ended December 31,										
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Technical losses .....	10.3%	10.5%	9.8%	9.8%	9.8%	9.8%	9.6%	8.6%	8.3%	8.1%	8.0%
Non technical losses.....	2.7 %	2.8 %	2.8%	2.7%	2.1%	1.0%	2.0%	2.5%	2.7%	3.4%	4.7%
Total losses	13.0 %	13.3 %	12.6%	12.5%	11.9%	10.8%	11.6%	11.1%	11.0%	11.5%	12.7%

As of December 31, 2013, total energy losses recorded by us were 13.0%, out of which technical losses represented 10.3% and non-technical losses represented 2.7%.

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

In accordance with the terms of our concession, we supply electricity to low-income areas and shantytowns located within our concession area. In October 2003, Edenor, Edesur and Edelap entered into a framework agreement with the Argentine Government and the Province of Buenos Aires (the “2003 Framework Agreement”) to regulate their supply of electricity to low-income areas and shantytowns. Under the 2003 Framework Agreement, we are compensated for the service we provide to shantytowns with funds collected from residents of each shantytown by a commission formed in each shantytown therefor. In addition, we are 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 an additional 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, 2013 and 2012, 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. 56.9million and Ps. 25.4 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, 2013, we had insurance for loss and damage to property, including damage due to floods, fires and earthquakes covering up to U.S. \$1,062.3 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. \$150,000 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—In the event of an accident or other event not covered by our insurance, we could face significant losses that could materially adversely affect our business and results of operations."

### *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 required 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 coolant oils exceeding 50 ppm (parts per million), the limit established by National Law No. 25,670.

As part of our investment plan, we made important improvements to our network and implemented technological innovations which reduced the impact of these improvements on the environment. We are required to apply for licenses from the ENRE for all our business activities, which include certain requirements related to environmental protection. We believe that we are in compliance in all material respects with all applicable environmental standards, rules and regulations established by the ENRE, the SE and other federal, provincial and municipal authorities. We have implemented environmental management programs to evaluate environmental impact and to take corrective actions when necessary. In addition, we have in place an environmental emergency plan designed to reduce potential adverse consequences should an environment contingency 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.

Regarding the addition of new installations and related construction works, all of the studies corresponding to the Environmental Impact Evaluation required by law are being made. These analyses are presented to local environmental authorities and submitted to consideration of the local communities in Public Audiences held as required by applicable regulations for the issuance of an Environmental Aptitude Certificate.

On October 19, 1999, the Argentine Institute of Normalization (*Instituto Argentino de Normalización*) 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 by the Argentine Environment Secretary (*Secretaría de Ambiente y Desarrollo Sustentable de la Nación*), 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. However, 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 tariffs 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 Energy Plus (*Energía 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 Fund for Investments Required to Increase Electricity Supply in the Wholesale Electricity Market (*Fondo de Inversiones Necesarias que Permitan Incrementar la Oferta de Energía Eléctrica en el Mercado Eléctrico Mayorista* , or FONINVEMEM).

### **Regulatory Authorities**

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

- (1) the SE; and
- (2) the ENRE, the regulator for Edenor.

The SE 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 Wholesale Electricity Market**

### ***Overview***

The SE 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. Since March 2013, pursuant to Resolution 95/2013 of the SE, all large users have to buy their backup energy from CAMMESA at any relevant contractual maturity dates.
- 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;
- providing consulting and other services related to these activities;
- supplying fuel pursuant to Resolution 95/2013 of the SE, which includes the management, acquisition, nationalization, control, reception, storage and distribution of liquid fuels to Generation Centrals through marine, river and land transportation;
- administering the expansion of gas pipelines associated to natural gas supply to the new thermal centrals under construction;

- managing the availability of the generation system, formalizing, controlling and supervising the works involved with supply commitment contracts. Implementation of the maintenance plans for the thermal system;
- implementing the increase in capacity of the central storage;
- incorporating Biodiesel to the electricity generation matrix; and
- developing related activities pursuant to the execution of new generation infrastructure and transport, managing the trust contracts for the new thermal and nuclear centrals, especially for non-conventional sources of energy or those works within the National Hydraulic Works Program.

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 94 generation companies 23 auto-generation and 3 co-generation companies in Argentina, most of which operate more than one generation plant. As of December 31, 2013, Argentina's installed power capacity was 31,402 MW. Of this amount, 61% was derived from thermal generation, 35. % from hydraulic generation, 3% from nuclear generation and 1 % from non-conventional sources of energy. 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 Argentine Association of Electric Power Transmitters (*Asociación de Transportistas de Energía Eléctrica de la República Argentina*, 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 tariffs 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.

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

### ***Large Users***

The wholesale electricity market classifies large users of energy into three categories: Major Large Users (*Grandes Usuarios Mayores*, or GUMAs), Minor Large Users (*Grandes Usuarios Menores*, or GUMEs) and Particular Large Users (*Grandes Usuarios Particulares*, 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 Argentine Association of Electric Power Large Users (*Asociación de Grandes Usuarios de Energía Eléctrica de la República Argentina*, or AGUEERA).

### ***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 2009-2013, the seasonal tariff 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.

In November 2012, pursuant to Resolution 2,016/12 of the SE and in accordance with the Summer Seasonal Program approved for the period November 2012- April 2013, the seasonal price format was modified, concluding in a single purchase price without considering any demand nor time segmentation and taking into account the structure of the demand as of October 2012 as the base. Subsequently, the SE adopted Resolution 408/13, which maintained both the single price and the criteria for raising subsidies during the winter season.

#### *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, 2013, the stabilization fund balance was approximately Ps.25,309 million, resulting from the Stabilization fund plus the over expenses of dispatch net of National Treasury contributions. If all the funds and accounts of energy and power are considered (including the Additional Energy, Fuel over expenses, Quality Supply, Surplus Demand pursuant to Resolution No. 1,281/07 of the SE, MEM. over expense contracts, etc.), this balance rises to Ps. 38,873 million. The 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.

As from March 2013, pursuant to the SE's Resolution No. 95/2013 all large users have to buy their backup energy from CAMMESA at any relevant contractual maturity date.

### ***Energía Plus***

In September 2006, the SE issued Resolution No. 1,281/06 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:

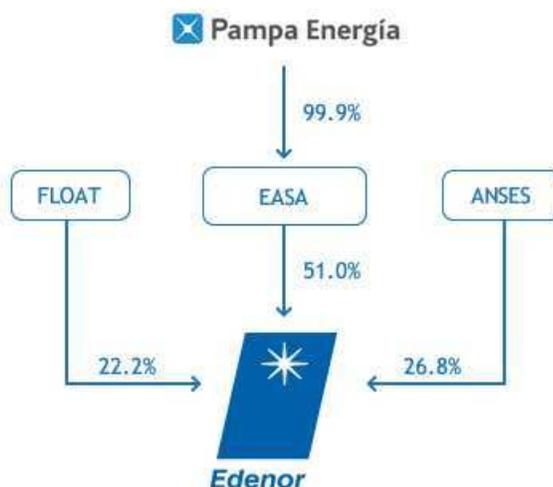
- After August 2011, the median incremental charge for excess demand was set at 320 \$/MWh GUMAs and GUMEs and 455 \$/MWh for GUDIs;
- after December 2011, median incremental charge for excess demand for those who are not subsidized was set at 360 \$/MWh; and
- pursuant to the SE's Resolution.No. 95/13, as opposed to the backup contracts where a unique energy supplier is authorized by CAMMESA, the Plus Energy contracts still function are available to the large users and generators previously authorized by the Argentine National Planning, Public Investment and Services Ministry. The customers under the GUDI category, whose Energy Plus contracts mature, have the option of rehiring Energy Plus, reclassifying themselves under the GUMEc category; or continue buying the

total amount of their energy to the distributors, paying in case needed. Base Surplus Demand pursuant to Resolution SE No. 1,281/07.

## 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 as of the date of filing of this annual report 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 five 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., and Central Térmica Loma de la Lata S.A.).

The following diagram presents our corporate structure as of the date of filing of this annual report.



## 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 Consolidated Statement of Financial Position as of December 31, 2013, 2012 and 2011 was Ps.5,189,307 million, Ps. 4,344,599 million and Ps. 3,995,310 million, respectively out of which Ps. 34.3 million in 2012 and Ps. 35.7 million in 2011 correspond to Eden.

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 startup 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)—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, 2013 and 2012 and for the years ended December 31, 2013, 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, 2013 included herein, assuming that we will continue as a going concern. Our independent auditors, PWC, issued a report dated March 7, 2014, on our financial statements as of December 31, 2013 and 2012 and for the years ended December 31, 2013, 2012 and 2011, which contains an explanatory paragraph expressing substantial doubt about 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 adjustment 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 December 31, 2013 and 2012 and for the years ended December 31, 2013, 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 tariffs 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" and Item 18: "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. 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, 2013, we had 2,772,893 customers.

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 .

### Factors Affecting Our Results of Operations

Our net sales consist mainly of net energy sales to users in our concession area. Our net energy sales reflect the tariffs we charge our customers (which include our energy purchase costs). In addition, our net sales include connection and reconnection charges and leases of poles and other network equipment.

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 twelve additional increases under the CMM since May 2008, eleven of which have been retroactively recognized by the ENRE pursuant to Resolution 250/13 and Note 6,852/13 of the SE but not incorporated into our tariff structure. Under the terms of the Adjustment Agreement, these twelve increases should have been approved in May and November each year from 2008 on.

Despite the recognition of the CMM retroactive adjustments set in Resolution 250/13 of the SE and its subsequent Note No. 6,852/13, the steady increase in operating costs necessary to maintain adequate service level coupled with the delay in obtaining genuine tariff increases will continue to negatively impact the operating results of the Company, all of which evidences that the CMM recognition is not enough to restore the economic and financial conditions that a public service concession required.

During the year ended December 31, 2013 and prior to the effectiveness of Resolution 250/13 of the SE, we recorded a significant decrease in net income and operating income, and our working capital and liquidity levels were also 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 2014 we will continue to have negative cash flows and operating results.

If we are not able to recover the real 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 tariffs 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.”

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

	Year ended December 31		
	2013	2012	2011
	(Figures in millions)		
Sales of Electricity (1).....	3,393.8	2,936.7	2,771.3
Right of use on poles .....	41.5	34.8	26.6
Connection Charges .....	4.2	3.3	5.6
Reconnection Charges.....	1.2	1.5	2.4
<b>Net sales .....</b>	<b>3,440.7</b>	<b>2,976.3</b>	<b>2,805.9</b>

1) Includes revenue from the application of Resolution 347/12 for Ps. 491.5 million and Ps. 54.4 million for the years ended December 31, 2013 and 2012, respectively.

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

	Year ended December 31,									
	2013		2012		2011		2010		2009	
Residential .....	9,114	42%	8,662	42%	8,139	41%	7,796	40%	7,344	40%
Small commercial .....	1,781	8%	1,688	8%	1,601	8%	1,543	8%	1,470	8%
Medium commercial .....	1,828	8%	1,717	8%	1,700	9%	1,634	8%	1,565	9%
Industrial .....	3,458	16%	3,335	16%	3,442	17%	3,378	18%	3,204	18%
Wheeling system <sup>(1)</sup> .....	4,374	20%	4,261	21%	4,156	21%	3,891	20%	3,622	20%
Others:										
Public lighting .....	683	3%	668	3%	656	3%	654	3%	644	4%
Cooperatives.....	—	—	—	—	—	—	—	—	—	—
Shantytowns .....	415	2%	403	2%	384	2%	377	2%	351	2%
Others <sup>(2)</sup> .....	21	—	26	—	20	—	20	—	20	—
<b>Total .....</b>	<b>21,674</b>	<b>100%</b>	<b>20,760</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>

(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.

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:

	<b>Year ended December 31,</b>				
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Real GDP (% change).....	3.0	1.9	8.9	9.2	0.9
Nominal GDP (in millions of Pesos).....	2,678,154	2,164,246	1,842,022	1,42,655	1,145,458
Real Consumption (% change).....	7.6	4.8	10.7	9.1	1.5
Real Investment (% change).....	7.1	(4.9)	16.6	21.2	(10.2)
Industrial Production (% change).....	0.2	(1.2)	6.6	9.8	0.4
Consumer Price Index .....	10.6	10.0	9.8	10.5	6.3
Nominal Exchange Rate (in Ps. /U.S.\$ at year end) .....	6.5	4.9	4.3	4.0	3.8
Exports (in millions of U.S.\$) .....	83,026	81,205	84,269	68,134	55,751
Imports (in millions of U.S.\$) .....	74,002	68,514	73,922	56,502	38,771
Trade Balance (in millions of U.S.\$).....	9,024	12,690	10,347	11,632	16,980
Current Account (% of GDP) .....	(0.9)	0.0	(0.5)	0.4	3.6
Reserves (in millions of U.S.\$).....	30.6	43,290	46,376	52,145	48,548
Tax Collection (in millions of Pesos) .....	858.8	679,799	540,134	409,901	304,930
Primary Surplus (in millions of Pesos).....	(22.5)	(4,374)	4,921	25,115	17,286
Public Debt (% of GDP at December 31) *.....	45.6	44.1	41.8	44.2	54.9
Public Debt Service (% of GDP) .....	4.1	4.4	5.9	5.5	5.8
External Debt (% of GDP at December 31) .....	30.9	29.9	32.6	35.5	38.4

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).

In 2012, according to the official information created and disseminated by the INDEC, the economy expanded 1.9%. Although the real GDP continued growing during that year, there was a marked deceleration with respect to the growth rate registered in 2011.

According to the INDEC, Argentina's real GDP grew around 3.0% in 2013, compared to 1.9% in 2012.

The increase in the agricultural harvest (the agricultural production during the season 2012/13 was approximately 11% higher than the one registered for the previous season), in a context where international prices of commodities remained high, with greater financial stability in global markets (resulting from a more stable situation in Europe and a strengthened, though slow, growth in the United States). These were the main factors behind the accelerated rate of the economic growth during 2013.

Despite the growth of the GDP, the Argentinean macroeconomic situation was not free of uncertainties during 2013. In fact, inflation rate rose above 20% for the seventh consecutive year according to market consensus. The fiscal deficit also increased (on a consolidated basis) by 5% and an accelerated loss of federal reserves (the Central Bank ended 2013 with a level of international reserves around the US \$30,600 million, US\$12,700 million below the 2012 end level). All of this occurred, in a context where existing importing limits, restrictions for acquisition of foreign currency for travelling and transfer of profits abroad continued in effect.

In response to the IMF's call on Argentina to adopt remedial measures to address the quality of official data, on February 13, 2014, the INDEC released a new price index that measures prices on goods

across the country and replaces the previous index that only calculated inflation in the urban sprawl of the City of Buenos Aires. Pursuant to these calculations, the new consumer price index rose by 10% during the first quarter of 2014. The IMF has declared that it will review later in 2014 Argentina's reports on progress in revising its inflation and gross domestic product statistics.

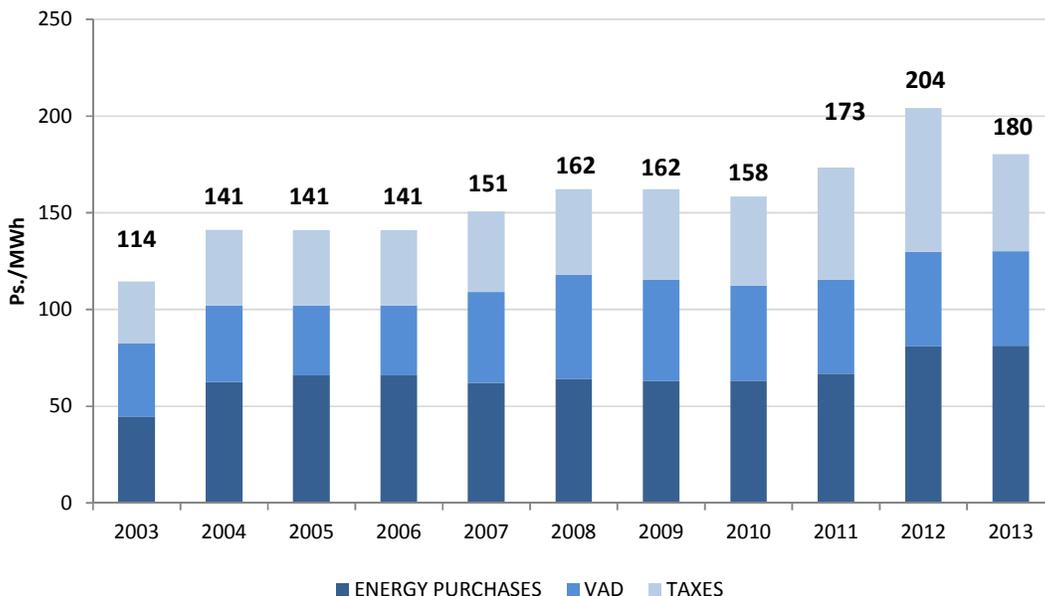
#### Outlook for 2014

In 2014, real GDP is expected to grow around 0.5-1.0% and the inflation rate, to rise (most forecasts expect an inflation rate for 2014 greater than the one observed for 2013). As for the situation with the official exchange market, the Peso depreciation is likely to speed up (the dollar price at the end of 2014 could reach Ps.10.0). International reserves are expected to continue to fall throughout 2014 but at a lower rate than the one observed in 2013.

#### 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:



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 2013, we collected Ps. 491.9 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 for the last six two-month consumption periods. The stabilization factor results from the difference between the aforementioned average consumption and the current two-month consumption period. This value is added to or subtracted from the two-month consumption period charges, and the result obtained is the amount to be paid before the applicable taxes. Adjustments to be made in accordance with the differences between average consumption and recorded consumption will be reflected in consumer bills 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 in the Consolidated Statement of Financial Position account, crediting or debiting the account as applicable, depending on whether the annual average consumption is higher or lower than the current two-month consumption period.

We purchased a total of 20,552 GWh in 2013, 19,653 GWh in 2012 and 18,862 GWh in 2011 (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 have purchased all of our energy supply in the wholesale electricity market at the spot price ever since. 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.

In 2013, approximately 268,000 customers were exempt from the payment of the tariff scheme pursuant to ENRE's Resolution No. 628/2008 and paid the immediate previous tariff scheme, pursuant to the ENRE Resolution No 324/2008.

During 2013, the customers who are not subsidized continued paying a monomial price of Ps. 320 /MWh, as set by Resolution No 324/2008 of the SE.

During the winter season for the period 2009-2013, seasonal rates were 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 subsidies equal to a 70 percent of their energy purchase price.

In November 2012, pursuant to Resolution 2016/12 of the SE and in accordance with the Summer Seasonal Program approved for the period November 2012-April 2013, the seasonal price format was modified, concluding in a single purchase price without considering any demand nor time segmentation and taking into account the structure of the demand as of October 2012 as the base. Subsequently, the SE adopted Resolution 408/13, which maintains both single price and the criteria for raising subsidies during the winter season.

#### *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 12.6% in 2011, 13.3% in 2012 and 13.0% in 2013.

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,		
	2013	2012	2011
Technical losses .....	10.3%	10.5%	10.5%
Non-technical losses .....	2.7%	2.7%	2.8%
Total losses.....	13.0%	13.3%	12.6%

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 from 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, we had requested twelve additional increases under the CMM since May 2008, eleven of which have been recognized by ENRE pursuant to Resolution 250/13 and Note No. 6,852/13 of the SE with retroactive effect as of May 2008 until September 2013. However, these increases have not yet been incorporated into our tariff structure. Under the terms of the Adjustment Agreement, these twelve increases should have been incorporated into our tariff structure in May and November of each year from 2008 onwards.

As of December 31, 2013, we had submitted to the ENRE twelve requests for CMM adjustments as described in the table below:

Period	Application Date	CMM Adjustment Requested	Status
November 2007 - April 2008	May-08	5.79%	Granted but not incorporated into tariffs
May 2008 - October 2008	Nov-08	5.68%	Granted but not incorporated into tariffs
November 2008 - April 2009	May-09	5.00%	Granted but not incorporated into tariffs
May 2009 - October 2009	Nov-09	5.03%	Granted but not incorporated into tariffs
November 2009 - April 2010	May-10	6.83%	Granted but not incorporated into tariffs
May 2010 - October 2010	Nov-10	7.48%	Granted but not incorporated into tariffs
November 2010 -April 2011	May-11	6.12%	Granted but not incorporated into tariffs
May 2011 - October 2011	Nov-11	7.69%	Granted but not incorporated into tariffs
November 2011 -April 2012	May-12	8.54%	Granted but not incorporated into tariffs
May 2012 - October 2012	Nov-12	6.98%	Granted but not incorporated into tariffs
November 2012 - April 2013	May-13	6.88%	Granted but not incorporated into tariffs
May 2013 -October 2013	Nov-13	7.90%	Neither granted nor incorporated into tariffs
Cummulative		116.65%	

On May 7, 2013, pursuant to the SE's Resolution No. 250/2013, the company was authorized to compensate its debt registered under the PUREE against CMM recognitions for the period from May 2008 through February 28, 2013.

In addition, CAMMESA was instructed to issue sale settlements with maturity dates to be determined for the surplus generated after compensation between the credits of the CMM and the PUREE debts, to partially compensate the debt with the Wholesale Electric Market. We are also entitled to deposit the remaining sale settlements with maturity dates to be determined in the trust created pursuant to ENRE's Resolution No. 347/2012. Furthermore, and according to Note No. 6,852/13 of the SE, the effect of Resolution No. 250/2013 was extended, authorizing compensation of the debt registered under PUREE against the CMM recognition for the period ending on September, 2013.

As of the date of this annual report, the sale settlements with maturity dates to be determined have not been issued yet.

As of December 31, 2013 and 2012 the amounts collected by Edenor through the PUREE, amounted to Ps. 108.6 million (net of SE Resolution 250/13 and SE Note 6852/ effect) and Ps. 1,277.8 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. 1,037/07, in order to reimburse Edenor for the amounts it is owed for CMM increases not yet reflected in Edenor's distribution margin. Despite the fact that the effects of these regulations are a significant step towards the recovery of our situation, such regulations do not provide a definitive solution to our economic and financial equation. 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 tariffs 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." 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 are being clearly identified in the bills sent to customers, are being deposited in a special account to be managed by a Trustee. Such amounts are being used exclusively to finance infrastructure and corrective maintenance of the facilities and will be taken into account towards ENRE's RTI.

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					Average Taxes					Electric Power Purchases				
	November 2001	January 2005	February 2007	October 2008	Res.1301 2011 <sup>(2)</sup>	November 2001	January 2005	February 2007	October 2008	Res.1301 2011 <sup>(2)</sup>	November 2001	January 2005	February 2007	October 2008	Res.1301 2011 <sup>(2)</sup>
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 (901-1000)				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 10 kW 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.

### *Integral Tariff Revision (RTI).*

An integral tariff proposal include, 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 will submit 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, at 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.

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 customer 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 tariff adjustment criterion. Each scenario assumed that the tariff increase would be implemented in three equal semiannual installments.

As of the date of this annual report, not only has no resolution been issued concerning the application of the electricity tariff schedule resulting from the RTI, but we also have not received any feedback with respect to the proposal filed in November 2009.

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 tariffs 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.”

*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.

<b>Year</b>	<b>Electricity Demand<sup>(1)</sup></b>	<b>Edenor Demand<sup>(2)</sup></b>	<b>Edenor's Demand as a % of Total Demand</b>
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	19.8%
2012	121,322	23,933	19.7%
2013	125,167	24,902	19.9%

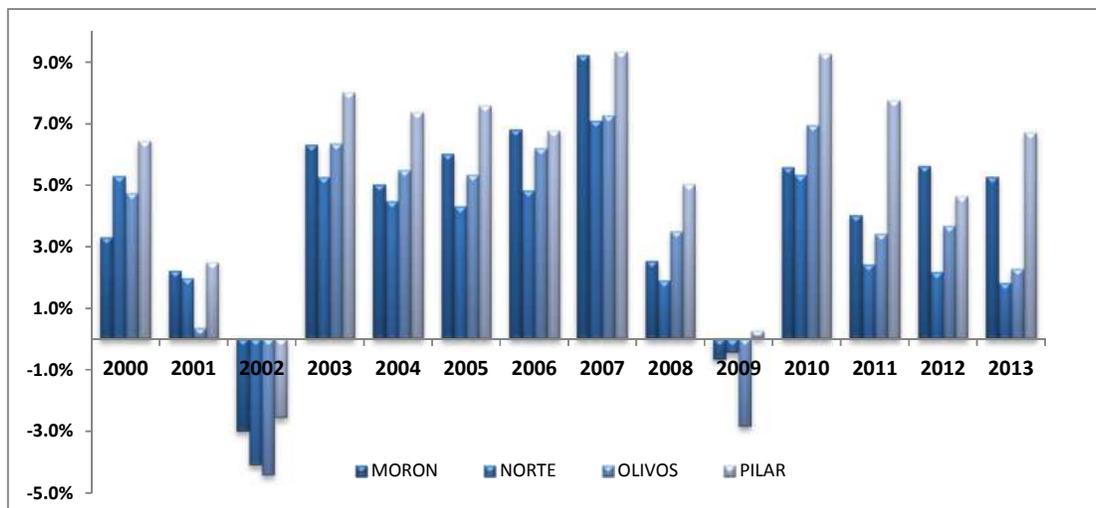
Source: *Compañía Administradora del Mercado Mayorista Eléctrico, S.A. (CAMMESA)*

(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.

Electricity demand in our concession area has grown an average of 4.2% 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 2013:



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 4.3% per annum from 2003 through 2013. 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 5.2% in 2013, primarily due to the addition of new household electrical appliances and the relative low cost of energy, in real terms. Demand by our high-demand customers and wheeling system customers increased by 3.1% in 2013, mainly due to a reactivation beginning in August 2013 (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 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, government intervention and decreased results of operations.”

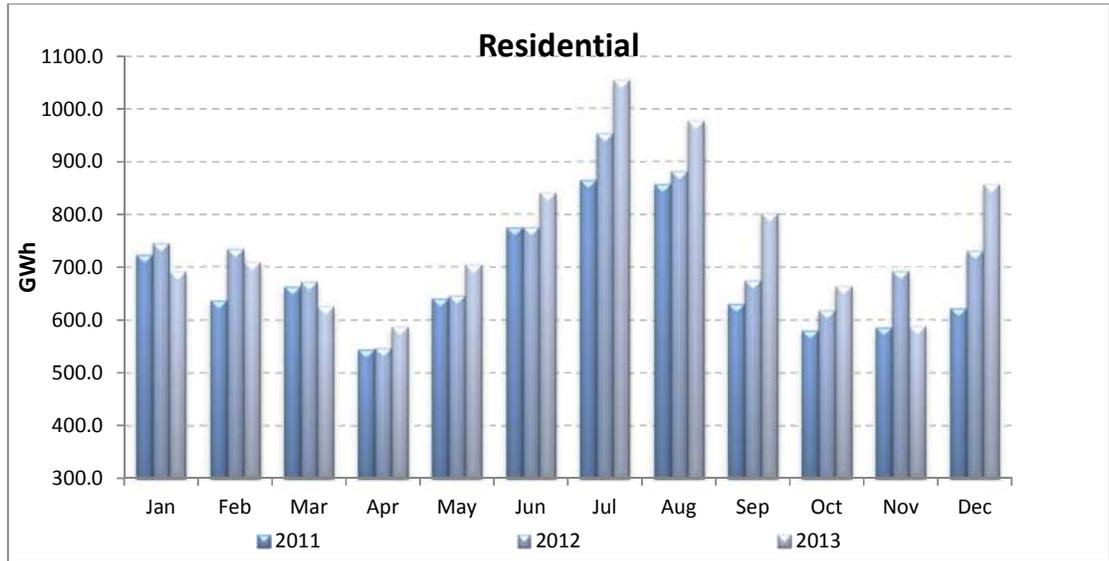
In response to the lack of private investment in new generation plants, the Argentine government undertook a project to construct two 800 MW thermal generation plants, Central Termoeléctrica Manuel Belgrano and Central Termoeléctrica General San Martín. Construction of these two plants was completed 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.1,875/05 of the SE 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.

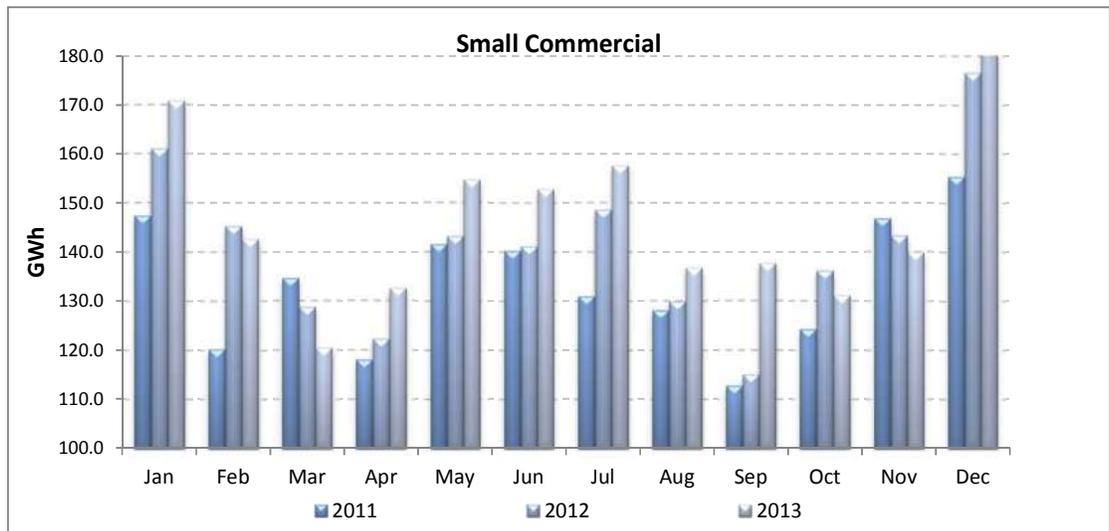
#### *Seasonality of Demand*

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.

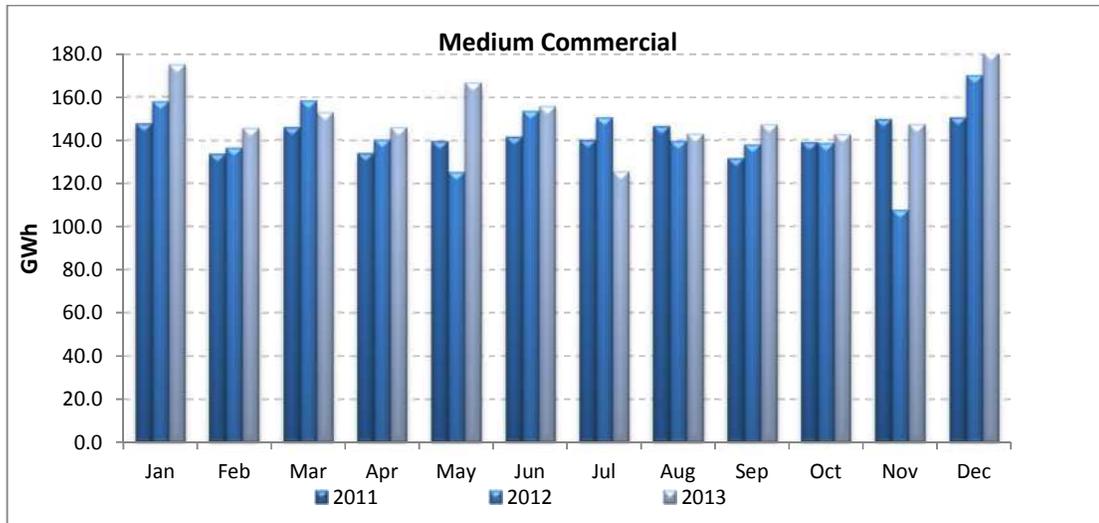
The impact of seasonality on industrial demand for electricity is less pronounced than on the residential and commercial sectors, primarily because different types of industrial activity by their nature have different seasonal peaks, such that the climatic effect is more varied. The chart below shows seasonality of demand in Edenor's residential customer category for the periods indicated.



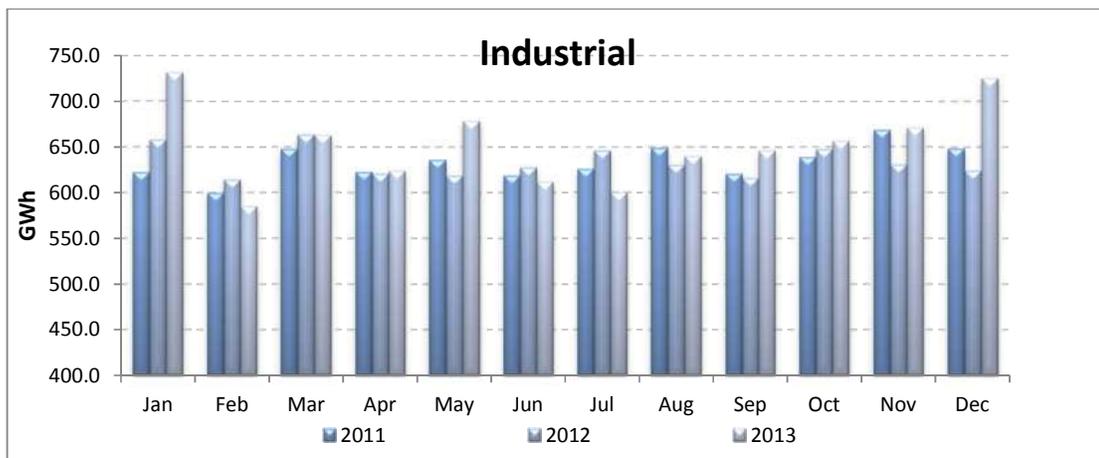
The chart below shows seasonality of demand in Edenor's small commercial customer category for the periods indicated.



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.



### *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 2,518 and 2,777 third party employees under contract with us as of December 31, 2013 and 2012, respectively. 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, 2013, 2012 and 2011.

#### **Consolidated Statement of Comprehensive Income (Loss)\***

	<u>2013</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
	<i>(Figures in millions)</i>			
<b>Continuing Operations</b>				
Revenue from sales <sup>(1)</sup> .....	U.S.\$ 527.6	Ps. 3,440.7	Ps. 2,976.2	Ps. 2,302.0
Electric power purchases .....	(314.4)	(2,050.3)	(1,740.2)	(1,130.9)
<b>Subtotal</b> .....	<u>213.3</u>	<u>1,390.4</u>	<u>1,236.0</u>	<u>1,171.1</u>
Transmission and distribution expenses .....	(315.2)	(2,055.3)	(1,344.1)	(970.5)
<b>Gross (loss) profit</b> .....	<u>(102.0)</u>	<u>(664.9)</u>	<u>(108.1)</u>	<u>200.6</u>
Selling expenses .....	(84.1)	(548.3)	(352.9)	(261.9)
Administrative expenses .....	(49.8)	(324.8)	(249.4)	(196.6)
Other operating income .....	9.4	61.6	32.3	22.5
Other operating expense .....	(21.9)	(142.8)	(150.2)	(93.8)
Gain from interest in joint ventures .....	-	-	-	-
Gain from acquisition of companies .....	-	-	-	435.0
Revenue from customers contributions exempt from devolutions .....	0.1	0.7	-	-
<b>Operating (loss) profit before Resolution SE 250/13 and Note 6852/13</b> .....	<u>(248.2)</u>	<u>(1,618.5)</u>	<u>(828.4)</u>	<u>105.8</u>
Higher costs recognition - Resolution SE 250/13 .....	449.8	2,933.1	-	-
<b>Operating profit (loss)</b> .....	<u>201.6</u>	<u>1,314.6</u>	<u>(828.4)</u>	<u>105.8</u>
Financial income <sup>(2)</sup> .....	44.0	287.1	75.5	53.5
Financial expenses <sup>(3)</sup> .....	(77.4)	(504.9)	(226.0)	(150.6)
Other financial expense .....	(41.9)	(273.1)	(168.1)	(93.5)
Net financial expense .....	(75.3)	(490.9)	(318.6)	(190.6)
<b>Profit (Loss) before taxes</b> .....	126.3	823.7	(1,147.0)	(84.8)
Income tax .....	6.8	44.1	116.7	(82.2)
Profit (Loss) for the year from continuing operations ..	133.1	867.8	(1,030.3)	(167.0)
(Loss) Profit from discontinued operations .....	(14.6)	(95.1)	16.9	(124.4)
<b>Profit (Loss) for the year</b> .....	<u>118.5</u>	<u>772.7</u>	<u>(1,013.4)</u>	<u>(291.4)</u>

<b>Profit (Loss) for the year attributable to:</b>				
Owners of the parent .....	118.3	771.7	(1,016.5)	(304.1)
Non-controlling interests .....	0.2	1.0	3.1	12.7
<b>Profit (Loss) for the year</b>	<u>U.S.\$ 118.5</u>	<u>Ps. 772.7</u>	<u>Ps. (1,013.4)</u>	<u>Ps. (291.4)</u>
<b>Profit (Loss) for the year attributable to the owners of the parent:</b>				
Continuing operations .....	133.1	867.9	(1,030.3)	(167.0)
Discontinued operations .....	(14.7)	(96.1)	13.8	(137.1)
	<u>118.4</u>	<u>771.8</u>	<u>(1,016.5)</u>	<u>(304.1)</u>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified to profit or loss</i>				
Results related to benefit plans .....	(3.2)	(21.0)	7.9	(10.2)
Tax effect of actuarial income (losses) on benefit plans .....	1.1	7.3	(2.8)	3.6
Total other comprehensive loss from discontinued operations ...	-	-	(2.1)	(5.7)
<b>Total other comprehensive (loss) income</b>	<u>(2.1)</u>	<u>(13.6)</u>	<u>3.0</u>	<u>(12.3)</u>
<b>Comprehensive income for the year attributable to:</b>				
Owners of the parent .....	116.3	758.1	(1,013.2)	(315.4)
Non-controlling interest .....	0.2	1.0	2.8	11.7
<b>Comprehensive income (loss) for the year</b>	<u>116.4</u>	<u>759.1</u>	<u>(1,010.4)</u>	<u>(303.7)</u>
<b>Comprehensive income (loss) for the year attributable to owner of the parent</b>				
Continuing operations .....	116.1	757.1	(1,025.1)	(173.6)
Discontinued operations .....	0.2	1.0	11.9	(141.8)
	<u>U.S.\$ 116.3</u>	<u>Ps. 758.1</u>	<u>Ps. (1,013.2)</u>	<u>Ps. (315.4)</u>
<b>Basic and diluted earnings (loss) per share attributable to the owners of the parent:</b>				
Basic and diluted earnings (loss) per share from continuing operations	0.154	1.004	(1.149)	(0.186)
Basic and diluted (loss) earnings per share from discontinued operations .....	(0.017)	(0.111)	0.015	(0.153)
<b>Basic and diluted earnings (loss) per ADS attributable to the owners of the parent: <sup>(4)</sup></b>				
Basic and diluted earnings (loss) per ADS from continuing operations	3.080	20.086	(22.971)	(3.723)
Basic and diluted (loss) earnings per ADS from discontinued operations .....	(0.341)	(2.225)	0.308	(3.057)

(\*) Translated into U.S. Dollars at the selling exchange rate for U.S. Dollars quoted by Banco de la Nación Argentina (the "Banco Nación") on December 31, 2013, which was Ps. 6.521 to U.S. \$1.00.

(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 interest on cash equivalents at December 31, 2013 and 2012 for Ps. 2.9 million and Ps. 32.6 million, respectively, and net interest for Ps.197.5 million relating to the CMM and the PUREE.

(3) Net of interest capitalized at December 31, 2013, 2012 and 2011 for Ps. 24.5 million, Ps. 25.4 million and Ps. 16.1 million, respectively.

**Year Ended December 31, 2013 compared with Year Ended December 31, 2012.**

***Revenue from sales***

Revenue from sales increased 15.6% to Ps. 3,440.7 million for the year ended December 31, 2013, from Ps. 2,976.2 million for the year ended December 31, 2012.

This increase was basically due to the additional income from Resolution 347/12 of the ENRE (FOCEDE) implemented in December 2012 (see “Item 5. Operating and Financial Review and Prospects — Critical Accounting Policies- Going Concern”), which represented approximately Ps. 437.0 million and also due to a 4.4% increase in the volume of energy sold, which went from 20,760GWh in 2012 to 21,674 GWh in 2013. This increase in volume is attributable to a 2.6% increase in the average consumption per customer and a 1.7% increase in the number of customers.

Net energy sales represented approximately 98.6% of our net sales in 2013 and 98.7% in 2012; 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 17.8 % to Ps. 2,050.3 million for the year ended December 31, 201, from Ps. 1,740.2 million for the year ended December 31, 2012. This increase of Ps. 310.1 million was mainly due to the cost of mobile generation (is the cost of hiring transportable diesel fuel generators to address the failures in the grid), which was Ps. 185.6 million mobile generation cost and which we are not allowed to pass into tariffs’ and to the volume of energy purchased.

The volume of electric power purchases of Edenor increased 4.0% to 24,902 GWh for the year ended December 31, 2013, from 23,394 GWh for the year ended December 31, 2012 (in both cases excluding wheeling system demand).

Energy losses decreased to 13.0% for the year ended December 31, 2013, from 13.3% for the year ended December 31, 2012. See “—Factors Affecting Our Results of Operations—Recognition of Cost of Energy Losses.”

***Transmission and Distribution Expenses***

Transmission and distribution expenses increased 52.9 % to Ps. 2,055.3 million for the year ended December 31, 2013, from Ps. 1,344.1 million for the year ended December 31, 2012. This increase was mainly due to a Ps. 336.6 million increase in salaries and social security taxes attributable to an increase in employee compensation granted in 2013 (18 % as from January 2013 and a 5% non cumulative increase as from June 2013) and an increase in the number of employees, a Ps. 186.7 million increase in fees and remuneration for services, a Ps. 128.2 million increase in ENRE fines and penalties and an increase of Ps. 36.8 million in supplies consumption.

As a percentage of revenue from sales, transmission and distribution expenses increased to 59.7% for the year ended December 31, 2013, from 45.2% for the year ended December 31, 2012.

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>2013</b>	<b>% of 2013 net sales</b>	<b>2012</b>	<b>% of 2012 net sales</b>		
<i>(in millions of Pesos)</i>						
Salaries and social security taxes.....	Ps. 790.7	38.5%	23.0%	Ps. 454.1	33.8%	15.3%
Supplies consumption .....	121.9	5.9%	3.5%	85.1	6.3%	2.9%
Fees and remuneration for services	665.1	32.4%	19.3%	478.5	35.6%	16.1%

Depreciation of property, plant and equipment .....	194.8	9.5%	5.7%	182.1	13.6%	6.1%
ENRE penalties .....	234.8	11.4%	6.8%	106.6	7.9%	3.6
Others .....	48.0	2.3%	1.4%	37.7	2.8%	1.3%
<b>Total .....</b>	<b>Ps. 2,055.3</b>	<b>100.0%</b>	<b>59.7%</b>	<b>Ps. 1,344.1</b>	<b>100.0%</b>	<b>45.9%</b>

### *Gross (loss) profit*

Our gross loss, including transmission and distribution expenses, increased by Ps. 556.8 million, or 515.1%, to Ps. 664.9 million for the year ended December 31, 2013, from a gross loss of Ps. 108.1 million for the year ended December 31, 2012. This increase was basically due to the increase in transmission and distribution expenses described above, which were partially offset by the increase in revenue from 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 55.4 % to Ps.548.3 million for the year ended December 31, 2013, from Ps. 352.9 million for the year ended December 31, 2012. This increase of Ps. 195.4 million was mainly due to a Ps. 64.6 million increase in salaries and social security taxes (attributable to an increase in employee compensation granted in 2013 as explained under the lin item “ Transmission and Distribution Expenses” above and to an increase in the number of employees), a Ps. 44.4 million increase in fees and remuneration for services (a 28.8 % increase as compared to 2012), a Ps.20.9 million increase in the allowance for the impairment of trade and other receivables and a Ps. 42.3 million increase in ENRE penalties).

As a percentage of net sales, selling expenses increased to 15.9 % of net sales in the year ended December 31, 2013, from 11.9 % for the year ended December 31, 2012.

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,					
	2013		% of 2013 net sales	2012		% of 2012 net sales
	<i>(in millions of Pesos)</i>					
Salaries and social security taxes .....	Ps. 179.4	32.7%	5.2%	Ps. 114.8	32.5%	3.9%
Allowance for the impairment of trade and other receivables .....	38.0	6.9%	1.1%	17.1	4.9%	0.7%
Fees and remuneration for services	198.5	36.2%	5.8%	154.1	43.6%	5.2%
ENRE Penalties .....	52.7	9.6%	1.5 %	10.4	2.9%	0.8%
Others .....	79.7	14.6%	2.3%	56.5	16.0%	1.4%
<b>Total .....</b>	<b>Ps. 548.3</b>	<b>100.0%</b>	<b>15.9%</b>	<b>Ps. 352.9</b>	<b>100.0%</b>	<b>11.9%</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 30.2% to Ps. 324.8 million for the year ended December 31, 2013, from Ps. 249.4 million for the year ended December 31, 2012. This increase of Ps. 75.4 million was mainly due to a Ps. 24.8 million increase in salaries and social security taxes attributable to an increase in employee compensation granted in 2013, a Ps. 28.9 million increase in fees and remuneration for services, a Ps. 4.7 million increase in rent and insurance and a Ps. 6.1 million increase in security services (144.1 % compared to 2012).

As a percentage of revenue from sales, administrative expenses increased to 9.4% for the year ended December 31, 2013, as compared to 8.4% for the year ended December 31, 2012.

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,							
	2013		% of 2013 net sales	2012		% of 2012 net sales		
<i>(in millions of Pesos)</i>								
Salaries and social security taxes.....	Ps.	149.9	46.2%	4.4%	Ps.	125.1	50.2%	4.2%
Rent and insurance .....		21.9	6.7%	0.6%		17.2	6.9%	0.6%
Fees and remuneration for services .....		103.4	31.8%	3.0%		74.5	29.9%	2.5%
Security Services .....		10.4	3.2%	0.3%		4.3	1.7%	0.1%
Others .....		39.2	12.1%	1.2%		28.3	11.3%	1.0%
<b>Total.....</b>		<b>Ps. 324.8</b>	<b>100.0%</b>	<b>9.5%</b>		<b>Ps. 249.4</b>	<b>100.0%</b>	<b>8.4%</b>

#### ***Other operating (expenses) income***

Other operating expenses include mainly retirement payments, severance payments and accrual for lawsuits. Other operating expenses, decreased by 31.1% to a loss of Ps. 81.2 million for the year ended December 31, 2013, compared to a loss of Ps. 117.9 million for the year ended December 31, 2012. The positive variation of Ps. 36.7 million was mainly due to the increase in other operating income attributable to a Ps. 5.9 million increase in services provided to third parties, a Ps. 8.9 million increase in payments received for subsidiaries sales and a Ps. 12.4 million increase in others and a Ps.7.4 million decrease in other operating expenses.

#### ***Operating Profit (loss)***

Our operating profit increased Ps. 2,143.0 million to a profit of Ps. 1,314.6 million for the year ended December 31, 2013, from a loss of Ps. 828.4 million for the year ended December 31, 2012. This increase was mainly due to the partial recognition of CMM adjustment pursuant to Resolution 250/13 and Note 6852/2013 of SE, represented Ps. 2,933.1 million, which was partially offset by the increase in operating expenses described above.

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

Net financial expense totaled Ps. 490.9 million for the year ended December 31, 2013, compared to Ps. 318.6 million for the year ended December 31, 2012. This increase of Ps. 172.3 million was primarily due to an increase of Ps.278.9 million in financial expense, including the interest due on the debt with Cammesa, a of Ps. 172.9 million increase as a result of the exchange rate variations, partially offset by a Ps.211.6 million increase in total financial income due to the recognition of the interest due under the Resolution SE 250/2013, related to the CMM adjustment and PUREE compensation and a Ps. 88.9 million gain for repurchases of Edenor Notes due 2017 and 2022.

#### ***Income Tax***

The Company's income tax charge includes three effects; (i) the current tax payable for the year pursuant to tax legislation applicable to the Company; (ii) the effect of applying the deferred tax method

on temporary differences arising out of the asset and liability valuation according to tax versus financial accounting criteria; and (iii) the analysis of recoverability of deferred tax assets. We recorded an income tax credit of Ps. 44.1 million in 2013, compared to an income tax credit of Ps. 116.7 million in 2012. Regarding current tax expenses, we generated a tax profit in 2013, resulting in an income tax payable of Ps. 288.3 million compared to Ps. 381.8 million tax loss in 2012, mainly due to Res. 250/13 and Note 6852/13 higher cost recognition in 2013. Regarding the deferred tax, in 2013 we recorded net deferred tax benefit of Ps. 44.1 million compared to Ps. 116.7 million in 2012, mainly due to the gain generated by the tax effects of temporary differences related to property, Plant and Equipment and Other. As for, the analysis of recoverability of deferred tax assets., we previously recorded previously unrecognized tax losses carry forward due to Res. 250/13 and Note 6852/13 higher cost recognition in 2013.

#### ***(Loss) / Profit from discontinued operations***

We passed from a profit of discontinued operations in 2012 to a loss of discontinued operations in 2013. Loss from discontinued operations increased by Ps. 112.0 from a gain of Ps. 16.9 million as of December 31, 2012 to a loss of Ps. 95.1 million as of December 31, 2013 mainly as a result of AESEBA/EDEN's assets sale which resulted in a loss of Ps. 96.5 million, after tax related effects.

#### ***Profit (Loss) for the year***

We recorded a profit of Ps. 772.7 million for the year ended December 31, 2013, compared to a loss of Ps. 1,013.4 million for the year ended December 31, 2012. This positive result was mainly due to the partial recognition of the CMM adjustment pursuant to Resolution 250/13 and Note 6,852/13 of the SE, which was partially offset by an increase in operating and financial expenses, each as described above.

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

#### ***Revenue from sales***

Revenue from sales increased 29.3% to Ps. 2,976.2 million for the year ended December 31, 2012, from Ps. 2,302.0 million for the year ended December 31, 2011

The increase of Ps. 674.2 million, was primarily due to an increase in the price of electric power as a result of the elimination of certain subsidies, 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 from 20,098 GWh in 2011 to 20,760 GWh in 2012. The increase in energy sales was mainly due to a 2.3% increase in the average consumption per customer and a 1.0 % increase in the number of customers.

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 53.9 % to Ps. 1,740.2 million for the year ended December 31, 2012, from Ps. 1,130.9 million for the year ended December 31, 2011. This increase of Ps. 609.3 million was due to an increase in the purchase prices of electric power as a result of the elimination of certain subsidies , an increase in the price at which the non-recognized energy losses were measured and the cost of mobile generation (is the cost of hiring transportable diesel fuel generators to address the failures in the grid).

The volume of electric power purchases 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 12.7 % 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 38.5 % to Ps. 1,344.1 million for the year ended December 31, 2012, from Ps. 970.5 million for the year ended December 31, 2011. This increase was mainly due to a Ps. 243.0 million increase in fees and remuneration for services attributable to an increase in contractor's price resulting from changes in the union agreements, a Ps. 53.0 million increase in salaries and social security taxes attributable to an increase in employee compensation granted in 2012 and Ps. 31.8 million of ENRE fines and penalties.

As a percentage of net sales, transmission and distribution expenses increased to 45.2 % for the year ended December 31, 2012, from 42.2% 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. 454.1	33.8%	15.3%	Ps. 401.1	41.3%	17.4%		
Supplies consumption .....	85.1	6.3%	2.9%	53.0	5.5%	2.3%		
Fees and remuneration for services	478.5	35.6%	16.1%	235.4	24.3%	10.2%		
Depreciation of property, plant and equipment .....	182.1	13.6%	6.1%	180.1	18.6%	7.8%		
ENRE penalties.....	106.6	7.9%	3.6%	74.8	7.7%	3.2%		
Others.....	37.7	2.8%	1.3%	26.1	2.7%	1.1%		
<b>Total .....</b>	<b>Ps. 1,344.1</b>	<b>100.0%</b>	<b>45.9%</b>	<b>Ps. 970.5</b>	<b>100.0%</b>	<b>42.2%</b>		

### ***Gross (loss) profit***

Our gross loss, including transmission and distribution expenses, represents a loss of Ps. 108.1 million for the year ended December 31, 2012 from a profit of Ps. 200.6 million for the year ended December 31, 2011. This negative variation of Ps. 308.7 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 34.7 % to Ps. 352.9 million for the year ended December 31, 2012 from Ps. 261.9 million for the year ended December 31, 2011. This increase of Ps. 91.0 million was mainly due to a Ps. 44.9 million increase in fees and remuneration for services, a Ps. 25.4 million increase in salaries and social security taxes attributable to an increase in employee compensation granted in 2012, a Ps.3.9 million increase in allowance for the impairment of trade and other receivables and a Ps. 4.1 million increase in ENRE fines and penalties.

As a percentage of net sales, selling expenses increased to 11.9% in 2012 from 11.4 % in 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.

	<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. 114.8	32.6%	3.9%	Ps. 89.4	34.1%	3.9%		

Allowance for the impairment of trade and other receivables .....	17.1	4.9%	0.7%	13.2	5.0%	0.6%
Fees and remuneration for services	154.1	43.6%	5.2%	109.2	41.7%	4.7%
ENRE Penalties .....	10.4	2.9%	0.8%	6.3	2.4%	0.0%
Others .....	56.6	6.0%	1.4%	43.9	16.8%	2.2%
<b>Total .....</b>	<b>Ps. 352.9</b>	<b>100.0%</b>	<b>11.9%</b>	<b>Ps. 261.9</b>	<b>100.0%</b>	<b>11.4%</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 26.9 % to Ps.249.4 million for the year ended December 31, 2012 from Ps. 196.6 million for the year ended December 31, 2011. This increase of Ps. 52.8 million was mainly due to a Ps. 44.7 million increase in salaries and social security taxes attributable to an increase in employee compensation granted in 2012, a Ps. 14.3 million increase in fees and remuneration services and a Ps. 3.8 million increase in rent and insurance.

As a percentage of net sales, administrative expenses remained at the same level of 8.4 % in the year ended December 31, 2012, as compared to the 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.	125.1	50.2%	4.2%	Ps.	80.5	40.9%	3.5%
Rent and insurance .....		17.2	6.9%	0.6%		13.4	6.8%	0.6%
Fees and remuneration for services		74.5	29.9%	2.5%		60.2	30.6%	2.6%
Security Services .....		4.3	1.7%	0.1%		3.6	1.9%	0.2%
Others .....		28.3	11.3%	1.0%		38.8	19.7%	1.7%
<b>Total.....</b>	<b>Ps.</b>	<b>249.4</b>	<b>100.0%</b>	<b>8.4%</b>	<b>Ps.</b>	<b>196.6</b>	<b>100.0%</b>	<b>8.5%</b>

### *Gain from acquisition of companies*

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. No gain was registered during 2013.

### *Operating profit (loss)*

Our operating profit decreased Ps. 934.2 million to a loss of Ps. 828.4 million for the year ended December 31, 2012, from a profit of Ps. 105.8 million for the year ended December 31, 2011. This negative variation was mainly due to the increase in operating expenses described above.

### *Other (expense) income*

Other operating expenses include mainly retirement payments, severance payments and accrual for lawsuits. Other operating income expenses, net decreased 65.3% to a loss of Ps. 117.9 million for the year ended December 31, 2012, compared to a loss of Ps. 71.3 million for the year ended December 31, 2011. The increase of Ps. 46.6 million was mainly due to an increase in other operating expenses attributable to an increase of Ps. 37.3 million in impairment of other receivables, an increase of Ps. 8.1 in the provision for contingencies and Ps. 5.8 million tax on bank debits and credits.

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

Net financial expense totaled Ps. 318.6 million for the year ended December 31, 2012, compared to Ps. 190.6 million for the year ended December 31, 2011. This increase of Ps. 128.0 million was primarily due to an increase of Ps.59.4 million of commercial interest due on the debt with CAMMESA and an increase of Ps. 92.5 million as a result of the exchange rate variations, partially offset by an increase of Ps. 22.0 million in total financial income.

### ***Income Tax***

We recorded an income tax credit of Ps. 116.7 million for the year ended December 31, 2012, compared to an income tax charge of Ps. 82.2 million for the year ended December 31, 2011.

### ***(Loss) / Profit 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 loss was mainly due to the increase in operating and financial expenses, each as described above.

### ***Profit / loss from discontinued operations***

Profit from discontinued operations increased 113.6%, from a loss of Ps. 124.4 million as of December 31, 2011 to a profit of Ps. 16.9 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, 2013, 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 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. 1,500.6 million (net of offset of SE Resolution 250/13 and SE Note 6852 CMM credit surpluses). We expect to resume full payment of our payment obligations with CAMMESA once the economic and financial equation of Edenor is restored. The Company has argued 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. See “Item 3. Risk Factors—Risk relating to our Business— *We may not have the ability to raise the funds necessary to repay our commercial debt with CAMMESA, our major supplier.*”

Since entering into the Adjustment Agreement in February 2006, we have been engaged in an Integral Tariff Revision or RTI with the ENRE, relating to the adjustment and renegotiation of the terms of the concession. 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 2014. 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”. “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 tariffs 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.

In this framework, and considering both the above-described situation and the negative equity reported in the Company’s Financial Statements as of December 31, 2012 and 2011, during the year 2013 the Energy Secretariat (“SE”) issued Resolution 250/13, and SE Note 6852/13, which, among other issues, determined and approved the values of the adjustments resulting from the CMM, to which the Company is entitled, for the period May 2007 through September 2013, although in today’s terms they are insufficient to cover the current operating deficit. Additionally, it established mechanisms to offset this recognition against the PUREE-related liability, and, partially, against the debt held with CAMMESA.

In this manner, the Energy Secretariat, in its capacity as grantor of the Concession Agreement, has provided a solution which, although transient and partial in nature, temporarily modified the situation that the Company tried to rectify with the filing of the action for the protection of its rights (“acción de amparo”). This solution, in addition to the requirement imposed by the Energy Secretariat through Resolution 250/13, led the Company to abandon, on May 29, 2013, the action filed, requesting that both

parties be charged with the legal costs thereof, and to continue to claim on the fundamental issue by way of another action.

If the conditions prevailing at the date of this annual report remain unchanged, the economic and financial situation will continue deteriorating. For fiscal year 2014, the Company also estimates negative cash flows and losses from operations, as well as a greater reduction in the financial ratios. 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, 2013, 2012 and 2011, our cash and cash equivalents amounted to Ps. 243.5 million, Ps. 82.3 million and Ps. 141.1 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:

	Year ended December 31,		
	2013	2012	2011
	<i>(in millions of Pesos)</i>		
Cash and cash equivalents at the beginning of the year .....	71.1	130.5	246.0
Net cash flows provided by operating activities <sup>(1)</sup> .....	1584.2	538.5	690.7
Net cash flows used in investing activities .....	(1,256.6)	(590.4)	(754.8)
Net cash flows (used in) provided by financing activities .....	(177.1)	(27.8)	(26.3)
Cash and cash equivalents included in assets of disposal groups as classified held for sale.....	11.2	28.3	0.0
Gain from exchange differences in cash and cash equivalents...	10.7	3.2	3.3
Changes in cash and cash equivalents.....	150.5	(79.7)	(90.5)
<b>Cash and cash equivalents at the end of the year</b>	<b>Ps. 243.5</b>	<b>Ps. 82.3</b>	<b>Ps. 158.8</b>

(1) Includes CAMMESA financing (Resolution 250/13 and SE Note 6852/13) of Ps. 1,079.2 million, Ps. 295.7 million and Ps. 10.1 million as of December 31, 2013, December 31, 2012 and December 31, 2011, respectively.

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

Net cash flows provided by operating activities increased by 194.2 % to Ps. 1,584.2 million in the year ended December 31, 2013, compared to Ps. 538.5 million in the year ended December 31, 2012. This increase is attributable to an increase in the debt with the wholesale electricity market (CAMMESA), including the debt offset by SE Resolution 250/13 and SE Note 6852 with the CMM credit surpluses.

Net cash flows provided by operating activities decreased by 22.0% to Ps. 538.5 million in the year ended December 31, 2012, compared to Ps. 690.7 million in the year ended December 31, 2011. This decrease is mainly 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 increase in interests in loans and other receivables, which were partially offset by a Ps. 116.7 million decrease in income tax.

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 PUREE, a Ps. 207.7 million increase in trade payables and a Ps. 88.8 million increase in salaries and social security taxes payable.

These increases in operating assets and liabilities were partially offset by a Ps. 306.0 million increase in trade receivables. Additionally, the decrease was partially offset by an increase in funds obtained through the delay in the payment of CAMMESA debt for an amount of Ps.295.7 million.

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

Net cash flows used in investing activities increased 112.8% to Ps. 1,256.6 million in the year ended December 31,2013, from Ps. 590.4 million in the year ended December 31, 2012.

Changes in net cash flows used in investing activities in 2013 were primarily due to variations in our capital expenditures (Ps.1,039.9 million) and, to a lesser extent to variations in discontinued operations (Ps.124.2 million) and in net payments for the purchase of financial assets at fair value (Ps.97.4 million).

Net cash flows used in investing activities decreased 21.8 % to Ps. 590.4 million in the year ended December 31,2012, from Ps.754.8 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, which were partially offset by the collection of loans proceeds from borrowings (Ps. 142.4 million).

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

In 2013, our cash flows from financing activities increased by 537.1 %, to a use of Ps.177.1 million in 2013, from a use of Ps.27.8 million in 2012, primarily as a result of the repayment of financials indebttness.

In the year ended December 31, 2012, our cash flows from financing activities increased by 5.7%, from a use of Ps.26.3 million in 2011 to a use of Ps. 27.8 million in the year ended December 31, 2012, primarily as a result of the repayment of our financial indebttness, which were partially offset by discontinued operations.

#### ***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:

	Year ended December 31,		
	2013	2012	2011
	<i>(in millions of Pesos)</i>		
Supplies .....	Ps. 835.5	Ps. 287.4	Ps. 323.3
Network maintenance and improvements .....	174.3	208.9	55.7
Legal requirements <sup>(1)</sup> .....	11.0	11.7	6.1
Communications and telecontrol .....	13.3	5.5	9.1
Others .....	58.4	30.8	40.4
Total .....	Ps. 1092.5	Ps. 544.3	Ps. 434.6

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

In 2013, in accordance with our capital expenditure program, we invested Ps. 1,092.5 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 1.7 % in 2013. 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 U.S. \$17.5 million and U.S. \$6 million of our Senior Notes due 2017, respectively.

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, 2013, these Notes had been fully paid.

During 2009, we 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 launched 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. As of the date of filing of this annual report, the outstanding amount of Senior Notes due 2022 is U.S. \$176.4 million. Edenor repurchased and cancelled U.S. \$ 123.6 million, out of which, Aeseba Sale Trust (see Item 4. "Information on the Company") repurchased U.S. \$ 66.8 million.

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 the date of filing of this annual report, the outstanding amount of Senior Notes due 2017 is U.S. \$14.8 million. Edenor through Aeseba Sale Trust, repurchased and cancelled U.S. \$ 10 million.

#### ***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, 2013 and 2012, the outstanding balance under these loans amounted to Ps. 0.4 million and Ps. 1.2 million, respectively.

#### **Derivatives Contracts**

##### *Management of derivative financial instruments*

In the past, 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. As of the date of this annual report, we have no derivative financial instruments.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

A summary of our significant financial 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 medium and large-demand (T2 and T3) customers, 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.

Revenue is measured at fair value of the consideration collected or to be collected, taking into account estimated amount of any discount, thus determining the net amounts.

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 both the electricity supplied, whether billed or unbilled at the end of each year, which has been valued on the basis of applicable tariffs, and the charges resulting from the application of Resolution 347/12.

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 is recognized in the accounting to the extent that they have been approved by the ENRE.

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.

### ***Impairment of Property, Plant and Equipment.***

Property, Plant and Equipment are tested for impairment at the lowest level at which independent cash flows can be identified (cash generating units, or CGU).

The Company analyzes the recoverability of property, plant and equipment 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 year end, 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 tariff 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 tariffs used by the Company to assess the recoverability of its Property, Plant and equipment as of at December 31, 2013 is based on the rights to which the Company is entitled, as stipulated in the Concession Agreement and the agreements described in Note 2 to the Consolidated Financial Statements attached in item 18. 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 to the above mentioned Consolidated Financial Statements, have also been considered. The Company Management estimates that it is reasonable to expect that new increases in revenues will be obtained as from 2014.

In spite of the current economic and financial situation described in Note 1 to the Consolidated Financial Statements, the Company has made its projections under the assumption that the electricity tariffs 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 Consolidated Financial Statements above mentioned.

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 an increase in the VAD. The three scenarios can be classified into pessimistic, optimistic and intermediate depending on the opportunity of the application and magnitude of the expected CMM adjustment or revenue increase by another mechanism. 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: 15%, and intermediate scenario: 65%.

Based on the conclusions previously mentioned, the valuation of property, plant and equipment, taken as a whole, does not exceed its recoverable value, which is measured as the value in use as of December 31, 2013.

In the opinion of the Company Management, a reasonable change in the main assumptions would not give rise to an impairment loss.

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.

#### ***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.

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 fiscal years ended December 31, 2012 and 2011, the Company recorded negative operating and net results, respectively 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, in general terms, the quality of the distribution service has been maintained and the constant year-on-year increase in the demand for electricity that has accompanied the economic growth and the standard of living of the last years has also been satisfied. 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 to mitigate the negative effects of this situation on its financial structure, such as: (i) reducing specified costs, including the reduction of top management fees; (ii) selling or disposing of all its shareholdings in subsidiaries and collecting the loans granted to such companies; (iii) making all reasonable efforts to obtain from the authorities the funds necessary to face the salary increases demanded by unions; (iv) seeking new financing options; (v) refinancing the financial debt with extended maturity terms and/or; (vi) optimizing the use of the available resources 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) sold its shareholding in subsidiaries and collected the totality of the loan granted to them.

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, and the Energy Secretariat has issued the previously described Resolution 250/13, pursuant to which the higher costs were partially recognized. 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 2014.

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 tariff 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 tariffs, but, at the same time, has to maintain the priority given to the operation of the public service.

As a consequence of the partial recognition of higher costs (in accordance with the provisions of Section 4.2 of the Adjustment Agreement) for the period May 2007 through September 2013 that occurred in the current fiscal year through Resolution 250/13, the Company turned its accumulated deficit as of March 31, 2013 into positive retained earnings. Nevertheless, the constant increase in the operating costs that are necessary to maintain the level of the service, and the delay in obtaining genuine tariff increases will continue to deteriorate the Company's operating results, demonstrating that this recognition is insufficient to restore the balance that the economic and financial equation of the public service, object of the concession, requires (so much so that the Company's operating and net results for the year being reported were also negative prior to applying SE Resolution 250/13), but also does not allow for the regularization of the cash flows the Company needs to provide the public service and make the totality of the investments.

Although the effects of these regulations are a significant step towards the recovery of the Company's situation, inasmuch as it allows for the regularization of the equity imbalance generated by the lack of a timely recognition of the CMM adjustment requests made in the last seven years, such regulations do not provide a definitive solution to the Company's economic and financial equation due to the fact that the level of revenue generated by the electricity tariff schedules in effect, even after applying SE Resolution 250/13 and SE Note 6852/13, does not allow for the absorption of neither operating costs nor investment requirements or the payment of financial services. Therefore, this cash flow deficit will

translate once again into a working capital deficit, which, taking into account that the Company is not in condition to have access to other sources of financing, will result in the need to continue to cancel only partially the obligations with CAMMESA for energy purchases.

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 2014, and financial ratios, will be negatively impacted. . In spite of the above-mentioned, the Company 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 tariff review is uncertain as to both its timing and final form. Therefore, the uncertainties of the previous financial year in this regard continued during the year being reported, thus if in fiscal year 2014: (i) the new electricity tariff schedules are not issued by the ENRE; (ii) the Company is not granted other recognition or any other mechanism to compensate for cost increases, in addition to the revenue obtained from the application of Resolution 347/12, the funds derived from the PUREE, or the recognition of CMM values and the offsetting mechanism established by Resolution 250/13 and SE Note 6852/13, 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 continue implementing, and even deepening, measures similar to those applied until now in order to preserve cash and enhance its liquidity. As stated in previous periods, the Company may not ensure that it will be able to obtain additional financing on acceptable terms. Nevertheless, it must be pointed out that due to the fact that the revenue deriving from the FOCEDA for the execution of the necessary works arising from the Investment Plan of distribution companies is temporarily insufficient, the Energy Secretariat has considered the possibility of financing such deficit, should it be necessary, through the implementation of loans for consumption (mutuum) and the assignment of secured receivables with CAMMESA. Therefore, if 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 tariff 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 past service costs and actuarial losses. Cash flows are discounted using a rate that contemplates actuarial assumptions about demographic and financial conditions that affect the determination of benefit plans. Such estimate is based on actuarial calculations made by independent professionals in accordance with the projected credit unit method.

#### ***ENRE Penalties and Discounts***

The Company considers its accounting policy for the recognition of ENRE penalties and discounts critical because it depends on punishable events, which are valued on the basis of our management's best estimate of the expenditures required to settle the present obligation, at the date of our financial statements. The balances of ENRE Penalties and Discounts are adjusted in accordance with the regulatory framework applicable thereto.

### ***Assets and liabilities of disposal group classified as held for sale and discontinued operations***

As a consequence of what is mentioned in Note 1 to our Consolidated Financial Statements, and with the aim of mitigating unfavorable financial and economic aspects, the Company decided to sell certain subsidiaries. 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:

- Its carrying amount will be recovered mainly through a sale transaction, rather than by its continued use.
- It must be available, in its current conditions, for immediate sale, subject exclusively to the usual terms for the sale of this subsidiary; and
- Its sale must be highly probable, for which purpose the 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 traded 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 with 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 and 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 purchase offers, if any, and/or market conditions.

At December 31, 2013, the Company had sold the totality of its subsidiaries held for sale.

### ***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, 2013, 2012 and 2011.

### TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The following table summarizes our contractual liabilities and commitments as of December 31, 2013. 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, 2013 of Ps. 6.520 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.5,205.0	3,674.2	110.9	110.0	1,309.9
Accrued fines and penalties <sup>(2)</sup> .....	923.8	87.7	836.1	—	—
Financial assistance fees <sup>(3)</sup> .....	11.7	11.7	—	—	—
Operating leases <sup>(4)</sup> .....	42.0	21.0	20.7	0.3	—
Capital expenditures <sup>(5)</sup> .....	—	—	—	—	—
			Ps.	Ps.	
<b>Total</b> .....	Ps.6,182.5	Ps. 3,794.6	967.7	110.3	Ps. 1,309.9

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	43	2013(Class A)
Pablo Díaz	Director	56	2013 (Class A)
Marcos Marcelo Mindlin**	Director	49	2013 (Class A)
Maximiliano Alejandro Fernández*	Director	53	2013 (Class A)
Eduardo Llanos*	Director	69	2013 (Class A)
Edgardo Alberto Volosín	Director	60	2013 (Class A)
Emmanuel Alvarez Agis*	Director	32	2013 (Class B/C)
Victoria Von Storch*	Director	36	2013 (Class B/C)
Eduardo Setti*	Director	42	2013 (Class B/C)
Eduardo Endeiza*	Director	37	2013 (Class B/C)
Pablo Martínez Burket*	Director	49	2013 (Class B/C)
Diego Martín Salaverri	Alternate Director	49	2013 (Class A)
Jaime Barba	Alternate Director	50	2013 (Class A)
Damian Miguel Mindlin **	Alternate Director	47	2013 (Class A)
Leandro Montero	Alternate Director	37	2013 (Class A)
Daniel Flaks	Alternate Director	49	2013 (Class A)
Mariano Batistella	Alternate Director	31	2013 (Class A)
Diana Mondino*	Alternate Director	55	2013 (Class A)
Edgardo Ruibal *	Alternate Director	39	2013 (Class B/C)
Diego Leiva *	Alternate Director	37	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 elected chairman on February 16, 2012.

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, Chairman of the Board of Directors 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 Participaciones II S.A., HINISA, HIDISA, Inversora Nihuales S.A., Inversora Diamante S.A, Güemes, Powerco, Loma de la Lata, Piedra Buena, IPB, IEASA S.A, Energía Distribuida S.A., Petrolera Pampa, Pampa Participaciones S.A., Bodega Loma de la Lata S.A..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.

**Gustavo Mariani** was born on September 9, 1970. He has been a member of our board of directors since November 2005 and elected as Chairman in 2013. Mr. Mariani joined Grupo Dolphin in 1993 as an analyst and also served as an investment portfolio manager. He currently serves as Director of Dolphin Finance S.A, Electricidad Argentina S.A., Edenor, HINISA, HIDISA, Inversora Nihuales S.A, Inversora Diamante S.A., EPCA, TGS, Compañía de Inversiones de Energía S.A., Güemes, IEASA S.A., Transelec Argentina S.A., Loma de la Lata, Pampa Participaciones S.A., Comunicaciones y Consumos S.A., Dolphin Créditos S.A., Dolphin Créditos Holding S.A., Dolphin Inversora S.A., Piedra Buena, IPB, Petrolera Pampa, Pampa Participaciones II S.A., Energía Distribuida S.A., Bodega Loma de la Lata S.A. Also, Mr. Mariani is the executive secretary of the management board of “*Fundación Pampa Energía Comprometidos con la Educación*”. Mr. Mariani holds a degree in Economics from the Universidad de Belgrano and a master's degree in Business Administration from the Universidad del CEMA.

**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., Inversora Piedra Buena 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.

**Marcos Marcelo Mindlin** was born on January 19, 1964. He has been Chairman of our board of directors since June 16, 2006, and has been Chairman up to February 2012. 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 Finance S.A., Electricidad Argentina S.A., IEASA S.A., CAM Gerenciadora S.A., HINISA, HIDISA, Transelec Argentina S.A., Loma de la Lata, Powerco, Güemes, Inversora Diamante S.A., Inversora Nihuales S.A., Dolphin Créditos S.A., Dolphin Créditos Holding S.A., Dolphin Inversora S.A., Piedra Buena, IPB, Petrolera Pampa, Pampa Participaciones II S.A., Energía Distribuida S.A., Pampa Participaciones S.A., Bodega Loma de la Lata S.A., EPCA, TGS, Compañía de Inversiones de Energía S.A., Grupo Dolphing Holding S.A., Orígenes Seguros de Retiro S.A., Dolphin Securities S.A., Orígenes Seguros de Vida S.A., Filmert Company S.A., Glencore S.A. and Consultores Fund Management. In 2008, Mr. Mindlin founded and since that time has directed a charity foundation called “*Fundación Pampa Energía Comprometidos con la Educación*” 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*.

**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.

**Victoria Von Storch** was born on November 7, 1977. He has been a member of our board of directors since 2013. Mrs. Von Storch holds a degree in Sociology from the Universidad de Buenos Aires. She currently serves as Director of Information and Regional Analysis at the Undersecretary for Planning, an agency of the Ministry of Economy and Public Finance.

**Eduardo Setti** was born on February 16, 1971. Mr. Setti has been a director of Edenor since 2013. Since July 2009, he holds the position of Chief Officer of Investment Guarantee Fund Sustainability at the ANSeS. He holds a degree in Economics from the *Universidad Argentina de la Empresa* (UADE).

**Eduardo Endeiza** was born on October 15, 1975. He is a member of our board of directors since 2012. Actually he works as a Chief Officer of Investment Guarantee Fund Sustainability at ANSES. He holds a Law degree with guidance in Public Administration from the Universidad de Belgrano.

**Pablo Martínez Burket:** was born on April 14, 1965. He has been a member of our board of directors since 2012. . Additionally, Mr. Burket is an alternate director of Transener S.A. He is a co-founder partner of the Estudio Martinez, Burkett & Ramirez and Associates since 1997. Since January 2009 until September 2012, he worked as a Director of Corporate Affairs of the Guarantee Fund of Sustainability at the ANSES. He holds a Law degree from the Universidad Nacional del Litoral. Mr. Burket has a master degree with honors in Business Law at the Universidad Austral. He later deepened his studies in Spain, Chile and the United States.

**Diego Martin Salaverri** was born on August 7, 1964. He has been a member of Edenor's board of directors since June 2006. He is a co-founder partner of the Estudio Salaverri, Dellatorre, González, Burgio & Wetzler Malbrán. He holds a degree in Law from the Universidad Católica Argentina, Buenos Aires. He is alternate board member of Edenor, Estancia María S.A., ARPHC 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. Previously, Mr. Salaverri was a member of EASA's board of directors. He resigned to that position on November 14, 2007. In addition, he is a substitute trustee with the 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. 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 Grupo Dolphin S.A., Dolphin Finance S.A., Electricidad Argentina S.A., IEASA S.A., CAM Gerenciadora S.A., HINISA, HIDISA, Transelec Argentina S.A., Pampa Participaciones S.A., Powerco, Güemes, Inversora Diamante S.A., Inversora Nihuales S.A., Piedra Buena, IPB, Dolphin Créditos S.A., Dolphin Créditos Holding.S.A., Dolphin Inversora S.A., Petrolera Pampa, Pampa Participaciones II S.A., Energía Distribuida S.A., Pampa Inversiones S.A., Bodega Loma de la Lata S.A., EPCA S.A. , Citelec , Grupo Dolphin Holding S.A., ARPHC S.A., Estancia María S.A., Pampa Comercializadora S.A., Filmert Company S.A., Glencore S.A., Consultores Fund Management, Dolphin Fund Management, Pampa F&F and Dolphing Securities S.A.. Also, Mr. Mindlin is the vice president of management board of “*Fundación Pampa Energía Comprometidos con la Educación*”.

**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 Edenor in 2012, 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.

**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.

**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.

**Edgardo Ruibal** was born on October 2, 1973. He has been a member of our board of directors since 2012.

**Diego Leiva** was born on November 13, 1975. He has been a member of our board of directors since 2012.

## 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 2013 was Ps. 2.3 million, Ps. 0.2 million and Ps. 31.6 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, Gustavo Mariani, Pablo Díaz 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
Victoria Von Storch <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:

Name	Current Position	Age
Ricardo Torres .....	Chairman	56
Edgardo Alberto Volosin .....	Chief Executive Officer	61
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	51
Gerardo Tabakman .....	Director of Information Technology and Telecommunications	39
Victor Augusto Ruiz .....	Principal Accounting Officer	53

**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 2007. Mr. Abelovich is a partner of Abelovich, Polano & Asociados/ NEXIA INTERNATIONAL, an auditing firm. Mr. Abelovich also serves as member of the supervisory committees of Abus las Americas I S.A., Agra Argentina S.A., Agro Investment S.A., Agrotech S.A., Agrology S.A., Alto Palermo S.A., Arcos del Gourmet S.A., Baicom

Networks S.A., Banco de Crédito y Securitización S.A., Banco Hipotecario S.A., BH Valores S.A. de Sociedad de Bolsa, BHN Seguros Generales S.A., BHN Sociedad de Inversión S.A., BHN Vida S.A., Bitania 26 S.A., Cactus Argentina S.A., Canteras Natal Crespo S.A., Loma de la Lata, Güemes, Compañía Buenos Aires S.A., Transener, Citelec, Conil S.A., Convexity Sociedad Gerente de Fondos Comunes de Inversión S.A., Cresud SACIF y A, Cyrsa S.A., Dolphin Créditos Holding S.A., Dolphin Créditos S.A., E-Commerce Latina S.A., EASA, Emprendimiento Recoleta S.A., Transba S.A., EDENOR, Energía Distribuida S.A., Exportaciones Agroindustriales Argentinas S.A., FCMI ARGENTINA FINANCIAL CORPORATION SA S G F C I, Fibesa S.A., Futuros y Opciones.Com S.A., FYO Trading S.A., Grupo Dolphin Holding S.A., HIDISA, Hoteles Argentinos S.A., Inversora Bolívar S.A., IRSA Inversiones y Representaciones S.A., La Clara de Banderoló SA, Llao – Llao Resorts S.A., Metroshop S.A., Northagro S.A., Nuevas Fronteras S.A., Nuevo Puerto Santa Fe S.A., Orígenes Seguros de Retiro S.A., Palermo Invest S.A., Panamerican Mall S.A., PEPASA, Pluriagro S.A., Powerco, Préstamos y Servicios S.A., Puerto Retiro S.A., Quality Invest S.A., Qualcomm International Inc., Real Estate Investments S.R.L., Shopping Neuquén S.A., Solares de Santa María S.A., Tarshop S.A. and Unicity S.A. Mr. Abelovich holds a degree in Public Accounting from the Universidad de Buenos Aires.

**Damián Burgio** was born on December 13, 1963. He has been a member of our supervisory committee since 2012 Mr. Burgio is a co-founder partner of the Law Firm Salaverri Delatorre, Burgio & Wetzler Malbrán He holds a degree in Law from the Universidad Católica Argentina. Mr. Burgio is member of Urbanizadora del Sur S.A. board of directors and serves as an alternate director of AFI Servicios S.A. Additionally, Mr. Burgio currently serves as a member of the supervisory committee of Bodega Loma de Lata S.A., Central Térmica Loma de Lata S.A., Desarrollos Caballito S.A., Dolphin Créditos Holding S.A., Dolphin Créditos S.A., Dolphin Finance S.A., IEASA S.A., Inversora Diamante S.A., Inversora Nihuales S.A., Inversora Piedra Buena S.A., Pampa Energía S.A., Argentina SRL, Compañía de Inversiones de Energía S.A., Distribuidora Disco S.A., T.G.S. S.A., Envases Plásticos S.A., Formosa Refrescos S.A., Salta Refrescos S.A. and Transelec Argentina S.A.

**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, Burgio & Wetzler Malbrán. 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 Dico S.A., Envases Plásticos S.A., Formosa Refrescos S.A. and Salta Refrescos S.A.. In addition, he is a member of the statutory audit committee of Edenor, Central Térmica Loma de la Lata S.A., IEASA S.A. and Electricidad Argentina S.A. Mr. Dellatorre received his law degrees with honors from the Universidad Católica Argentina in 1990.

**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., 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., 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., 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., 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., HIDISA 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 Dársena Norte S.A.C.I.yN., and in Nación

Servicios S.A. Mr. Sanchez is a CPA and has a Bachelor of Administration degree from the University of Buenos Aires.

## EMPLOYEES

Edenor had 3,598 full-time employees as of December 31, 2013, 2,929 full-time employees as of December 31, 2012 and 2,822 full-time employees as of December 31, 2011.

As of December 31, 2013, approximately 85% 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 subscribed collective bargaining agreements with the production union, and their employees acquired benefits similar to our employees. Edenor had 2,518 third-party employees as of December 31, 2013, 2,777 third-party employees as of December 31, 2012 and 2,704 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. During 2013, 472 third party employees were included in our stable workforce as full time employees. 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, 2013 indemnification complaints amounted to more than Ps. 89 millions, whilst 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, 2013, the Company established allowances for more than Ps. 33 million to cover the obligations that could correspond with said 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. Ricardo Torres, Marcos Marcelo Mindlin, Damián Miguel Mindlin and Gustavo Mariani who, through Pampa Energía, are controlling shareholders of IEASA, which makes them indirect beneficiaries of all of our Class A common shares. In addition, Mr. Diego Martín Salaverri is the beneficial owner 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	170,334,532	18.8%
Pampa			
Inversiones.....	B	19,463,800	2.1%
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 Pampa Participaciones S.A.and IEASA. Pampa Participaciones S.A. holds 0.01% of the voting stock of EASA and IEASA holds the remainder 99.99% of the capital stock of EASA. Pampa Energía S.A. currently owns, directly and indirectly, 100% of the capital stock of Pampa Participaciones 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 2013, there was one registered shareholder of our ADSs in the United States and 4,728,516of 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, and certain other minority investors, 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 of U.S. \$275.5 million as of December 31, 2013. 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 and Damián Mindlin together with Pampa Energía S.A.’s chief executive officers Messrs. Gustavo Mariani and 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. Gustavo Mariani who serves as chairman of the board of directors, Marcelo Mindlin, and Damián Mindlin, members of the board of directors. The principal executive officers of Pampa Energía S.A., excluding its Co-chief executive officer, are also affiliated with Grupo Dolphin.

In addition to its indirect stake in us, Pampa Energía S.A. owns as of the date of filing of this annual report, 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 Nihules S.A., Hidroeléctrica Diamante S.A., Central Térmica Güemes S.A., and Central Térmica 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. As of the date of filing of this annual report, we held 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.

### **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, 2013, we had established allowances in the aggregate amount of Ps. 93.8million 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, 2013, 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, 2013.

#### *Proceedings Challenging the Renegotiation of our Concession*

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 tariff increase has retroactive effects; (ii) annul ENRE Resolution No. 51/07, which authorizes the retroactive increase of tariffs 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 tariff 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 a Federal Extraordinary Appeal, which admissibility was granted as of November 3, 2011. On October 1, 2013, the Supreme Court dismissed the appeal. A final judgement in favor of Edenor has been rendered.

We cannot 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 SE 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, the "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 have appealed this injunction along with the Argentine government through various legal actions. On August 20, 2013, the Court of First Instance in Federal Administrative Claims (*Juzgado en lo Contencioso Administrativo Federal*) dismissed the judicial remedy action initiated, which decision has been appealed by the plaintiff. As of the date of this annual report, there were no further legal pronouncements.

On August 14, 2009, the SE 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 SE 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 SE 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. The actions continue on a preliminary stage, without any further judicial pronouncement.

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 opening 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*, or "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. As of the date of this annual report, there were no further legal pronouncements.

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, in the context 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 the Company's 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 those who suffered power cuts that lasted more than 24 continuous hours, and Ps. 450 to 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.

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 requesting interim relief aimed at suspending the application of the fine imposed until a decision on the direct appeal is issued.

On July 8, 2011, we requested that process be served on the ENRE. On October 28, 2011, the court denied the request for interim relief. As a consequence, we filed a federal extraordinary appeal ("*Recurso Extraordinario Federal*") with the Supreme Court which was dismissed. We then filed another appeal with the Supreme Court ("*Recurso de Queja por apelación denegada*") requesting review of the rejected federal extraordinary appeal, which as of the date of this annual report had not been resolved.

On April 24, 2013, the Company was notified that the direct appeal on the merits had been denied by the Appellate Court in Contentious and Administrative Federal Matters No. 1. We appealed this decision before to the Supreme Court of Justice on May 13, 2013. As of the date of this annual report, the appeals to the Supreme Court on the merits and on the denial of interim relief have not been resolved yet.

As of December 31, 2013, the provision recorded in relation to the aforementioned compensations amounted to Ps. 34.9 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, 2013, the provision recorded in relation to the aforementioned penalties and compensations amounted to Ps. 16.7 million.

On December 28, 2012, the Company filed an *acción de amparo* (judicial remedy action ) 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 unconstitutional the ENRE’s failure to implement the necessary measures to guarantee the provision of the public service of distribution of energy, such as the failure to recognize the CMM adjustments that the Company has requested and the delay in implementing the new tariff structure under the RTI, which have led to an unstable situation that 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 denied the preliminary injunction requested by the Company. This decision has been timely appealed by the Company.

As a consequence of Resolution No. 250/13, issued by the SE partially modifying the situation described in the previous paragraph, the Company attempted to resolve throughout the initiated judicial remedy of December 2012 and the requirements of art. 12 (abandonment of actions in process). On May 29, 2013, the Company discontinued the action. As of the date of this annual report, the issue regarding the legal expenses of the process was not solved yet.

On June 28, 2013, we initiated a legal action against the Ministry of Planning, Public Investment and Services pursuant to the acknowledgment process and benefit of litigation without expenses, both entertained by the National Court of First Instance in Federal Administrative Claims Tribunal No. 11 (*Juzgado Nacional de Primera Instancia en lo Contencioso Administrativo Federal No 12*). Breach by the Argentine Government of the agreed terms under the Adjustment Agreement was claimed and compensation of damages sought. On November 22, 2013, the Company modified its complaint in order to include additional claims and damages.

In 2014, the Company filed a precautionary measure (*medida cautelar*), to maintain a secure and continuing public service, requesting for the economic assistance in the transition period.

#### ***Other Legal Proceedings***

On August 12, 2003 EDFI and EASA brought a claim against the Republic of Argentina before the ICSID, in connection with the impact of certain currency measures adopted by the Argentine government in 2002 on our operations (the “EDFI-Argentina Claim”). In 2005, IEASA entered into an agreement with

EDFI, which included IEASA's right to withdraw or suspend the EDFI-Argentina Claim (the "ICSID Agreement"). Also in 2005, IEASA acquired control of EASA and us. In 2013, EDFI filed a claim against IEASA under the rules of the International Chamber of Commerce, claiming IEASA is no longer entitled to cause the withdrawal or suspension of the EDFI-Argentina Claim under the ICSID Agreement (the "EDFI-IEASA Claim"). IEASA is vigorously contesting this assertion. In March 2014, a hearing on the EDFI-EASA Claim was held and a decision on the matter is expected to be made later this year.

## **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 IFRS 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 tariffs 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.”

**Item 9. The Offer and Listing**

Since April 26, 2007, our Class B common shares and the ADSs have been listed on the BASE and the NYSE, respectively. The ADSs have been issued by the Bank of New York as depository. 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 NYSE and for the shares on the BASE.

	<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>
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
2013.....	3.55	0.67	8.79	1.90

The following tables set forth, for the periods indicated, the reported high and low sales prices for our shares on the BASE and the reported high and low sales prices for the ADSs on the NYSE.

	<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>2013</b>				
First Quarter.....	1.14	0.66	2.98	1.99
Second Quarter.....	1.12	0.77	2.49	1.92
Third Quarter.....	1.82	0.75	4.40	1.90
Fourth Quarter.....	3.55	1.86	8.79	4.21

	Buenos Aires Stock Exchange		New York Stock Exchange	
	Pesos per Share		U.S. Dollars per ADS	
	High	Low	High	Low
<b>2013</b>				
November	3.55	2.30	8.79	4.94
December.....	3.32	2.19	7.42	5.06
<b>2014</b>				
January.....	2.93	2.32	6.16	4.97
February.....	3.41	2.72	6.36	4.93
March.....	3.60	3.15	7.40	6.14
April.....	4.52 <sup>(1)</sup>	3.60 <sup>(1)</sup>	9.10 <sup>(1)</sup>	7.35 <sup>(1)</sup>

<sup>(1)</sup> Represents the corresponding sale prices from April 1 through April 23, 2014.

## 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 Buenos Aires, Bahía Blanca, Chaco, Córdoba, La Plata, La Rioja, Mendoza, Rosario, Santa Fe, Salta, Tucumán and Confederado Stock Exchange. 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.

Recently, the shareholders of the MERVAL and the BASE entered into a framework agreement to create Bolsas y Mercados Argentinos S.A. for the purposes of operating a stock market in accordance

with the requirements of the newly enacted Law No. 26,831 (the “Capital Markets Law”). The new entity will be formed by a spin-off of certain assets of the Merval relating to its stock market business and the BASE will make further capital contributions to such entity; in addition, an authorization for the public offering in respect of its shares has been requested to the CNV. In addition, the Merval and the BASE entered into memorandums of understanding with Mercado de Valores de Córdoba S.A. to integrate the stock market of Córdoba into a federal stock market managed by Bolsas y Mercados Argentinos S.A., and with several brokers of the city of Santa Fe, Province of Santa Fe, for them to act within such federal market.

As of the date of this annual report, the required authorization from the CNV with respect to the aforementioned spin-off and the public offering of the shares of Bolsas y Mercados Argentinos S.A. is pending.

### ***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 the Capital Markets Law which revokes law No. 17,811 and Decree No. 677/01.

However, CML incorporated most of the provisions established in those regulations. In this respect, the following key provisions of Decree No. 677/01 have been incorporated into the CML, among others: the definition of the term “security”; corporate governance requirements, including the obligation for publicly-listed companies to have an audit committee composed of three or more members of the board of directors (the majority of which must be independent under CNV regulations); the regulation of market stabilization transactions under certain circumstances; regulation governing insider trading,

market manipulation and securities fraud; and the regulation of going-private transaction and acquisitions of voting shares, including controlling stakes in public companies. In addition, the CML included relevant changes for the modernization and future design of the Argentine capital markets, such as granting regulatory powers and resources to the CNV, providing for a mandatory tender offer system and other provisions such as certain requirements for brokers/dealers and other market participants. These provisions were regulated by the CNV through Resolution No. 622/2013.

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 acquirer 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 Consolidated Statement of Financial Position, 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 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 Communication “A” 4,832, 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 Consolidated Statement of Financial Position, 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 customers 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 customers 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 principal 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 to individuals or undivided estates domiciled in Argentina and non-resident persons (whether individuals or legal entities) are subject to income tax at a 10% rate as a single and final payment (except for dividends paid out in the form of shares or quotas); additionally, such dividends paid in excess of our taxable accumulated income at the previous fiscal period are subject to withholding at the rate of 35% in respect of the excess portion of the dividends paid. If applicable, the 10% withholding will apply on the amount resulting from subtracting the 35 % withholding from the dividends or earnings distribution amount. Both the 10% and the 35% withholdings are subject to the limits set forth by Double Taxation Treaties in force.

#### ***Class B Capital Gains Tax***

##### ***Resident individuals.***

The Income Tax Reform introduced by Act No. 26,893 provided for the taxability of resident individuals' income resulting from the disposition of shares not listed on stock exchanges or securities markets as authorized by the NATIONAL SECURITIES COMMISSION, an autarchic entity within the SUB-SECRETARIAT OF FINANCIAL SERVICES of the MINISTRY OF ECONOMY AND PUBLIC FINANCE'S FINANCIAL SERVICES, irrespective of the frequency or regularity of such operations. This income is subject in all cases to the 15% tax rate.

##### ***Foreign beneficiaries.***

Pursuant to the previously mentioned Income Tax Reform, all income resulting from the purchase and sale, exchange or other disposition of shares earned by foreign beneficiaries will be subject to the income tax, whether or not they are listed on stock exchanges or securities markets and/or have an authorization for public offering, or if they do not meet such requirements. A 13.5% effective income tax withholding rate will apply to foreign individual and legal entities.

##### ***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 to offset such income.

#### ***Personal Assets Tax***

Argentine entities, such as us, have to pay the personal assets tax corresponding to Argentine and foreign 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 equity value, or the book value, of the shares arising from the last balance sheet. Pursuant to the Personal Assets Tax Law, the Argentine company is entitled to seek reimbursement of such paid tax from the applicable Argentine individuals and/or foreign shareholders or by withholding dividend payments.

#### ***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, Sweden and Switzerland. 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 asset tax.

#### **United States Federal Income Tax Considerations**

This summary describes certain 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 distributions that investors receive (prior to deduction of Argentine taxes) generally will be subject to U.S. federal income taxation as foreign source dividend income, to the extent paid out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. 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 audited financial statements 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 2013 taxable year. In addition, based on 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 2014 taxable year.

Based on existing guidance, it is not entirely clear whether dividends received with respect to the 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 depositary 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 depositary in Argentina. Each ADS will also represent any other securities, cash or other property which may be held by the depositary. The depositary's office at which the ADRs are administered is located at 101 Barclay Street, 22W, New York, NY 10280.

The depositary 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 depository 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 depository 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 depository 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 depository cannot convert the foreign currency, holders of ADSs may lose some or all of the value of the distribution.

##### *Shares*

The depository may distribute additional ADSs representing any common shares we distribute as a dividend or free distribution. The depository 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 depository may also sell a portion of the distributed common shares to pay its fees and expenses in connection with the distribution. If the depository 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 depositary 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 depositary 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 depositary, 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 depositary 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 depositary 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 depositary for the purpose of exchanging their ADR for uncertificated ADSs. The depositary 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 depositary of a proper instruction from a registered holder of uncertificated ADSs requesting the exchange of uncertificated ADSs for certificated ADSs, the depositary 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 depositary to vote the number of common shares their ADSs represent. If we ask for the instructions of the holders of the ADSs, the depositary 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 depositary 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 depositary must receive them on or before the date specified.

The depositary 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 depositary 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 depositary notify holders of ADSs of upcoming votes and ask for the instructions of holders of ADSs.

If we timely ask the depositary to solicit the instructions of holders of ADSs and the depositary does not receive voting instructions from the holder of the ADSs by the specified date, the depositary 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 depositary will vote as described in the preceding sentence unless we notify the depositary 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.
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	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.
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 depositary's reliance on and compliance with instructions received by the depositary through the DRS/Profile System and in accordance with the deposit agreement, shall not constitute negligence or bad faith on the part of the depositary.

### ***Shareholder Communications and Inspection of Register of Holders of ADSs***

The holders of ADSs are holders of deposited securities. As such, the depositary 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 depositary 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 depositary 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 depositary 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 depositary 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 depositary will terminate the deposit agreement if we ask it to do so. The depositary may also terminate the deposit agreement if the depositary has told us that it would like to resign and we have not appointed a new depositary bank within 60 days. In either case, the depositary must notify the holder of ADSs at least 30 days before termination.

After termination, the depositary 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 depositary may sell any remaining deposited securities by public or private sale. After that, the depositary 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 depositary's only obligations will be to account for the money and other cash. After termination our only obligations will be to indemnify the depositary and to pay fees and expenses of the depositary 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, 2013, we had no material exposure to interest rate risk because all our outstanding financial debt bore interest at fixed 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 1.4% of our operating expenses.

**Foreign Currency Risk**

Our cash and deposits in U.S.Dollars amounted to U.S.\$ 3.7 million at December 31, 2013.

As of December 31, 2013, 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, 2013, was approximately Ps. 135.8 million, primarily due to the increase in the principal amount of, and debt service payments on, our foreign currency indebtedness.

**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 then 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, 2013.

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, 2013, 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 IFRS. 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, 2013. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) (1992) 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, 2013.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2013 has been audited by Price Waterhouse & Co. S.R.L., an independent registered public accounting firm, as stated in their report, which is included 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 2013 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, 2013 and 2012. 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:

	Year ended December 31,	
	2013	2012 <sup>(1)</sup>
Audit fees.....	Ps. 4,382,821	Ps. 4,246,047
Audit-related fees.....	332,521	999,154
Tax fees.....	-	-
All other fees.....	-	-
Total.....	<u>Ps. 4,715,342</u>	<u>Ps. 5,245,201</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.

All of our audit fees and audit-related 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 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 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, 2013.

**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").

F. NYSE LISTED COMPANY MANUAL SECTION 303.A	G. Edenor’s Corporate Practices
<p><b>SECTION 303A.01.</b> Independent directors must constitute the majority of a listed company’s board of directors.</p>	<p>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”).</p>
<p><b>SECTION 303A.02.</b> This rule establishes the standards that determine whether a director qualifies as independent.</p> <p>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.</p>	<p>The CNV’s Regulations, specifically Article 11 of Section III, Chapter III, Title II I, indicate the criteria for establishing independence of a director. They provide that any director who does any of the following is not independent:</p> <ul style="list-style-type: none"> <li>(i) Is a member of the board of directors of or employee of any of the shareholders with material holdings<sup>1</sup> in the company or of other companies whose shareholders have direct or indirect material holdings;</li> <li>(ii) works at the company in an employment relationship or worked in an employment relationship at any time in the past 3 years;</li> <li>(iii) performs professional services or belongs to a company or professional association that provides such services to the company or its shareholders with material holdings;</li> <li>(iv) directly or indirectly has a material holding in the company;</li> <li>(v) directly or indirectly sells or supplies goods or services to the company and/or its direct or indirect shareholders with material holdings;</li> <li>(vi) is spouse, relative to the fourth degree of consanguinity, or relative to the second degree of affinity of any individuals who would qualify as non-independent if they were members of the management body.</li> </ul> <p>In addition, Article 4 of Section III, Chapter I, Title XII of the CNV’s Regulations provides that at each election of directors, the non-independence or independence of any candidates proposed at the shareholders’ meeting must be disclosed. Moreover, after the shareholders’ meeting in which directors are appointed, the personal data of the appointed directors and their qualification as independent or non-independent (in the latter case in the form of an affidavit executed by each director) must be disclosed to the CNV and the exchanges where the company has its securities listed.</p>
<p><b>SECTION 303A.03.</b> This rule requires regular scheduled meetings of non-executive</p>	<p>Neither Argentine law nor Edenor’s bylaws require that any such meetings be held.</p>

<sup>1</sup> Under Argentine law, a “material holding” is defined as any shareholding equivalent to at least 15% of a company’s capital stock.

<p>directors to increase the involvement and efficiency of such director.</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 Act of 1934.</p>	<p>Edenor is subject to and in compliance with §303A.06 and Rule 10A-3. Edenor’s audit committee is entirely composed of independent members of Edenor’s board of directors.</p>
<p><b>SECTION 303A.07.</b> The audit committee must have at least 3 members, all of whom must qualify as independent.</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</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>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. 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,</p>

	<p>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 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).
- 2.3 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).
- 2.4 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).
- 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 28, 2014

# **EDENOR S.A.**

**CONSOLIDATED FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2013**

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## Legal Information

**Corporate name:** Empresa Distribuidora y Comercializadora Norte S.A.

**Legal address:** 6363 Del Libertador Ave., City of Buenos Aires

**Main business:** Distribution and sale of electricity in the area and under the terms of the concession agreement by which this public service is regulated.

**Date of registration with the Public Registry of Commerce:**

- of the Articles of Incorporation: August 3, 1992
- of the last amendment to the By-laws: May 28, 2007

**Term of the Corporation:** August 3, 2087

**Registration number with the “Inspección General de Justicia” (the Argentine governmental regulatory agency of corporations):** 1,559,940

**Parent company:** Electricidad Argentina S.A.

**Legal address:** 3302 Ortiz de Ocampo, Building 4, City of Buenos Aires

**Main business of the parent company:** Investment in Edenor’s Class “A” shares and rendering of technical advisory, management, sales, technology transfer and other services related to the distribution of electricity.

**Interest held by the parent company in capital stock and votes:** 51.54%

## CAPITAL STRUCTURE

AS OF DECEMBER 31, 2013

(amounts stated in pesos)

Class of shares	Subscribed and paid-in (Note 19)
Common, book-entry shares, face value 1 and 1 vote per share	
Class A	462,292,111
Class B (1)	442,210,385
Class C	<u>1,952,604</u>
	<u>906,455,100</u>

(1) Includes 9,412,500 treasury shares as of December 31, 2013 and 2012, respectively.

**Edenor S.A.**  
**Consolidated Statement of Financial Position**  
**as of December 31, 2013 and 2012**  
(Stated in thousands of pesos)

<b>ASSETS</b>	<b>Note</b>	<b>12.31.13</b>	<b>12.31.12</b>
<b>Non-current assets</b>			
Property, plant and equipment	<b>10</b>	5,189,307	4,344,599
Intangible assets	<b>11</b>	-	845,848
Interest in joint ventures	<b>7</b>	427	422
Trade receivables	<b>14</b>	-	2,042
Other receivables	<b>13</b>	199,395	195,018
<b>Total non-current assets</b>		<b>5,389,129</b>	<b>5,387,929</b>
<b>Current assets</b>			
Assets under construction	<b>18</b>	-	84,466
Inventories	<b>16</b>	83,853	85,002
Trade receivables	<b>14</b>	803,095	889,383
Other receivables	<b>13</b>	522,112	127,226
Financial assets at fair value through profit or loss	<b>15</b>	216,434	3,415
Cash and cash equivalents	<b>17</b>	243,473	71,108
<b>Total current assets</b>		<b>1,868,967</b>	<b>1,260,600</b>
Assets of disposal group classified as held for sale	<b>37</b>	-	223,398
<b>TOTAL ASSETS</b>		<b>7,258,096</b>	<b>6,871,927</b>

**Edenor S.A.**  
**Consolidated Statement of Financial Position**  
**as of December 31, 2013 and 2012 (Continued)**  
(Stated in thousands of pesos)

	<b>Nota</b>	<b>12.31.13</b>	<b>12.31.12</b>
<b>Capital and reserves attributable to the owners</b>			
Share capital	<b>19</b>	897,043	897,043
Adjustment to share capital	<b>19</b>	397,716	397,716
Additional paid-in capital	<b>19</b>	3,452	3,452
Treasury stock	<b>19</b>	9,412	9,412
Adjustment to treasury stock	<b>19</b>	10,347	10,347
Other comprehensive loss		(28,277)	(14,659)
Retained earnings/Accumulated deficit		(113,391)	(885,130)
<b>Equity attributable to the owners</b>		<b>1,176,302</b>	<b>418,181</b>
Non-controlling interests		-	71,107
<b>TOTAL EQUITY</b>		<b>1,176,302</b>	<b>489,288</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Trade payables	<b>21</b>	220,796	155,313
Deferred revenue	<b>23</b>	33,666	264,427
Other payables	<b>22</b>	944,718	1,894,772
Borrowings	<b>24</b>	1,309,949	1,350,700
Salaries and social security taxes payable	<b>25</b>	25,959	17,460
Benefit plans	<b>26</b>	102,691	97,436
Provisions	<b>30</b>	83,121	80,019
Tax liabilities	<b>28</b>	4,406	9,971
Deferred tax liability	<b>27</b>	73,427	230,411
<b>Total non-current liabilities</b>		<b>2,798,733</b>	<b>4,100,509</b>
<b>Current liabilities</b>			
Trade payables	<b>21</b>	2,481,308	1,208,656
Borrowings	<b>24</b>	40,583	103,143
Salaries and social security taxes payable	<b>25</b>	420,857	383,642
Benefit plans	<b>26</b>	-	14,968
Tax liabilities	<b>28</b>	182,469	253,574
Other payables	<b>22</b>	147,177	150,387
Provisions	<b>30</b>	10,667	10,493
<b>Total current liabilities</b>		<b>3,283,061</b>	<b>2,124,863</b>
Liabilities of disposal group classified as held for sale	<b>37</b>	-	157,267
<b>TOTAL LIABILITIES</b>		<b>6,081,794</b>	<b>6,382,639</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>7,258,096</b>	<b>6,871,927</b>

The accompanying notes are an integral part of the Consolidated Financial Statements.

**Edenor S.A.**  
**Consolidated Statement of Comprehensive Income (Loss)**  
**for the years ended December 31, 2013, 2012 and 2011**  
(Stated in thousands of pesos)

	<b>Note</b>	<b>12.31.13</b>	<b>12.31.12</b>	<b>12.31.11</b>
<b>Continuing operations</b>				
Revenue from sales	<b>31</b>	3,440,691	2,976,182	2,302,045
Electric power purchases		(2,050,295)	(1,740,231)	(1,130,890)
<b>Subtotal</b>		<b>1,390,396</b>	<b>1,235,951</b>	<b>1,171,155</b>
Transmission and distribution expenses	<b>32</b>	(2,055,285)	(1,344,116)	(970,501)
<b>Gross loss</b>		<b>(664,889)</b>	<b>(108,165)</b>	<b>200,654</b>
Selling expenses	<b>32</b>	(548,256)	(352,938)	(261,948)
Administrative expenses	<b>32</b>	(324,768)	(249,395)	(196,602)
Other operating income	<b>33</b>	61,580	32,263	22,499
Other operating expense	<b>33</b>	(142,777)	(150,211)	(93,848)
Gain from interest in joint ventures		5	3	4
Gain from acquisition of companies		-	-	434,959
Revenue from customers contributions exempt from devolution		700	-	-
<b>Operating loss before Resolution SE 250/13 and SE Note 6852/13</b>		<b>(1,618,405)</b>	<b>(828,443)</b>	<b>105,718</b>
Higher costs recognition - Resolution SE 250/13 and SE Note 6852/13	<b>2.c.III</b>	2,933,052	-	-
<b>Operating profit (loss)</b>		<b>1,314,647</b>	<b>(828,443)</b>	<b>105,718</b>
Financial income	<b>34</b>	287,068	75,505	53,521
Financial expenses	<b>34</b>	(504,854)	(225,976)	(150,569)
Other financial expense	<b>34</b>	(273,110)	(168,106)	(93,467)
<b>Net financial expense</b>		<b>(490,896)</b>	<b>(318,577)</b>	<b>(190,515)</b>
<b>Profit (Loss) before taxes</b>		<b>823,751</b>	<b>(1,147,020)</b>	<b>(84,797)</b>
Income tax	<b>27</b>	44,116	116,717	(82,177)
<b>Profit (Loss) for the year from continuing operations</b>		<b>867,867</b>	<b>(1,030,303)</b>	<b>(166,974)</b>
<b>Discontinued operations</b>	<b>37</b>	(95,108)	16,887	(124,407)
<b>Profit (Loss) for the year</b>		<b>772,759</b>	<b>(1,013,416)</b>	<b>(291,381)</b>
<b>Profit (Loss) for the year attributable to:</b>				
Owners of the parent		771,739	(1,016,470)	(304,057)
Non-controlling interests		1,020	3,054	12,676
<b>Profit (Loss) for the year</b>		<b>772,759</b>	<b>(1,013,416)</b>	<b>(291,381)</b>
<b>Profit (Loss) for the year attributable to the owners of the parent:</b>				
Continuing operations		867,867	(1,030,303)	(166,974)
Discontinued operations		(96,128)	13,833	(137,083)
		<b>771,739</b>	<b>(1,016,470)</b>	<b>(304,057)</b>

**Edenor S.A.**  
**Consolidated Statement of Comprehensive Income (Loss)**  
**for the years ended December 31, 2013, 2012 and 2011(Continued)**  
(Stated in thousands of pesos)

	<u>Note</u>	<u>12.31.13</u>	<u>12.31.12</u>	<u>12.31.11</u>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified to profit or loss</i>				
Results related to benefit plans	<b>26</b>	(20,951)	7,937	(10,247)
Tax effect of actuarial income (losses) on benefit plans	<b>27</b>	7,333	(2,778)	3,586
Total other comprehensive loss from discontinued operations		-	(2,104)	(5,679)
<b>Total other comprehensive (losses) income</b>		<b>(13,618)</b>	<b>3,055</b>	<b>(12,340)</b>
<b>Comprehensive income for the year attributable to:</b>				
Owners of the parent		758,121	(1,013,204)	(315,394)
Non-controlling interest		1,020	2,843	11,673
<b>Comprehensive income for the year</b>		<b>759,141</b>	<b>(1,010,361)</b>	<b>(303,721)</b>
<b>Comprehensive income for the year attributable to owner of the parent</b>				
Continuing operations		757,101	(1,025,145)	(173,635)
Discontinued operations		1,020	11,941	(141,759)
		<b>758,121</b>	<b>(1,013,204)</b>	<b>(315,394)</b>
<b>Basic and diluted earnings (loss) per share attributable to the owners of the parent:</b>				
Basic and diluted earnings (loss) per share from continuing operations	<b>35</b>	1.00	(1.15)	(0.19)
Basic and diluted (loss) earnings per share from discontinued operations	<b>35</b>	(0.11)	0.02	(0.15)

The accompanying notes are an integral part of the Consolidated Financial Statements.

**Edenor S.A.**  
**Consolidated Statement of Changes in Equity**  
**for the years ended December 31, 2013, 2012 and 2011**  
(Stated in thousands of pesos)

	Attributable to the owners of the parent								Subtotal equity	Non-controlling interests	Total equity
	Share capital	Adjustment to share capital	Treasury stock	Adjustment to treasury stock	Additional paid-in capital	Legal reserve	Other comprehensive loss	Retained earnings / Accumulated deficit			
<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	-	-	-	-	-	-	-	-	-	230,040	<b>230,040</b>
Additional purchase of non-controlling interests	-	-	-	-	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>
Sale of subsidiaries	-	-	-	-	-	-	-	-	-	(365,499)	<b>(365,499)</b>
Distribution of dividends - Aeseba S.A.	-	-	-	-	-	-	-	-	-	(5,811)	<b>(5,811)</b>
Absorption of accumulated losses - Shareholders' Meeting of 04/27/2012 (Note 19)	-	(588,426)	-	-	(18,317)	(64,008)	-	670,751	-	-	-
Increase of non-controlling interest of discontinued operations	-	-	-	-	-	-	-	-	-	23,773	<b>23,773</b>
(Loss) gain for the year	-	-	-	-	-	-	-	(1,016,470)	<b>(1,016,470)</b>	3,054	<b>(1,013,416)</b>
Other comprehensive income for the year	-	-	-	-	-	-	3,266	-	<b>3,266</b>	(211)	<b>3,055</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>
Absorption of accumulated losses - Shareholders' Meeting of 04/25/2013 (Note 19)	(89,704)	(397,716)	(941)	(10,347)	(3,452)	-	-	502,160	-	-	-
Reversion of absorption of accumulated losses - Shareholders' Meeting of 12/20/2013 (Note 19)	89,704	397,716	941	10,347	3,452	-	-	(502,160)	-	-	-
Sale of subsidiaries	-	-	-	-	-	-	-	-	-	(72,127)	<b>(72,127)</b>
Gain for the year	-	-	-	-	-	-	-	771,739	<b>771,739</b>	1,020	<b>772,759</b>
Other comprehensive loss for the year	-	-	-	-	-	-	(13,618)	-	<b>(13,618)</b>	-	<b>(13,618)</b>
<b>Balance at December 31, 2013</b>	<b>897,043</b>	<b>397,716</b>	<b>9,412</b>	<b>10,347</b>	<b>3,452</b>	-	<b>(28,277)</b>	<b>(113,391)</b>	<b>1,176,302</b>	-	<b>1,176,302</b>

(a) The accompanying notes are an integral part of the Consolidated Financial Statements.

**Edenor S.A.**  
**Consolidated Statement of Cash Flows**  
**for the years ended December 31, 2013, 2012 and 2011**  
(Stated in thousands of pesos)

	Note	12.31.13	12.31.12	12.31.11
<b>Cash flows from operating activities</b>				
Profit (Loss) for the year		772,759	(1,013,416)	(291,381)
<b>Adjustments to reconcile net profit (loss) to net cash flows provided by operating activities:</b>				
Depreciation of property, plant and equipment	10	212,148	192,554	184,792
Loss on disposals of property, plant and equipment	33	1,230	1,849	1,751
Loss on interest in joint ventures		(5)	(3)	(4)
Net gain from the repurchase of Corporate Notes	34	(88,879)	-	(6,546)
Accrued interest, net of interest capitalized	34	196,626	182,605	95,260
Exchange differences	34	365,759	192,879	100,485
Income tax	27	(44,116)	(116,717)	82,177
Allowance for the impairment of trade and other receivables, net of recovery	32 and 33	33,699	54,415	13,184
Provision for contingencies	33	36,033	24,780	16,634
Adjustment to present value of other receivables	34	(2,378)	2,196	(1,170)
Changes in fair value of financial assets	34	(16,097)	(39,053)	(14,753)
Gain from acquisition of companies		-	-	(434,959)
Accrual of benefit plans	26	22,540	20,364	9,913
Higher costs recognition - Resolution SE 250/13 and Note SE 6852/13	2.c.III	(2,933,052)	-	-
Discontinued operations	37	168,628	287,788	349,761
<b>Changes in operating assets and liabilities:</b>				
Net increase in trade receivables		(48,471)	(306,043)	(63,630)
Net increase in other receivables		(111,942)	(15,300)	(43,970)
Increase in inventories		(42,692)	(18,297)	(10,456)
Increase in assets under construction		-	-	(8,569)
Increase in trade payables		1,212,727	207,684	195,565
Increase in salaries and social security taxes payable		95,319	88,759	63,696
Decrease in benefit plans		(7,904)	(3,989)	(2,718)
(Decrease) / Increase in tax liabilities		(44,888)	43,380	(19,201)
(Decrease) / Increase in deferred revenue		(700)	16,908	17,458
Increase in other payables		262,007	40,868	120,245
Net decrease in provisions		(25,299)	(12,050)	(10,958)
Funds obtained from the program for the rational use of electric power (PUREE) (Res SE No. 1037/07)		491,947	410,674	337,990
<b>Subtotal before CAMMESA financing</b>		<b>504,999</b>	<b>242,835</b>	<b>680,596</b>
Net increase for funds obtained - CAMMESA financing		1,079,210	295,714	10,087
<b>Net cash flows provided by operating activities</b>		<b>1,584,209</b>	<b>538,549</b>	<b>690,683</b>

**Edenor S.A.**  
**Consolidated Statement of Cash Flows**  
**for the years ended December 31, 2013, 2012 and 2011** *(Continued)*  
(Stated in thousands of pesos)

	<b>Nota</b>	<b>12.31.13</b>	<b>12.31.12</b>	<b>12.31.11</b>
<b>Cash flows from investing activities</b>				
Net (payment for) collection of purchase / sale of financial assets at fair value		(97,399)	37,770	443,457
Acquisitions of property, plant and equipment	<b>10</b>	(1,039,919)	(537,903)	(434,651)
Payment for acquisition of companies		-	-	(442,911)
Payment for acquisition of additional non-controlling interests		-	-	(6,409)
Loans granted		-	(536)	(39,741)
Collection of financial receivable with related companies		2,051	142,372	90,602
Collection of receivables from sale of subsidiaries - SIESA		2,940	-	-
Collection for sale of discontinued operations		-	-	126,701
Incorporation of cash and cash equivalents in acquired companies		-	-	119,042
Discontinued operations	<b>37</b>	(124,246)	(232,131)	(610,893)
<b>Net cash flows used in investing activities</b>		<b>(1,256,573)</b>	<b>(590,428)</b>	<b>(754,803)</b>
<b>Cash flows from financing activities</b>				
Loans taken	<b>24</b>	-	751	298,190
Payment of principal and interest on loans	<b>24</b>	(202,511)	(165,373)	(380,433)
Discontinued operations	<b>37</b>	25,388	136,786	55,889
<b>Net cash flows used in financing activities</b>		<b>(177,123)</b>	<b>(27,836)</b>	<b>(26,354)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>150,513</b>	<b>(79,715)</b>	<b>(90,474)</b>
Cash and cash equivalents at beginning of year in the statement of financial position	<b>17</b>	71,108	130,509	246,007
Cash and cash equivalents at beginning of year included in assets of disposal group classified as held for sale	<b>37</b>	11,154	28,305	-
Exchange differences in cash and cash equivalents		10,698	3,163	3,281
Net increase / (decrease) in cash and cash equivalents		150,513	(79,715)	(90,474)
<b>Cash and cash equivalents at year end</b>	<b>17</b>	<b>243,473</b>	<b>82,262</b>	<b>158,814</b>
Cash and cash equivalents at year end in the statement of financial position	<b>17</b>	243,473	71,108	130,509
Cash and cash equivalents at year end included in assets of disposal group classified as held for sale	<b>37</b>	-	11,154	28,305
<b>Cash and cash equivalents at year end</b>		<b>243,473</b>	<b>82,262</b>	<b>158,814</b>

**Edenor S.A.**  
**Consolidated Statement of Cash Flows**  
**for the years ended December 31, 2013, 2012 and 2011** *(Continued)*  
(Stated in thousands of pesos)

**Supplemental cash flows information**

**Non-cash operating, investing and financing activities**

Financial costs capitalized in property, plant and equipment		(3,463)	(6,405)	4,095
Decrease in PUREE - related liability (Res. SE 250/13 and Note SE 6852/13)	<b>2.c.III</b>	(1,661,105)	-	-
Decrease in CAMMESA - payables for purchase of electricity (Res. SE 250/13 and Note SE 6852/13)	<b>2.c.III</b>	(1,152,266)	-	-
Increase in financial assets at fair value from subsidiary sale	<b>37</b>	(334,340)	-	-
Decrease in financial assets at fair value from repurchase of Corporate Notes	<b>24</b>	165,085	-	-
Increase of benefit plans from actuarial losses exposed in other integral results	<b>26</b>	20,951	(7,937)	10,247
Decrease of other receivables for collection of corporate notes with related companies	<b>24 and 37</b>	52,840	-	-
Net increase of trade receivables from assets of disposal group classified as held for sale	<b>37</b>	(44,627)	-	-
Acquisitions of property, plant and equipment through increased debt FOTAE	<b>41</b>	(48,960)	-	-
<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>1,226,952</b>
Non-controlling interests		-	-	(230,040)
<b>Net assets acquired</b>		-	-	<b>996,912</b>
Bargain purchase		-	-	434,959
<b>Cash paid</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>

The accompanying notes are an integral part of the Consolidated Financial Statements.

**1. General information**

**History and development of the Company**

Empresa Distribuidora y Comercializadora 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 and transfer of the 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.

**The Company's economic and financial situation**

In the fiscal years ended December 31, 2012 and 2011, the Company recorded negative operating and net results, and both its liquidity level and working capital were severely affected. 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 tariff increases and/or recognition of its real higher costs ("CMM"), as stipulated in Section 4 of the Adjustment Agreement, including the review procedure in the event of deviations exceeding 5%, which have led the Company to report negative equity as of March 31, 2013. As a consequence of the partial recognition of higher costs (in accordance with the provisions of Section 4.2 of the Adjustment Agreement) for the period May 2007 through September 2013 that occurred in the current fiscal year through Resolution 250/13, the Company turned its accumulated deficit as of March 31, 2013 into positive retained earnings, thereby rectifying the situation of corporate dissolution to which it had been exposed.

Nevertheless, the constant increase in the operating costs that are necessary to maintain the level of the service, and the delay in obtaining genuine tariff increases will continue to deteriorate the Company's operating results, demonstrating that this recognition is insufficient to restore the balance that the economic and financial equation of the public service, object of the concession, requires (so much so that the Company's operating and net results for the year being reported were also negative prior to applying SE Resolution 250/13), but also does not allow for the regularization of the cash flows the Company needs to provide the public service and make the totality of the investments.

It is worth mentioning that, in general terms, the quality of the distribution service has been maintained and the constant year-on-year increase in the demand for electricity that has accompanied the economic growth and the standard of living of the last years has also been satisfied. 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 to mitigate the negative effects of this situation on its financial structure, such as: (i) reducing specified costs, including the reduction of top management fees; (ii) selling or disposing of all its shareholdings in subsidiaries and collecting the loans granted to such companies; (iii) making all reasonable efforts to obtain from the authorities the funds necessary to face the salary increases demanded by unions; (iv) seeking new financing options; (v) refinancing the financial debt with extended maturity terms and/or; (vi) optimizing the use of the available resources 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.

EDENOR S.A.

Notes to the Consolidated Financial Statements as of December 31, 2013 and 2012 (continued)

Additionally, the Company has made a series of presentations before control agencies, regulatory authorities and courts in order to jointly instrument the necessary mechanisms to contribute to an efficient provision of distribution service, maintenance the level of investments and compliance with the increased demand. In this context, the ENRE has issued Resolution 347/12, which established the application of fixed and variable charges that allowed the Company to obtain additional revenue as from November 2012, and the Energy Secretariat has issued the previously described Resolution 250/13, pursuant to which the higher costs were partially recognized. However, such revenue is insufficient to make up the aforementioned deficit.

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.

Furthermore, with the aim of maintaining and guaranteeing the provision of the public service, and in order to alleviate the financial situation, 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 that EDENOR is required to provide, including the investment plans underway and operation and maintenance works, as well as with the payment of the salary increases established by Resolution 1906/12 of the Secretariat of Labor dated November 27, 2012 and the Salary Agreement dated February 26, 2013. In this regard, the ENRE and CAMMESA sent notices to the Company demanding payment of such debt, which have been duly replied by the Company.

In this framework, and considering both the above-described situation and the negative equity reported in the Company's Financial Statements for the interim period ended March 31, 2013, during the year the Energy Secretariat (*"SE"*) issued Resolution 250/13, and SE Note 6852/13, which, among other issues, determined and approved the values of the adjustments resulting from the CMM, to which the Company is entitled, for the period May 2007 through September 2013, although in today's terms they are insufficient to cover the current operating deficit. Additionally, it established mechanisms to offset this recognition against the PUREE-related liability, and, partially, against the debt held with CAMMESA as detailed in Note 2.c).

In this manner, the Energy Secretariat, in its capacity as grantor of the Concession Agreement, has provided a solution which, although transient and partial in nature, temporarily modified the situation that the Company tried to rectify with the filing of the action for the protection of its rights (*"acción de amparo"*). This solution, in addition to the requirement imposed by the Energy Secretariat through Resolution 250/13, led the Company to abandon, on May 29, 2013, the action filed, requesting that both parties be charged with the legal costs thereof, and to continue to claim on the fundamental issue by way of another action (Note 9.i).

Consequently, as described in Note 2.c), these financial statements include the effects of such regulations, which resulted mainly in the Company recording a positive balance in the retained earnings account rather than accumulated deficit, in accordance with that mentioned in the preceding paragraphs.

Although the effects of these regulations are a significant step towards the recovery of the Company's situation, inasmuch as it allows for the regularization of the equity imbalance generated by the lack of a timely recognition of the CMM adjustment requests made in the last seven years, such regulations do not provide a definitive solution to the Company's economic and financial equation due to the fact that the level of revenue generated by the electricity tariff schedules in effect, even after applying SE Resolution 250/13 and SE Note 6852/13, does not allow for the absorption of neither operating costs nor investment requirements or the payment of financial services. Therefore, this cash flow deficit will translate once again into a working capital deficit, which, taking into account that the Company is not in condition to have access to other sources of financing, will result in the need to continue to cancel only partially the obligations with CAMMESA for energy purchases.

In spite of the above-mentioned, the Company 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 tariff review is uncertain as to both its timing and final form. Therefore, the uncertainties of the previous financial year in this regard continued during the year being reported, thus if in fiscal year 2014: (i) the new electricity tariff schedules are not issued by the ENRE; (ii) the Company is not granted other recognition or any other mechanism to compensate for cost increases, in addition to the revenue obtained from the application of Resolution 347/12, the funds derived from the PUREE, or the recognition of CMM values and the offsetting mechanism established by Resolution 250/13 and SE Note 6852/13, 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 continue implementing, and even deepening, measures similar to those applied until now in order to preserve cash and enhance its liquidity. As stated in previous periods, the Company may not ensure that it will be able to obtain additional financing on acceptable terms. Nevertheless, it must be pointed out that due to the fact that the revenue deriving from the FOCEDE for the execution of the necessary works arising from the Investment Plan of distribution companies is temporarily insufficient, the Energy Secretariat has considered the possibility of financing such deficit, should it be necessary, through the implementation of loans for consumption (mutuum) and the assignment of secured receivables with CAMMESA. Therefore, if 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 tariff increases, 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, 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 that might result from the outcome of this uncertainty.

## **2. Regulatory framework**

### **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.

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. This situation may also occur if after the publication of the electricity tariff schedule resulting from the RTI, the Company, the Company shareholders representing at least two thirds of the share capital, and/or the former Company shareholders do not submit their waivers to the rights to claim or abandon the actions filed as a consequence of Law 25,561, which in part depends on the decisions of third parties. 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 of December 31, 2013 and 2012 (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 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, which has not yet occurred. Its original maturity would have taken place on August 31, 2007.

In accordance with the provisions of Resolution 467/07 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, 2015 by Law No. 26,896.

**c. Electricity tariff situation****I. Adjustment Agreement entered into between Edenor 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 tariff 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 such temporary tariff structure, dividend payment be subject to the approval of the regulatory authority;
- iii) the establishment of a "social tariff" and the levels of quality of the service to be rendered;
- iv) the suspension of the claims and legal actions filed by 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 ("RTI") 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 who 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 (RTI) 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.

Such 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. The aforementioned 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 holder of the concession.

Additionally, on February 5, 2007 the *Official Gazette* published Resolution No. 51/07 of the ENRE which approves the electricity tariff 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;
- 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 tariff 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 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 tariff 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 tariff schedule does not go into effect.

## II. Tariff Structure Review (RTI)

On July 30, 2008, the Energy Secretariat issued Resolution 865/08 which modifies Resolution 434/07 and establishes that the electricity tariff 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 tariff schedule resulting from such process.

The ENRE began the Tariff Structure Review Process with the issuance of Resolution 467/08. On November 12, 2009, the Company made its revenue request presentation for the new period, which included the grounds and criteria based on which the request was made. As from that moment, the Company has made successive and reiterated presentations aimed at ending the aforementioned process as well as obtaining the new electricity tariff schedule. Among them, a Preliminary Administrative Action (“*Reclamo Administrativo Previo*”) was filed before the Ministry of Federal Planning, Public Investment and Services in March 2012 and a petition for the immediate resolution thereof was made in October 2012. In the Company’s opinion, this claim has come to an end due to the issuance of SE Resolution 250/13 dated May 2013.

Additionally, in June 2013, the Company filed a complaint against the Federal Government claiming full compliance with the Adjustment Agreement. The complaint was amended in November 2013 and in February 2014 a petition for the granting of a precautionary measure for the same purpose was filed. Both actions are in process.

**III. PUREE - CMM (Program for the Rational Use of Electric Power - Cost Monitoring Mechanism)**

On May 7 and November 6, 2013, the Energy Secretariat issued SE Resolution 250/13 and Note 6852/13, respectively, whereby it:

- a) Authorized the values of the adjustments resulting from the Cost Monitoring Mechanism (CMM) for the period May 2007 through September 2013, determined in accordance with Section 4.2 of the Adjustment Agreement, but without initiating the review process contemplated in the event of variations exceeding 5%.
- b) Assessed the Company's debt at September 30, 2013 deriving from the application of the Program for the Rational Use of Electric Power (PUREE) for the period May 2007 through September 2013.
- c) Authorized the Company to offset until September 2013 the debt indicated in paragraph b) against and up to the amount of the receivables established in paragraph a), including interest, if any, on both amounts.
- d) Instructed CAMMESA to issue Sale Settlements with Maturity Dates to be Determined (*Liquidaciones de Venta con Fecha de Vencimiento a Definir* - LVFVD) for the CMM surplus amounts after the offsetting process indicated in paragraph c) has been carried out.
- e) Authorized CAMMESA to receive LVFVD as part payment for the debts deriving from the economic transactions of the Wholesale Electricity Market (MEM). This amount at December 31, 2013 was offset by surpluses CMM (Notes 13 and 21).
- f) Instructed the Company to assign the credits from the surplus LVFVD, if there were any, after having complied with that established in the preceding paragraph, to the trust created under the terms of ENRE Resolution 347/12 (FOCEDE).

The Energy Secretariat, if deemed timely and suitable, may extend, either totally or partially, the application of the aforementioned resolution and note pursuant to the information provided by the ENRE and CAMMESA.

Consequently, as of December 31, 2013, the amount recorded by the Company as revenue from the recognition of higher costs resulting from the CMM, net of the revenue recorded in prior years, amounts to \$ 2.9 billion, which is the total amount recognized by SE Resolution 250/13 and SE Note 6852/13, and has been disclosed in the "Higher costs recognition - SE Resolution 250/13 and SE Note 6852/13" line item of the Statement of Comprehensive Income (Loss). Additionally, it has recognized net interest for \$ 197.5 million included in the "Financial interest" line item within the "Financial income" account of the Statement of Comprehensive Income (Loss).

The Company estimates that the remaining LVFVD will be issued and offset or paid within the next fiscal year.

**EDENOR S.A.**  
**Notes to the Consolidated Financial Statements as of December 31, 2013 and 2012 (continued)**

The impact of SE Resolution 250/13 and SE Note 6852/13 on both the Statement of financial position and the Statement of comprehensive income (loss) is summarized below:

**Statement of Financial Position**

	<b>2013</b>		
	<b>Res. SE 250/13</b>	<b>Note SE 6852/13</b>	<b>Total</b>
<i>Other receivables</i>			
Cost Monitoring Mechanism	a 2,254,953	723,630	2,978,583
Net interest CMM - PUREE	c 172,939	24,570	197,509
Other payables - Program for the rational use of electric power	b (1,387,037)	(274,068)	(1,661,105)
Payables for purchase of electricity - CAMMESA	e (678,134)	(474,132)	(1,152,266)
<b>LVFVD to be issued</b>	<b>362,721</b>	<b>-</b>	<b>362,721</b>

**Statement of Comprehensive Income (Loss):**

		<b>Recognized in prior years but not offset</b>		<b>Recognized in prior years and offset</b>	
		<b>2013</b>	<b>Subtotal</b>	<b>Total</b>	<b>Total</b>
Higher costs recognition - Resolution SE 250/13	a	2,933,052	45,530	2,978,582	91,262
Financial income - Financial interest	c	197,509	-	197,509	-
		<b>3,130,561</b>	<b>45,530</b>	<b>3,176,091</b>	<b>91,262</b>
					<b>3,267,353</b>

With the publication of the above-described SE Resolution 250/13, the Energy Secretariat, in the Company's opinion, has explicitly and implicitly resolved the administrative claim duly filed, partially upholding the Company's claim and with the consequences that in such regard establishes section 31 of the Administrative Procedure Law, for which reason such Claim has come to an end with the issuance of the aforementioned administrative resolution. Taking into account that which has been previously mentioned, on June 29, 2013, the Company brought an action to prevent the actions to claim full compliance with the Adjustment Agreement and compensation for damages due to such non-compliance from being time barred.

Additionally, due to the increase recorded in operating and maintenance costs in accordance with the criterion of the polynomial formula contemplated in the Adjustment Agreement, as of the date of issuance of these Financial Statements, the Company has submitted to the ENRE the CMM adjustment request, in accordance with the following detail:

<b>Period</b>	<b>Application Date</b>	<b>CMM Adjustment</b>
May 2013 – October 2013	November 2013	7.90%

Furthermore, the CMM adjustment values relating to the October–December 2013 period that have been neither transferred to the tariff nor authorized to be collected by other means amount, after applying SE Resolution 250/13 and SE Note 6852/13, to approximately \$ 347.9 million. Furthermore, as of December 31, 2013, the balance relating to the PUREE, after applying SE Resolution 250/13 and SE Note 6852/13, amounts to \$ 108.6 million (Note 22), \$ 72.6 million of which have been submitted to the ENRE as of that date in accordance with the procedure in effect.

Additionally, and with regard to that mentioned in paragraphs (d) and (c) of caption c.III of this note, on December 6, 2013, the Company challenged and rejected debit notes for a total of \$ 196 million issued by CAMMESA for late payment charges, maturing on December 9, 2013. The reason for challenging and rejecting such debit notes is based on the fact that SE Resolution 250/13 not only established a special system for the payment of the Company's debts until February 2013 but also included the corresponding authorizations and instructions for CAMMESA.

In the framework of the aforementioned Resolution, the fact that the term thereof has been extended by SE Note 6852/13 constitutes part performance. The lack of issuance of the LVFVD is not within the Company's competence; thus it is not its responsibility.

#### **IV. Electricity tariff schedules**

The Energy Secretariat issued Resolution 1169/08 which approved the new seasonal reference prices of power and energy in the Wholesale Electricity Market ("MEM"). Consequently, the ENRE issued Resolution 628/08 which approved the values of the electricity tariff schedule to be applied as from October 1, 2008. The aforementioned electricity tariff 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 the Company'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 tariff schedules. For such purpose, the Energy Secretariat issued Resolution 255/12 which suspended the application of sections 6, 7, and 8 of SE Resolution 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 1301/11, and other complementary regulations and instructions, to all the customers falling within the scope thereof (section 8 of SE Resolution 255/12).

Furthermore, on November 30, 2012, Edenor S.A. was notified of Resolution 2016 of the Energy Secretariat, which approved the MEM Summer Scheduling for 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 the Un-Subsidized Seasonal Reference Price in the MEM is kept at an annual average value of \$320 Mwh and that the values to be transferred to final tariffs are in no case to exceed the Un-Subsidized Reference Prices established for each Distribution Agent.

As in previous years, Resolution 1037/07 of the Energy Secretariat, ratified by Note 1383/08 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 tariffs adjustments due to the application of the Cost Monitoring Mechanism ("CMM") established in the Adjustment Agreement, until the transfer to tariff of either of the aforementioned concepts, as applicable, is recognized.

#### **V. ENRE Resolution 347/12**

On November 23, 2012, ENRE issued Resolution 347 pursuant to which distribution companies were authorized, as from the issuance thereof, to include in billing 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 power charges. Such amounts, which are clearly indicated in the bills sent to customers, constitute a special account, which is managed by a Trust, to be exclusively used for the execution of distribution infrastructure works and corrective maintenance of each distribution company's facilities. This Trust will be administered by an Implementation Committee comprised of 5 members (1 from Economy and Public Finance Ministry, 2 from Planning Ministry, 1 from CAMMESA and 1 from the ENRE).

**EDENOR S.A.**

**Notes to the Consolidated Financial Statements as of December 31, 2013 and 2012 (continued)**

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 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 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 its Operating Manual.

On July 4, 2013, the Company and Nación Fideicomisos S.A. signed an Addendum to the private Financial and Management Trust Agreement entered into by the parties on November 29, 2012.

In the aforementioned Addendum it is agreed that Nación Fideicomisos S.A., in its capacity as trustee, will issue, in accordance with the public offering system authorized by the National Securities Commission (CNV), "Debt Securities" (VRD) to be offered to the market for a nominal value of up to \$ 312.5 million. The proceeds will be used to finance the payment of the Company's investment plan.

On July 4, 2013, VRDs for \$ 250 million were issued through a private placement. A subsequent public offering of these debt securities, with the possibility of being paid-in in kind is estimated. The VRD will accrue interest at Private BADLAR rate plus a spread of 4% and will be amortized in 5 years with increasing installments.

In this regard, such agreement stipulates that payment obligations under the VRD will be solely and exclusively the obligations of Nación Fideicomisos S.A. (to the extent that the trust assets are sufficient) and will not imply in any way whatsoever any guarantee or recourse against the Company, which in no case will be liable for the non-payment, whether total or partial, of any amount owed under the VRD or any other concept contemplated by the Trust Agreement duly signed.

Additionally, on January 3, 2014, by Resolution 3/2014 of the Ministry of Federal Planning, Public Investment and Services, it was established that the investments to be made with the funds of the Fund for Electric Power Distribution Expansion and Consolidation Works (FOCEDE) will be decided by the Management Control and Coordination Under-Secretariat, which will provide the necessary instructions for the carrying out of the works and investments under the FOCEDE to the Execution Committee of the trust as well as to electricity distribution companies Edenor S.A. and Edesur S.A.

By Resolution 266/14 dated January 24, 2014, a technical commission to participate and give advice to the Management Control and Coordination Undersecretariat on technical and economic matters as well as on other issues relating to the investments to be made with the FOCEDE funds was created. This commission will be comprised of one representative of the National Regulatory Authority for the Distribution of Electricity (ENRE), one representative of the Energy Secretariat, one representative of the Public Works Secretariat, both under the authority of the Ministry of Federal Planning, Public Investment and Services. The Economy and Public Finance Ministry and the National Comptroller's Office (SIGEN) will also be invited to participate.

**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 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.

**EDENOR S.A.**

**Notes to the Consolidated Financial Statements as of December 31, 2013 and 2012 (continued)**

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 \$ 0.3 million 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.

As of December 31, 2013 and 2012, receivable balances with the Federal Government and the Government of the Province of Buenos Aires amounted \$ 56.9 million and \$ 25.4 million, respectively.

**e. Penalties**

**a. General**

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.

As of December 31, 2013 and 2012, the Company has accrued the penalties for resolutions not yet issued by the ENRE relating to the control years elapsed as of those dates. Additionally, the Company has applied the adjustment contemplated in the temporary tariff structure as well as the adjustments established by the electricity tariff schedules applied during fiscal year 2008, Resolutions Nos. 324/08 and 628/08.

The ENRE Penalties and Discounts included in the Adjustment Agreement are adjusted as stipulated in such agreement, 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, as of December 31, 2013, the Company 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.

**b. Specific situations**

Due to the events occurred between December 20 and December 31, 2010 in Edenor's concession area, on February 9, 2011, the Company was notified of ENRE Resolution 32/11, whereby it was fined in the amount of \$ 1.1 million and ordered to compensate those customers who had been affected by the power supply cuts for an amount which, as of December 31, 2013, arose approximately to \$ 36.6 million. Those amounts have been recorded in the Other current payables 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, the Company 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 November 15, 2012, the Company was notified by the Regulatory Authority of ENRE Resolution 336/12, whereby the Regulatory Standards Compliance and Management Department of the ENRE was instructed to immediately initiate the corresponding penalty procedure pursuant to which distribution companies Edenor S.A. and Edesur S.A. are required 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 pay a compensation to each small-demand residential customer (T1R) who had been affected by the power supply cuts occurred during the aforementioned period, the amount of which will depend on the electricity outage duration, 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.

On April 24, 2013, the Company was notified of the Appellate Court's decision dated March 21, 2013, pursuant to which the appeal filed by Edenor against Resolution 32/11 was declared formally inadmissible due to the Company lack of payment of the fine imposed by the ENRE as a necessary prerequisite to having access to the judicial instance. The Company has filed an appeal against such pronouncement with the Supreme Court.

Due to the power supply cuts that occurred as a consequence of the high temperatures recorded between December 16, 2013 and January 2, 2014 in Edenor's concession area, on January 7, 2014 the Company was notified of Resolution 3/14 pursuant to which the ENRE instituted legal proceedings and brought charges due to the Company's failure to: 1) comply with the provisions of section 25 sub-sections a), f) and y) of the Concession Agreement, section 27 of Law No. 24,065, and ENRE Resolution 905/99; and 2) apply in due time the surplus funds of the FOCEDE (created by ENRE Resolution 347/12) exclusively earmarked for the execution of infrastructure and corrective maintenance works in its concession area, the Company filed its reply within the terms and under the formalities prescribed by the law.

Also, on January 7, 2014, Edenor S.A. was notified of ENRE Resolution 1/14, whereby the Company was ordered to pay compensation to each small-demand residential customer (T1R) who had been affected by the power cuts that lasted more than 12 continuous hours from December 16, 2013 until that time when the service was fully restored. Such compensation, in the case of customers who had been affected by the power cuts dealt with in ENRE Resolution 32/2011, is to be increased by 100%. The Company has appealed this resolution before the Energy Secretariat, nevertheless it has begun the process to pay customers by way of discounts the amounts ordered as compensation, the estimated amount of which totals \$ 77.5 million. Such amount has been recorded in the Other payables account. By Resolution 2/14 of the Ministry of Federal Planning, Public Investment and Services, notified to the Company on January 7, 2014, it was established that public utility companies are to adopt all the necessary measures to implement a call center that will be available to all customers in the event of emergency and lack of service. This 24/7 service will be implemented through a toll-free telephone number and will have that number of human resources as may be necessary to respond to the totality of the claims to be made.

Furthermore, in the framework of the previously described power outage, by Resolution 9/14 notified to the Company on January 15, 2014, the ENRE instructed both distribution companies to affect a higher number of human resources, either the companies' own or contracted, to take care of the power supply cuts suffered by their customers due to failures in networks or facilities, and to have a continuous vehicle monitoring system in place. This resolution, which will be appealed in due time and in proper form, will nevertheless be complied with.

#### ***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, during the term thereof, 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.
- In connection with the Adjustment Agreement signed with the Grantor of the Concession and ratified by Decree No. 1957/06, 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, 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 \$ 4.7 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 \$ 0.1 million for the remaining balance of \$ 3.6 million. The installments include compensatory interest of 18.5% per annum under the French system, and are payable as from October 2009. As of December 31, 2013, the above-mentioned debt has been fully paid.

***h. Stabilization factor***

By Note 2883 dated May 8, 2012 (reference Resolutions MEyFP 693/11 and MPFIPyS 1900/11), the 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 tariffs, who may opt to adhere to this stabilization system.

Average consumption is determined based on the consumption recorded in the last six two-month periods. The stabilization factor arises from the difference between the aforementioned average consumption and the consumption recorded in the current two-month period. This value will be added to or subtracted from the two-month 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 period of each calendar year.

The differences that arise as a consequence of comparing the annual average consumption to the consumption of the current two-month 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 consumption of the current two-month period.

**3. Basis of preparation**

The Consolidated Financial Statements for the year ended December 31, 2013 have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

The balances as of December 31, 2012, disclosed in these Consolidated Financial Statements for comparative purposes, arise from the financial statements as of that date. Certain amounts of the financial statements presented for comparative purposes have been reclassified following the disclosure criteria used for the financial statements for the reporting year, mainly due to discontinued operations (Note 37).

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 Board of Directors on March 7, 2014.

#### **4. Accounting policies**

The accounting policies used in the preparation of these Consolidated Financial Statements are based on the IFRS.

##### **4.1 Changes in the accounting policies**

###### **4.1.1 New standards, amendments and interpretations mandatory for annual periods beginning January 1, 2013 and adopted by the Company**

The following standard is mandatory for the Company as from the current year and has had no significant impact on its financial position or the results of its operations.

IFRS 13 “Fair value measurement”: this standard 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. IFRS 13 “Fair value measurement” requires the disclosure of financial instruments that are measured at fair value by levels.

###### **4.1.2 New standards, amendments and interpretations not effective and early adopted by the Company**

IFRS 9 “Financial instruments” 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.

It 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 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.

###### **4.1.3 New standards, amendments and interpretations not effective and not early adopted by the Company**

IAS 36 (revised 2013) “Impairment of assets”; applicable to annual periods beginning on or after January 1, 2014. This standard was issued in May 2013. It amended the disclosure requirements concerning the fair value of impaired assets, if such value is based on the recoverable amount less costs to sell. The application of the amendment to IAS 36 will have no impact on the Company’s results of operations or its financial position; it will only imply new disclosures.

IFRIC 21 "Levies"; applicable to annual periods beginning on or after January 1, 2014. This standard was issued in May 2013. It provides guidance on when to recognize a liability for a levy imposed by the government, both for levies that are accounted for in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and those where the timing and amount of the levy is certain. The Company is currently analyzing the impact of IFRIC 21 "Levies"; however, it estimates that the application thereof will have no significant impact on the Company's results of operations or its financial position.

#### **4.2 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 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 startup 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 carrying amount 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 year end, 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 tariff 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.

**EDENOR S.A.**

**Notes to the Consolidated Financial Statements as of December 31, 2013 and 2012 (continued)**

The future increase in electricity tariffs used by the Company to assess the recoverability of its long-lived assets at December 31, 2013 is based on the rights to which the Company is entitled, as stipulated in the Concession Agreement and the agreements described in Note 2 to these Financial Statements. 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 to these Financial Statements, have also been considered. The Company Management estimates that it is reasonable to expect that new increases in revenues will be obtained as from 2014.

In spite of the current economic and financial situation described in Note 1 to these Financial Statements, the Company has made its projections under the assumption that the electricity tariffs 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 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 an increase in the DAV (Distribution Added Value). The three scenarios can be classified into pessimistic, optimistic and intermediate depending on the opportunity of the application and magnitude of the expected CMM adjustment or revenue increase by another mechanism. 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: 15%, and intermediate scenario: 65%.

Based on the conclusions previously mentioned, the valuation of property, plant and equipment, taken as a whole, does not exceed its recoverable value, which is measured as the value in use as of December 31, 2013.

In the opinion of the Company Management, a reasonable change in the main assumptions would not give rise to an impairment loss.

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).

Land is not depreciated.

These depreciation methods are used to allocate the difference between cost and residual value during the estimated useful lives 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 and 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.

### 4.3 Consolidation

#### **a. Subsidiaries**

The consolidated financial statements include in the comparative information as of December 31, 2012, the Company's financial statements as well as those of its subsidiaries. The subsidiary companies are all those entities over which the economic group has control and the right to govern the financial and operating policies so as to obtain variable benefits from their activities, affecting their income. The subsidiaries are fully consolidated from the date on which control is transferred to the group and are deconsolidated from the date that control ceases

The main consolidation adjustments are as follow:

1. Elimination of asset and liability accounts balances between the parent company and the subsidiaries, so that the balances disclosed in the financial statements are those held with third parties;
2. Elimination of transactions/operations between the parent company and the subsidiaries, so that the results disclosed in the financial statements are those obtained with third parties;
3. Elimination of interests held in the subsidiaries' equity and results of operations for each year;
4. Recognition of assets and liabilities identified in business combination processes.

#### **b. 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.

#### **c. 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.

#### **d. 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 venturers.
- 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.

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 fair value of the consideration collected or to be collected, taking into account estimated amount of any discount, thus determining the net amounts.

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 both the electricity supplied, whether billed or unbilled at the end of each year, which has been valued on the basis of applicable tariffs, and the charges resulting from the application of 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 is recognized in the accounting to the extent that they have been approved by the ENRE (Note 2.c.III).

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 this 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.

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 group 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 relating to discontinued operations have been included in a single line item of the Company's consolidated statement of comprehensive income (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 year end 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 year end 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 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 over the period 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 grantor does not have the characteristic features of control over infrastructures as defined in IFRIC 12.

#### **4.9 Assets under construction**

Assets under construction refers to the works carried out by EDEN S.A. which, as of December 31, 2012, have not been finished or do not comply with IFRS requirements to be derecognized from assets and recognized as revenue.

Assets under construction include design, supplies, direct labor and other indirectly-related construction costs.

#### **4.10 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.

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 to the Consolidated Financial Statements as of December 31, 2013.

CMM receivables are recognized, as the related revenue, to the extent that they have been approved by the ENRE; receivables from electricity supplied to low-income areas and shantytowns are recognized, also in line with revenue, when the Framework Agreement has been renewed for the period in which the service was provided.

At the date of these financial statements, CMM balances are the best estimate of the amounts receivable.

The Company has recorded an allowance for the impairment of trade receivables to adjust the valuation of doubtful accounts. 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 year-end 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 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.

#### **4.11 Inventories**

Inventories are valued at the lower of acquisition cost and net realizable value.

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 recoverable value at the end of each year.

**4.12 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).

Non-financial assets, other than goodwill, that suffered an impairment loss are reviewed for possible reversal of the impairment at each reporting date.

**4.13 Financial assets**

The Company has adopted IFRS 9.

**4.13.1 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 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.

**4.13.2 Recognition and measurement**

The regular way 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 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 and are not part of a hedging transaction are recognized in profit or loss. Those generated by investments in debt instruments that are subsequently measured at amortized cost and are not part of a hedging transaction are recognized in profit or 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.

#### **4.13.3 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.

In the case of financial assets measured at amortized cost, 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 statement of comprehensive income.

#### **4.13.4 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.

#### **4.14 Derivative financial instruments**

Derivative financial instruments 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, 2013 and 2012, the economic impact of these transactions has been recorded in the Financial expenses account of the consolidated statement of comprehensive income (loss).

"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.

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. At December 31, 2013 and 2012, the aforementioned transactions have been fully settled.

**4.15 Cash and cash equivalents**

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, with significant low risk of change in value.

- 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. Those that do not qualify as cash equivalents are disclosed in Financial assets at fair value through profit or loss.

**4.16 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. Treasury stock**

The Treasury stock account represents the nominal value of the Company's own shares acquired by the Company.

**c. Other comprehensive income (loss)**

Represents recognition, at year end, of the actuarial gains (losses) associated with employee benefit plans.

**d. 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.

**4.17 Trade and other payables****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 category.

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 has with the customer.

**c. Customer contributions**

Refundable:

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 and the provisions of ENRE Resolution 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.

**d. Other payables**

The recorded liabilities represent, mainly, the obligations relating to PUREE and the penalties imposed by the ENRE, which the Company Management estimates will be paid in the future, and are the best estimate, as of the date of these financial statements, of the settlement value of the present obligation.

The balances of ENRE Penalties and Discounts are adjusted in accordance with the regulatory framework applicable thereto.

**4.18 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 available.

**4.19 Deferred revenue**

*EDENOR - Non-refundable customer contributions:*

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 IFRIC 18, 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 such connection is completed;
- Continuous provision of the electric power supply service: throughout the shorter of the useful life of the asset and the term for the provision of the service.

*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 tariff 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.

**4.20 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 past service costs and actuarial losses. The benefit plan obligation is calculated annually by independent actuaries in accordance with the projected credit unit method. The present value of the benefit plan obligation is determined by discounting the estimated future cash outflows using actuarial assumptions about demographic and financial variables that affect the determination of the amount of such benefits.

The group's accounting policy for benefit plans is as follow:

- a. Past service costs are recognized immediately in profit or loss, unless the changes to the benefit plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, past service costs are amortized on a straight-line basis over the vesting period.
- b. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in other comprehensive income in the year in which they arise.

#### **4.21 Income tax and tax on minimum presumed income**

##### **a. Deferred income tax**

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 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 that is 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 those deferred tax liabilities where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse 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. Deferred tax assets and liabilities are stated at their undiscounted value.

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 its 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 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 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 year, 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.

**4.23 Balances with related parties**

Receivables and payables 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.

**4.24 Higher costs recognition – SE Resolution 250/13 and SE Note 6852/13**

The recognition of higher costs not transferred to the tariff authorized by SE Resolution 250 /13 and Note 6852/13 falls within the scope of International Accounting Standard 20 (IAS 20) inasmuch as it implies a compensation for the expenses incurred by the Company in the past.

Its recognition is made at fair value when there is reasonable assurance that it will be received and the conditions attached thereto have been complied with.

Such concept has been disclosed in the Higher Costs Recognition - SE Resolution 250/13 and Note 6852/13 line item of the Statement of Comprehensive Income (Loss) as of December 31, 2013, recognizing the related tax effects, which are detailed in Note 27.

**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 could use derivative instruments to hedge exposure to certain risks whenever it deems appropriate in accordance with its internal risk management policy.

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 can reflect the changes in the market's conditions and the Company's activities.

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.

**EDENOR S.A.**  
**Notes to the Consolidated Financial Statements as of December 31, 2013 and 2012 (continued)**

**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 tariffs 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 may hedge its currency risk trying to enter into currency forwards. Nevertheless, at the date of issuance of these financial statements, it has not been able to hedge 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 rates used at December 31, 2013 and 2012 are \$ 6.521 and \$ 4.918 per US dollar, respectively.

At December 31, 2013 and 2012 balances in foreign currency of the Company are:

	<b>Currency</b>	<b>Amount in foreign currency</b>	<b>Exchange rate (1)</b>	<b>Total 12.31.2013</b>	<b>Total 12.31.2012</b>
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
Other receivables	USD	332	6.481	2,150	1,872
<b>TOTAL NON-CURRENT ASSETS</b>		<b>332</b>		<b>2,150</b>	<b>1,872</b>
<b>CURRENT ASSETS</b>					
Other receivables	USD	585	6.481	3,793	19,357
	EUR	42	8.940	374	272
Other receivables - Related companies	USD	-	6.501	-	43,285
Financial assets at fair value through profit or loss	USD	11,470	6.481	74,338	3,415
Cash and cash equivalents	USD	3,700	6.481	23,977	4,927
	EUR	19	8.940	171	289
<b>TOTAL CURRENT ASSETS</b>		<b>15,816</b>		<b>102,653</b>	<b>71,545</b>
<b>TOTAL ASSETS</b>		<b>16,148</b>		<b>104,803</b>	<b>73,417</b>
<b>LIABILITIES</b>					
<b>NON-CURRENT LIABILITIES</b>					
Borrowings	USD	200,882	6.521	1,309,949	1,345,700
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>200,882</b>		<b>1,309,949</b>	<b>1,345,700</b>
<b>CURRENT LIABILITIES</b>					
Trade payables	USD	17,144	6.521	111,795	71,611
	EUR	224	9.011	2,015	1,168
	CHF	30	7.357	223	1,145
	NOK	68	1.079	74	61
Other payables	USD	-	6.521	-	1,710
Borrowings	USD	6,158	6.521	40,153	35,849
<b>TOTAL CURRENT LIABILITIES</b>		<b>23,624</b>		<b>154,260</b>	<b>111,544</b>
<b>TOTAL LIABILITIES</b>		<b>224,506</b>		<b>1,464,209</b>	<b>1,457,244</b>

- (1) The Exchange rates used are those Banco Nación in effect as of December 31, 2013 for U.S. Dollars (USD), Euros (EUR), Swiss Francs (CHF) and Norwegian Kroner (NOK). An average exchange rate is used for the balances with related parties.

**EDENOR S.A.**  
**Notes to the Consolidated Financial Statements as of December 31, 2013 and 2012 (continued)**

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>12.31.13</b>	<b>12.31.12</b>
<b>Net position Assets/(Liabilities)</b>		
US dollar	(1,357,639)	(1,382,014)
Euro	(1,470)	(607)
Norwegian krone	(74)	(61)
Swiss franc	(223)	(1,145)
<b>Total</b>	<b>(1,359,406)</b>	<b>(1,383,827)</b>

The Company estimates that a 10% devaluation of the Argentine peso with respect to the foreign currency, with all the other variables remaining constant, would give rise to the following decrease in the results of operations for the year:

	<b>12.31.13</b>	<b>12.31.12</b>
<b>Net position Assets/(Liabilities)</b>		
US dollar	(135,764)	(138,202)
Euro	(147)	(61)
Norwegian krone	(7)	(6)
Swiss franc	(22)	(114)
<b>Decrease in the results of operations for the year</b>	<b>(135,940)</b>	<b>(138,383)</b>

ii. Price risk

The Company's investments in listed equity instruments 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, 2013 and 2012 approximately 100 % and 99.16 % of the loans, respectively, were obtained at fixed interest 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:

	<b>12.31.13</b>	<b>12.31.12</b>
<b>Fixed rate:</b>		
Argentine peso	430	25,179
US dollar	1,350,102	1,381,549
<b>Subtotal loans at fixed rates</b>	<b>1,350,532</b>	<b>1,406,728</b>
<b>Floating rate:</b>		
Argentine peso	-	47,115
<b>Subtotal loans at floating rates</b>	<b>-</b>	<b>47,115</b>
<b>Total loans</b>	<b>1,350,532</b>	<b>1,453,843</b>

**EDENOR S.A.**

**Notes to the Consolidated Financial Statements as of December 31, 2013 and 2012 (continued)**

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:

	<b>12.31.13</b>	<b>12.31.12</b>
<b>Floating rate:</b>		
Argentine peso	-	391
<b>Decrease in the results of operations for the year</b>	-	<b>391</b>

**b. Credit risk**

Credit risk is the risk of a financial loss as a consequence of a 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 (particularly from its commercial receivables) and financial activities, including deposits in financial entities and other instruments.

Credit risk arises from cash and cash equivalents, deposits with banks and financial entities and derivative financial instruments, as well as from credit exposure to customers, included in outstanding balances of accounts receivable and committed transactions.

With regard to banks and financial entities, only those with high credit quality are accepted.

With regard to customers, if no independent credit risk ratings are available, the Finance Department evaluates the customers' credit quality, past experience and other factors.

Individual credit limits are 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. As of December 31, 2013 and 2012, delinquent accounts receivable totaled approximately \$ 177.5 million and \$ 106.8 million, respectively. As of December 31, 2013 and 2012, the Financial Statements included allowances for \$ 73.2 million and \$ 63.3 million, respectively. The inability to collect the accounts receivable 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.

**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 Company 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. As of December 31, 2013 and 2012, the Company's current financial assets at fair value amount to \$ 113.8 million and \$ 3.4 million, 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.

**EDENOR S.A.**  
**Notes to the Consolidated Financial Statements as of December 31, 2013 and 2012 (continued)**

	Less than 3 months	From 3 months to 1 year	From 1 to 2 years	From 2 to 5 years	More than 5 years	Total
<b>As of December 31, 2013</b>						
Trade and other payables	2,347,975	161,513	110,794	110,002	-	2,730,284
Borrowings	-	181,337	181,337	688,517	2,343,519	3,394,710
<b>Total</b>	<b>2,347,975</b>	<b>342,850</b>	<b>292,131</b>	<b>798,519</b>	<b>2,343,519</b>	<b>6,124,994</b>
<b>As of December 31, 2012</b>						
Trade and other payables	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>

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, given the fact that the realization of the projected measures to revert the negative trend manifested in the fiscal year being reported depends, among other factors, on the occurrence of certain events that are not under the Company's control, such as the requested electricity tariff increases, being obliged to defer certain payment obligations.

## 5.2 Concentration risk factors

### a. Related to customers

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, 2013 and 2012. The collectability of trade receivables balances related to the Framework Agreement, which amount to \$ 56.9 million and \$ 25.4 million at December 31, 2013 and 2012, respectively, as disclosed in Note 2 – Framework Agreement -, is subject to compliance with the terms of such agreement.

### b. Related to employees who are union members

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, 2013 and 2012, approximately 80% of the Company's employees and the Contractors' operating staff 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.

Furthermore, the collective bargaining agreements signed with unions expired at the end of 2007. There is no guarantee that the Company will be able to negotiate new collective bargaining agreements under the same terms as those currently in place or that there will be no strikes before or during the negotiation process.

On February 26, 2013, the Company, the Ministry of Labor, the Economic Policy and Development Planning Secretariat of the Economy Ministry, the Management Control and Coordination Under-Secretariat of the Ministry of Planning, 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 .

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 both unions.

### 5.3 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, 2013 and 2012, gearing ratios were as follow:

	<b>12.31.13</b>	<b>12.31.12</b>
Total liabilities	6,081,794	6,382,639
Less: cash and cash equivalents	(243,473)	(71,108)
Net debt	5,838,321	6,311,531
Total Equity	1,176,302	418,181
Total capital attributable to owners	7,014,623	6,729,712
<b>Gearing ratio</b>	<b>83.23%</b>	<b>93.79%</b>

### 5.4 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 measured at fair value as of December 31, 2013 and 2012:

	<b>LEVEL 1</b>	<b>LEVEL 2</b>	<b>LEVEL 3</b>	<b>TOTAL</b>
<b>As of December 31, 2013</b>				
<b>Assets and liabilities</b>				
Cash and cash equivalents - Money market funds	219,887	-	-	219,887
<i>Financial assets at fair value through profit or loss:</i>				
Government bonds	14,256	-	-	14,256
Government bonds - AESEBA trust	99,523	-	-	99,523
Money market funds	102,655	-	-	102,655
<b>Total assets and liabilities</b>	<b>436,321</b>	<b>-</b>	<b>-</b>	<b>436,321</b>
<b>As of 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</b>	<b>54,369</b>	<b>-</b>	<b>-</b>	<b>54,369</b>

The value of the financial instruments traded in active markets is based on the market quoted prices on the date of the consolidated statements of financial position. A market is considered active when the quoted prices are regularly available through a stock exchange, broker, sector-specific institution or regulatory body, and those prices reflect regular and current market transactions between parties that act in conditions of mutual independence. The market quotation price used for the financial assets held by the Company is the current offer price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in active markets is determined using valuation techniques. These valuation techniques maximize the use of market observable information, when available, and rely as little as possible on specific estimates of the Company. If all significant variables to establish the fair value of a financial instrument can be observed, the instrument is included in level 2. There are no financial instruments that are to be included in level 2.

If one or more variables used to determine the fair value cannot be observed in the market, the financial instrument is included in level 3. There are no financial instruments that are to be included in level 3.

## **6. Critical accounting estimates and judgments**

The preparation of the Consolidated Financial Statements requires the Company management to make estimates and assessments concerning the future, exercise critical judgments and make assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities and revenues and expenses.

(b) These estimates and judgments are permanently evaluated and are based upon past experience and other factors that are reasonable under the existing circumstances. Future actual results may differ from the estimates 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 medium and large-demand (T2 and T3) customers, 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-lived 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 as described in the Impairment test (Note 4.2).

Based on the aforementioned, the Company determined that the valuation of property, plant and equipment, taken as a whole, does not exceed its recoverable amount at December 31, 2013.

**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.

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.

**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, which 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 past service costs and actuarial losses. Cash flows are discounted using a rate that contemplates actuarial assumptions about demographic and financial conditions that affect the determination of benefit plans. Such estimate is based on actuarial calculations made by independent professionals in accordance with the projected credit unit method.

**g. ENRE Penalties and Discounts**

The Company considers its accounting policy for the recognition of ENRE penalties and discounts critical because it depends on punishable 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 of ENRE Penalties and Discounts are adjusted in accordance with the regulatory framework applicable thereto.

**h. Assets and liabilities of disposal group classified as held for sale and discontinued operations**

As a consequence of that mentioned in Note 1, and with the aim of mitigating unfavorable financial and economic aspects, the Company decided to sell certain subsidiaries. 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.

**EDENOR S.A.**

**Notes to the Consolidated Financial Statements as of December 31, 2013 and 2012 (continued)**

- iii. 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 traded 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 with 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 and 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 purchase offers, if any, and/or market conditions.

At December 31, 2013, the Company had sold the totality of its subsidiaries held for sale.

**i. 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.

**7. Interests in joint ventures**

<b>Percentage interest held in capital stock and votes</b>		<b>Equity attributable to the owners</b>	
		<b>12.31.13</b>	<b>12.31.12</b>
SACME	50.00%	427	422

**8. Segment information**

The Company's business activities focus primarily on the distribution and sale of electricity carried out by Edenor S.A. and 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. This operating segment has been discontinued.

EMDESA: Through its subsidiaries, it renders electric power distribution and sale services in the Provinces of La Rioja. This operating segment has been discontinued.

EDENOR: It has the exclusive right to render electric power distribution and sale 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 years ended December 31, 2013, 2012 and 2011 is as follow:

**EDENOR S.A.**  
**Notes to the Consolidated Financial Statements as of December 31, 2013 and 2012 (continued)**

<b>Statement of Income as of 12.31.13</b>	<b>Emdersa</b>	<b>Emdersa H.</b>	<b>Aeseba</b>	<b>Edenor</b>	<b>Eliminations</b>	<b>As per segment information</b>	<b>Discontinued operations (1)</b>	<b>As per consolidated statement of comprehensive income (loss)</b>
Revenue from sales	184,601	-	215,018	3,440,691	-	3,840,310	(399,619)	3,440,691
Revenue from construction	-	-	9,028	-	-	9,028	(9,028)	-
Electric power purchases	(73,638)	-	(90,603)	(2,050,295)	-	(2,214,536)	164,241	(2,050,295)
Cost of construction	-	-	(9,028)	-	-	(9,028)	9,028	-
<b>Subtotal</b>	<b>110,963</b>	<b>-</b>	<b>124,415</b>	<b>1,390,396</b>	<b>-</b>	<b>1,625,774</b>	<b>(235,378)</b>	<b>1,390,396</b>
Transmission and distribution expenses (2)	(44,070)	-	(60,322)	(2,055,285)	-	(2,159,677)	104,392	(2,055,285)
<b>Gross profit (loss)</b>	<b>66,893</b>	<b>-</b>	<b>64,093</b>	<b>(664,889)</b>	<b>-</b>	<b>(533,903)</b>	<b>(130,986)</b>	<b>(664,889)</b>
Selling expenses (2)	(31,570)	-	(25,069)	(548,256)	200	(604,695)	56,439	(548,256)
Administrative expenses (2)	(26,491)	(106)	(10,365)	(324,661)	-	(361,623)	36,855	(324,768)
Other operating income	903	13	962	61,767	(200)	63,445	(1,865)	61,580
Other operating expense	(2,112)	-	(488)	(142,777)	-	(145,377)	2,600	(142,777)
Loss from investment in subsidiaries	-	-	-	(1,484)	1,484	-	-	-
Gain from interest in joint ventures	-	-	-	5	-	5	-	5
Revenue from customers contributions exempt from devolution	-	-	-	700	-	700	-	700
Loss from assets made available for sale	(7,145)	-	(185,960)	-	-	(193,105)	193,105	-
<b>Operating loss before Resolution SE 250/13 and SE Note 6852/13</b>	<b>478</b>	<b>(93)</b>	<b>(156,827)</b>	<b>(1,619,595)</b>	<b>1,484</b>	<b>(1,774,553)</b>	<b>156,148</b>	<b>(1,618,405)</b>
Higher costs recognition - Resolution SE 250/13 and SE Note 6852/13	-	-	-	2,933,052	-	2,933,052	-	2,933,052
<b>Operating profit (loss)</b>	<b>478</b>	<b>(93)</b>	<b>(156,827)</b>	<b>1,313,457</b>	<b>1,484</b>	<b>1,158,499</b>	<b>156,148</b>	<b>1,314,647</b>
Financial income	14,129	(16)	835	287,419	(496)	301,871	(14,803)	287,068
Financial expenses (2)	(22,009)	-	(6,902)	(504,854)	335	(533,430)	28,576	(504,854)
Other financial (expense) income	(1,944)	59	(5,529)	(273,329)	160	(280,583)	7,473	(273,110)
<b>Financial (expense) income, net</b>	<b>(9,824)</b>	<b>43</b>	<b>(11,596)</b>	<b>(490,764)</b>	<b>(1)</b>	<b>(512,142)</b>	<b>21,246</b>	<b>(490,896)</b>
<b>(Loss) Profit before taxes</b>	<b>(9,346)</b>	<b>(50)</b>	<b>(168,423)</b>	<b>822,693</b>	<b>1,483</b>	<b>646,357</b>	<b>177,394</b>	<b>823,751</b>
Income tax	498	(1,433)	81,788	45,549	-	126,402	(82,286)	44,116
<b>(Loss) Profit from continuing operations</b>	<b>(8,848)</b>	<b>(1,483)</b>	<b>(86,635)</b>	<b>868,242</b>	<b>1,483</b>	<b>772,759</b>	<b>95,108</b>	<b>867,867</b>
(Loss) Profit from discontinued operations	-	(8,483)	-	(96,503)	104,986	-	(95,108)	(95,108)
<b>(Loss) Profit for the year</b>	<b>(8,848)</b>	<b>(9,966)</b>	<b>(86,635)</b>	<b>771,739</b>	<b>106,469</b>	<b>772,759</b>	<b>-</b>	<b>772,759</b>
Non-controlling interests	(365)	-	1,385	-	-	1,020	-	1,020
<b>(Loss) Profit for the year attributable to the owners of the parent</b>	<b>(8,483)</b>	<b>(9,966)</b>	<b>(88,020)</b>	<b>771,739</b>	<b>106,469</b>	<b>771,739</b>	<b>-</b>	<b>771,739</b>

(1) It includes Emdersa and Aeseba operating segments (Note 37).

**EDENOR S.A.**  
**Notes to the Consolidated Financial Statements as of December 31, 2013 and 2012 (continued)**

Note (2)	<b>Emdersa</b>	<b>Emdersa H.</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 income (loss)</b>
Depreciation of property, plant and equipment	(8,469)	-	(1,406)	(212,148)	-	(222,023)	9,875	(212,148)
Amortization of intangible assets	-	-	(6,269)	-	-	(6,269)	6,269	-
Financial expenses - Interest	(24,624)	-	(3,686)	(494,541)	335	(522,516)	27,975	(494,541)

**EDENOR S.A.**  
**Notes to the Consolidated Financial Statements as of December 31, 2013 and 2012 (continued)**

<b>Statement of Income as of 12.31.12</b>	<b>Emdersa</b>	<b>Emdersa H.</b>	<b>Aeseba</b>	<b>Edenor</b>	<b>Eliminations</b>	<b>As per segment information</b>	<b>Discontinued operations (1)</b>	<b>As per consolidated statement of comprehensive income (loss)</b>
Revenue from sales	426,317	-	749,852	2,977,146	(1,742)	4,151,573	(1,175,391)	2,976,182
Revenue from construction	-	-	117,615	-	-	117,615	(117,615)	-
Electric power purchases	(201,037)	-	(321,989)	(1,740,231)	-	(2,263,257)	523,026	(1,740,231)
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>(652,365)</b>	<b>1,235,951</b>
Transmission and distribution expenses (2)	(175,438)	-	(225,956)	(1,344,730)	614	(1,745,510)	401,394	(1,344,116)
<b>Gross profit (loss)</b>	<b>49,842</b>	<b>-</b>	<b>201,907</b>	<b>(107,815)</b>	<b>(1,128)</b>	<b>142,806</b>	<b>(250,971)</b>	<b>(108,165)</b>
Selling expenses (2)	(57,607)	-	(78,429)	(352,938)	964	(488,010)	135,072	(352,938)
Administrative expenses (2)	(47,130)	(195)	(47,159)	(249,201)	150	(343,535)	94,140	(249,395)
Other operating income	52,259	64	1,683	32,351	(766)	85,591	(53,328)	32,263
Other operating expense	(636)	-	(9,660)	(150,211)	-	(160,507)	10,296	(150,211)
Gain from investment in subsidiaries	-	-	-	1,530	(1,530)	-	-	-
Loss on interest in joint ventures	-	-	-	3	-	3	-	3
Loss from assets made available for sale	(10,446)	-	-	-	-	(10,446)	10,446	-
<b>Operating loss before Resolution SE 250/13 and SE Note 6852/13</b>	<b>(13,718)</b>	<b>(131)</b>	<b>68,342</b>	<b>(826,281)</b>	<b>(2,310)</b>	<b>(774,098)</b>	<b>(54,345)</b>	<b>(828,443)</b>
Higher costs recognition - Resolution SE 250/13 and SE Note 6852/13	-	-	-	-	-	-	-	-
<b>Operating profit (loss)</b>	<b>(13,718)</b>	<b>(131)</b>	<b>68,342</b>	<b>(826,281)</b>	<b>(2,310)</b>	<b>(774,098)</b>	<b>(54,345)</b>	<b>(828,443)</b>
Financial income	5,296	4,288	5,130	83,173	(11,860)	86,027	(10,522)	75,505
Financial expenses (2)	(42,713)	-	(26,178)	(230,264)	6,679	(292,476)	66,500	(225,976)
Other financial (expense) income	(5,008)	(2,627)	1,484	(166,236)	661	(171,726)	3,620	(168,106)
<b>Financial (expense) income, net</b>	<b>(42,425)</b>	<b>1,661</b>	<b>(19,564)</b>	<b>(313,327)</b>	<b>(4,520)</b>	<b>(378,175)</b>	<b>59,598</b>	<b>(318,577)</b>
<b>Profit (Loss) before taxes</b>	<b>(56,143)</b>	<b>1,530</b>	<b>48,778</b>	<b>(1,139,608)</b>	<b>(6,830)</b>	<b>(1,152,273)</b>	<b>5,253</b>	<b>(1,147,020)</b>
Income tax	39,078	-	(16,938)	116,717	-	138,857	(22,140)	116,717
<b>Profit (Loss) from continuing operations</b>	<b>-</b>	<b>1,530</b>	<b>31,840</b>	<b>(1,022,891)</b>	<b>(6,830)</b>	<b>(1,013,416)</b>	<b>(16,887)</b>	<b>(1,030,303)</b>
Profit from discontinued operations EMD	(22,367)	-	-	(22,366)	44,733	-	(17,066)	(17,066)
Profit (loss) from discontinued operations AES	-	-	-	28,787	(28,787)	-	33,953	33,953
<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>9,116</b>	<b>(1,013,416)</b>	<b>-</b>	<b>(1,013,416)</b>
Non-controlling interests	6,518	-	(3,050)	-	(414)	3,054	-	3,054
<b>Profit (Loss) for the year attributable to the owners of the parent</b>	<b>(28,885)</b>	<b>1,530</b>	<b>34,890</b>	<b>(1,016,470)</b>	<b>9,530</b>	<b>(1,016,470)</b>	<b>-</b>	<b>(1,016,470)</b>

(1) It includes Emdersa and Aeseba operating segments (Note 37).

**EDENOR S.A.**  
**Notes to the Consolidated Financial Statements as of December 31, 2013 and 2012 (continued)**

Note (2)	Emdersa	Emdersa H.	Aeseba	Emdersa H.	Emdersa H.	As per segment information	Discontinued operations	As per consolidated statement of comprehensive income (loss)
Depreciation of property, plant and equipment	(43,659)	-	(5,317)	(192,554)	-	(241,530)	48,976	(192,554)
Amortization of intangible assets	(2,130)	-	(24,891)	-	-	(27,021)	27,021	-
Financial expenses - Interest	(18,891)	-	(14,103)	(229,753)	6,678	(256,069)	30,604	(225,465)

**EDENOR S.A.**  
**Notes to the Consolidated Financial Statements as of December 31, 2013 and 2012 (continued)**

<b>Statement of Income as of 12.31.11</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 income (loss)</b>
Revenue from sales	764,276	503,772	2,302,045	-	3,570,093	(1,268,048)	2,302,045
Revenue from construction	-	87,374	-	-	87,374	(87,374)	-
Electric power purchases	(264,511)	(194,568)	(1,130,890)	-	(1,589,969)	459,079	(1,130,890)
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>(808,969)</b>	<b>1,171,155</b>
Transmission and distribution expenses	(168,652)	(131,288)	(970,501)	-	(1,270,441)	299,940	(970,501)
<b>Gross profit</b>	<b>331,113</b>	<b>177,916</b>	<b>200,654</b>	<b>-</b>	<b>709,683</b>	<b>(509,029)</b>	<b>200,654</b>
Selling expenses	(97,313)	(49,916)	(261,948)	-	(409,177)	147,229	(261,948)
Administrative expenses	(99,122)	(29,111)	(196,602)	-	(324,835)	128,233	(196,602)
Other operating income	2,768	8,680	22,499	(3,278)	30,669	(8,170)	22,499
Other operating expense	(5,314)	(5,596)	(93,848)	3,278	(101,480)	7,632	(93,848)
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>(63,691)</b>	<b>(78,458)</b>	<b>92,880</b>	<b>12,838</b>	<b>105,718</b>
Financial income	118	3,919	85,847	(32,326)	57,558	(4,037)	53,521
Financial expenses	(61,484)	(15,130)	(150,569)	-	(227,183)	76,614	(150,569)
Other financial (expense) income	(12,114)	(11,358)	(93,467)	-	(116,939)	23,472	(93,467)
<b>Net financial expense</b>	<b>(73,480)</b>	<b>(22,569)</b>	<b>(158,189)</b>	<b>(32,326)</b>	<b>(286,564)</b>	<b>96,049</b>	<b>(190,515)</b>
<b>Profit (Loss) before taxes</b>	<b>59,576</b>	<b>79,404</b>	<b>(221,880)</b>	<b>(110,784)</b>	<b>(193,684)</b>	<b>108,887</b>	<b>(84,797)</b>
Income tax	(17,455)	(30,387)	(82,177)	-	(130,019)	47,842	(82,177)
<b>Profit (Loss) from continuing operations</b>	<b>42,121</b>	<b>49,017</b>	<b>(304,057)</b>	<b>(110,784)</b>	<b>(323,703)</b>	<b>156,729</b>	<b>(166,974)</b>
Loss from discontinued operations	-	-	-	32,322	32,322	(156,729)	(124,407)
<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>

**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 for which a provision, that at December 31, 2013 amounts to \$ 91.4 million, has nevertheless been recorded.

The most significant legal actions in which the Company is a party involved are detailed below:

**a. Legal action brought by the National Ombudsman**

**Purpose:** presentation against the resolutions by which the new electricity tariff schedule went into effect as from October 1, 2008 and the application of the Program for the Rational Use of Electric Power (PUREE).

**Procedural stage of the proceedings:** on December 7, 2009, the Company filed an appeal ("*Queja por Recurso denegado*") to the Federal Supreme Court concerning the precautionary measure granted to the plaintiff, which is currently being analyzed by the Supreme Court. The file was joined to "CARBONEL SILVIA CRISTINA vs Federal Government – MINISTRY OF PLANNING – ENERGY SECRETARIAT RESOLUTION 1196/08 1170/08, ACTION FOR THE PROTECTION OF A RIGHT GUARANTEED BY THE CONSTITUTION (*AMPARO*) LAW 16,986", and treated as an Action for the protection of rights. On August 20, 2013, the Court in Contentious and Administrative Federal Matters no. 10 – Clerk's Office No. 20 rejected the aforementioned action. This decision was appealed by the plaintiff, the resolution of which is still pending. The precautionary measure continues to be in force until the decision is final.

**Amount:** undetermined

**Conclusion:** no provision has been recorded for these claims in these consolidated financial statements as the Company 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. It is estimated that this legal action will be terminated in 2014.

**b. Legal action brought by Consumidores Libres Coop. Ltda. de provisión de servicios de acción comunitaria.**

**Purpose:**

a) That all the last resolutions concerning electricity tariffs 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.

g) 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 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, filing a motion to dismiss for lack of standing to be sued (*“falta de legitimación pasiva”*).

**Conclusion:** no provision has been recorded for these claims in these consolidated financial statements as the Company 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. It is estimated that this legal action will not be terminated in 2014.

**c. 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 April 22, 2010, 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. The Court hearing the case granted the motion filed by EDENOR S.A. and ordered that the Federal Government, the AFIP and the ENRE be summoned as third-party defendants, which is currently taking place.

**Conclusion:** no provision has been recorded for these claims in these consolidated financial statements as the Company 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. It is estimated that the proceedings will not be terminated in 2014

**d. 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 tariff increase will be retroactive;

b) that Resolution 51/07 of the ENRE be nullified inasmuch as it authorizes the retroactive increase of tariffs in favor of the Company.

c) that the Company be ordered to reimburse customers all the amounts paid as retroactive tariff 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.

**EDENOR S.A.**

**Notes to the Consolidated Financial Statements as of December 31, 2013 and 2012 (continued)**

**Amount:** undetermined

**Procedural stage of the proceedings:** By resolution issued on June 1, 2011, 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 November 3, 2011. The proceedings have been taken to the Federal Supreme Court, which on October 1, 2013 rejected the appeal due to the lack of compliance with a Court resolution.

**Conclusion:** No provision has been recorded in connection with this claim inasmuch as a final judgment in favor of EDENOR has been rendered.

**e. Legal action brought by the Company ("EDENOR S.A. VS ENRE RESOLUTION 32/11")**

**Purpose:** The judicial annulment of ENRE Resolution that established the following:

- the Company be fined in the amount of \$ 750,000 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.

- the Company be fined in the amount of \$ 375,000 due to its failure to comply with the obligations arising from Section 25 of the Concession Agreement and Resolution 905/1999 of the ENRE.

- the Company customers be paid as compensation for the power cuts suffered the following amounts: \$ 180 to each small-demand residential customer (T1R) 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:** \$ 22.4 million.

**Procedural stage of the proceedings:** 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 are "awaiting resolution" since the date on which the ENRE answered the notice served. Furthermore, on October 28, 2011, the Company filed an appeal ("*recurso de queja por apelación denegada*") with the Supreme Court concerning the provisional relief sought and not granted. On April 24, 2013, the Company was notified of the Appellate Court's decision dated March 21, 2013, pursuant to which the appeal filed by Edenor was declared formally inadmissible. On May 3, 2013, the Company filed an ordinary appeal ("*Recurso Ordinario de Apelación*") with the Supreme Court. Additionally, on May 13, 2013, an extraordinary appeal ("*Recurso Extraordinario Federal*") was also filed with the same Court. As of the date of this report, no decision has yet been issued on the two appeals lodged by the Company.

**Conclusion:** As of December 31, 2013, the provision recorded by the Company for principal and interest accrued amounts to \$ 34.9 million. It is estimated that this legal action will not be terminated in 2014.

**f. Legal action brought by the Company ("EDENOR S.A. VS ENRE RESOLUTION 336/12")**

**Purpose:** By this action, the Company challenges ENRE's resolution pursuant to which

- the Company has to determine the customers affected by the power cuts occurred as a consequence of failures between October 29 and November 14, 2012;

- the Company has to determine the discounts to be recognized to each of the customers identified in accordance with the preceding caption;

- the Company has to accredit 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 has to pay a compensation to each small-demand residential customer (T1R) who has been affected by the power cuts occurred during the aforementioned period, the amount of which will depend on the electricity outage duration, provided, however, that such power cut lasted more than 12 continuous hours.

**Amount:** not specified in the complaint.

**Procedural stage of the proceedings:** This resolution has been answered by the Company.

**Conclusion:** As of December 31, 2013, the provision recorded by the Company for penalties and compensations amounts to \$ 16.7 million (Note 2.e). It is estimated that this legal action will not be terminated in 2014.

**g. Legal action brought by ASOCIACIÓN DE DEFENSA DE DERECHOS DE USUARIOS Y CONSUMIDORES – ADDUC**

**Purpose:** the Company has been 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 August 15, 2008 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 November 11, 2011, the Company answered the complaint and filed a motion to dismiss for both lack of standing to sue (“*excepción de falta de legitimación activa*”) and the fact that the claims at issue were being litigated in another lawsuit, currently in process, requesting as well 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, 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”. As of to date, the Court has not received the requested file.

**Conclusion:** therefore, no provision has been recorded for these claims in these consolidated financial statements as the Company management believes that there exist solid arguments for them to be considered inadmissible, based on both that which has been previously mentioned and the opinion of its legal advisors. It is estimated that this legal action will not be terminated in 2014.

**h. Tax on minimum presumed income - Petition against the Federal Administration of Public Revenues (AFIP)**

On August 2, 2013, the Company decided to adhere to the easy payment plan established by AFIP GR No. 3451/13, for an amount of \$ 47 million relating to the minimum presumed income tax for fiscal year 2011 (principal plus interest accrued through the date on which the Company adhered to the plan). As a consequence of the Company’s adherence to the aforementioned easy payment plan, the debt will be paid in sixteen monthly and consecutive installments at a monthly interest rate of 1.35%, with the first installment falling due on September 16, 2013 (Note 31). Additionally, on August 23, 2013, the Company abandoned the petition for a declaratory relief it had filed against the AFIP.

**i. Legal action brought by the Company (“EDENOR S.A. VS FEDERAL GOVERNMENT – MINISTRY OF FEDERAL PLANNING / PROCEEDING FOR THE DETERMINATION OF A CLAIM AND MOTION TO LITIGATE IN FORMA PAUPERIS”)**

On June 28, 2013, the Company instituted these proceedings for the recognizance of a claim and the related leave to proceed in forma pauperis, both pending in the Federal Court of Original Jurisdiction in Contentious and Administrative Federal Matters No. 11 – Clerk’s Office No. 22.

**Purpose of the main proceedings:** To sue for breach of contract due to the Federal Government’s failure to perform in accordance with the terms of the “Memorandum of Understanding concerning the Renegotiation of the Concession Agreement” (“*Acta Acuerdo de Renegociación del Contrato de Concesión*” – Adjustment Agreement) entered into with Edenor in 2006, and for damages caused as a result of such breach.

**Procedural stage of the proceedings:** On November 22, 2013, EDENOR amended the complaint so as to extend it and claim more damages as a consequence of the Federal Government’s omission to perform the obligations under the aforementioned “Adjustment Agreement”. As of the date of this report, notice of the complaint has not yet been served upon the defendant.

EDENOR S.A.

Notes to the Consolidated Financial Statements as of December 31, 2013 and 2012 (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	307,799	22,848	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>307,799</b>	<b>22,848</b>	<b>3,712,330</b>
Additions	-	-	-	-	-	430,637	4,014	434,651
Disposals	(398)	-	(1,307)	(41)	(5)	-	-	(1,751)
Transfers	5,754	30,006	98,570	116,276	17,748	(268,354)	-	-
Depreciation	(4,341)	(40,173)	(82,974)	(48,909)	(8,395)	-	-	(184,792)
Discontinued operations	10,688	(22,723)	(98,499)	(116,283)	(8,248)	273,550	(3,613)	34,872
<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	-	-	-	-	3,306	536,673	4,329	544,308
Disposals	(324)	-	(1,268)	(98)	(159)	-	-	(1,849)
Transfers	10,415	73,232	138,829	127,048	68,511	(417,129)	(906)	-
Depreciation	(4,475)	(34,388)	(85,084)	(52,404)	(16,203)	-	-	(192,554)
Discontinued operations (Note 37)	5,035	23,870	98,497	116,285	24,725	(272,641)	3,613	(616)
<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>590,535</b>	<b>30,285</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	590,535	30,285	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>590,535</b>	<b>30,285</b>	<b>4,344,599</b>
Additions	-	-	-	-	28,074	1,043,976	20,292	1,092,342
Disposals	-	(346)	(800)	(83)	(1)	-	-	(1,230)
Transfers	10,970	125,391	291,712	120,662	43,131	(591,866)	-	-
Depreciation	(4,491)	(35,903)	(89,254)	(55,712)	(26,788)	-	-	(212,148)
Discontinued operations (Note 37)	(15,723)	-	-	-	(18,478)	(55)	-	(34,256)
<b>Net amount 12.31.13</b>	<b>96,103</b>	<b>865,413</b>	<b>1,906,187</b>	<b>1,055,920</b>	<b>172,517</b>	<b>1,042,590</b>	<b>50,577</b>	<b>5,189,307</b>
<b>At 12.31.13</b>								
Cost	133,155	1,367,062	3,778,595	1,769,798	538,668	1,042,590	50,577	8,680,445
Accumulated depreciation	(37,052)	(501,649)	(1,872,408)	(713,878)	(366,151)	-	-	(3,491,138)
<b>Net amount</b>	<b>96,103</b>	<b>865,413</b>	<b>1,906,187</b>	<b>1,055,920</b>	<b>172,517</b>	<b>1,042,590</b>	<b>50,577</b>	<b>5,189,307</b>

- During the years ended December 31, 2013, 2012 and 2011 direct costs capitalized amounted to \$ 124.2 million, \$ 107.5 million and \$ 76.9 million, respectively.
- Financial costs capitalized for the years ended December 31, 2013, 2012 and 2011 amounted to \$ 24.5 million, \$ 25.4 million and \$ 16.2 million, respectively.

**EDENOR S.A.**  
Notes to the Consolidated Financial Statements as of December 31, 2013 and 2012 (continued)

**11. Intangible assets**

	Contract right from the concessions	Total
<b>At 01.01.11</b>		
Cost	-	-
Accumulated amortization	-	-
<b>Net amount</b>	<b>-</b>	<b>-</b>
Additions	-	-
Disposals	-	-
Amortization	-	-
Discontinued operations	793,015	793,015
<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	-	-
Disposals	-	-
Amortization	-	-
Discontinued operations (Note 37)	52,833	52,833
<b>Net amount 12.31.12</b>	<b>845,848</b>	<b>845,848</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>
Discontinued operations (Note 37)	(845,848)	(845,848)
<b>Net amount 12.31.13</b>	<b>-</b>	<b>-</b>

**12. Financial instruments**

**12.1 Financial instruments by category**

	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Non-financial assets	Total
<b>As of December 31, 2013</b>				
<b>Assets</b>				
Trade receivables	803,095	-	-	803,095
Other receivables	481,519	-	239,988	721,507
<i>Cash and cash equivalents</i>				-
Cash and Banks	19,775	-	-	19,775
Checks to be deposited	62	-	-	62
Time deposits	3,749	-	-	3,749
Money market funds	-	219,887	-	219,887
<i>Financial assets at fair value through profit or loss:</i>				
Government bonds	-	14,256	-	14,256
Government bonds - AESEBA trust	-	99,523	-	99,523
Money market funds	-	102,655	-	102,655
<b>Total</b>	<b>1,308,200</b>	<b>436,321</b>	<b>239,988</b>	<b>1,984,509</b>
<b>As of December 31, 2012</b>				
<b>Assets</b>				
Trade receivables	891,425	-	-	891,425
Other receivables	113,500	-	208,744	322,244
<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>208,744</b>	<b>1,288,192</b>

**EDENOR S.A.**  
**Notes to the Consolidated Financial Statements as of December 31, 2013 and 2012 (continued)**

	<b>Financial liabilities at amortized cost</b>	<b>Financial liabilities at fair value through profit or loss</b>	<b>Subtotal financial liabilities</b>	<b>Non-financial liabilities</b>	<b>Total</b>
<b>As of December 31, 2013</b>					
<b>Liabilities</b>					
Trade and other payables	2,761,622	-	2,761,622	1,032,377	3,793,999
Borrowings	1,350,532	-	1,350,532	-	1,350,532
<b>Total</b>	<b>4,112,154</b>	<b>-</b>	<b>4,112,154</b>	<b>1,032,377</b>	<b>5,144,531</b>
<b>As of December 31, 2012</b>					
<b>Liabilities</b>					
Trade and other payables	1,359,623	-	1,359,623	2,049,505	3,409,128
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>2,049,505</b>	<b>4,862,971</b>

Financial instruments categories have been determined based on IFRS 9. The financial liabilities at amortized cost include also the operating leases where the Company acts as lessee, which are to be measured in accordance with IAS 17.

The income, expenses, gains and losses resulting from each category of financial instruments are as follow:

	<b>Financial assets at amortized cost</b>	<b>Financial assets at fair value through profit or loss</b>	<b>Total</b>
<b>As of December 31, 2013</b>			
Interest income	250,994	36,074	287,068
Exchange differences	29,410	-	29,410
Bank fees and expenses	(10,313)	-	(10,313)
Changes in fair value of financial assets	-	16,097	16,097
Adjustment to present value	2,378	-	2,378
Other	-	58	58
<b>Total</b>	<b>272,469</b>	<b>52,229</b>	<b>324,698</b>
<b>As of December 31, 2012</b>			
Interest income	45,858	29,647	75,505
Exchange differences	16,277	-	16,277
Bank fees and expenses	(511)	-	(511)
Gain from financial instruments at fair value	-	39,053	39,053
<b>Total</b>	<b>61,624</b>	<b>68,700</b>	<b>130,324</b>

	<b>Financial liabilities at amortized cost</b>	<b>Financial liabilities at fair value through profit or loss</b>	<b>Non-financial instruments</b>	<b>Total</b>
<b>As of December 31, 2013</b>				
Interest expense	(481,184)	-	(13,357)	(494,541)
Other financial results	(14,763)	-	-	(14,763)
Exchange differences	(395,169)	-	-	(395,169)
Net gain from the repurchase of Corporate Notes	88,879	-	-	88,879
<b>Total</b>	<b>(802,237)</b>	<b>-</b>	<b>(13,357)</b>	<b>(815,594)</b>
<b>As of December 31, 2012</b>				
Interest expense	(213,545)	-	(11,920)	(225,465)
Exchange differences	(209,156)	-	-	(209,156)
Adjustment to present value	(2,196)	-	-	(2,196)
Other financial results	(12,084)	-	-	(12,084)
<b>Total</b>	<b>(436,981)</b>	<b>-</b>	<b>(11,920)</b>	<b>(448,901)</b>

**12.2 Credit quality of financial assets**

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>12.31.13</u>	<u>12.31.12</u>
Customers with no external credit rating (1):		
Group 1 (i)	338,982	575,737
Group 2 (ii)	217,722	211,190
Group 3 (iii)	88,025	54,091
Group 4 (iv)	158,366	50,407
<b>Total trade receivables</b>	<b><u>803,095</u></b>	<b><u>891,425</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.*

As of December 31, 2013, the maximum exposure to credit risk is the carrying amount of these financial assets.

**13. Other receivables**

	<u>12.31.13</u>	<u>12.31.12</u>
<b>Non-current:</b>		
Prepaid expenses	1,020	1,260
Receivable from CMM	-	45,530
Receivable from minimum presumed income	127,386	96,688
Tax credits	1,107	11,697
Financial receivable	60,994	12,993
Receivable with EDEN S.A. class "C" shareholders	-	17,263
Related parties	7,279	8,352
Other	1,609	1,235
<b>Total Non-current</b>	<b><u>199,395</u></b>	<b><u>195,018</u></b>
<b>Current:</b>		
Prepaid expenses	2,751	1,893
Receivable from CMM (Note 2.c.III) (1) (2)	362,721	-
Value added tax	81,214	-
Advances to suppliers	21,790	47,410
Advances to personnel	4,718	3,666
Security deposits	1,980	1,074
Receivables from activities other than the main activity	52,238	27,521
Financial receivable	2,925	2,516
Receivable with FOCEDE (Note 2.c.V)	-	3,789
Note receivable with EDESUR	-	3,529
Judicial deposits	1,786	4,216
Related parties	1,186	43,940
Allowance for the impairment of other receivables	(20,412)	(16,011)
Other	9,215	3,683
<b>Total Current</b>	<b><u>522,112</u></b>	<b><u>127,226</u></b>

- (1) Includes estimated interest for \$ 750.3 million (income) and \$ 552.8 million (expense) relating to the CMM and the PUREE, respectively.
- (2) At December 31, 2013, net of the commercial debt with CAMMESA for 1.1 billion and the PUREE-related debt for \$ 1.6 billion, which were offset as established in SE Resolution 250/13 and SE Note 6852/13 (Note 2.C.III).

The carrying amount of the Company's other financial receivables approximates their fair value.

**EDENOR S.A.**  
**Notes to the Consolidated Financial Statements as of December 31, 2013 and 2012 (continued)**

The aging analysis of other receivables is as follows:

	<u>12.31.13</u>	<u>12.31.12</u>
Past due	13,200	27,881
Up to 3 months	33,238	14,411
From 3 to 6 months	90,776	32,094
From 6 to 9 months	378,251	-
From 9 to 12 months	6,647	52,840
More than 12 months	199,395	195,018
<b>Total other receivables</b>	<u><b>721,507</b></u>	<u><b>322,244</b></u>

The roll forward of the allowance for the impairment of other receivables is as follows:

	<u>12.31.13</u>	<u>12.31.12</u>
Balance at beginning of year	16,011	12,253
Increase	5,146	4,095
Uses	(745)	(337)
<b>Balance at end of year</b>	<u><b>20,412</b></u>	<u><b>16,011</b></u>

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>12.31.13</u>	<u>12.31.12</u>
Argentine pesos	715,190	257,458
US dollars	5,943	64,514
Euros	374	272
<b>Total other receivables</b>	<u><b>721,507</b></u>	<u><b>322,244</b></u>

#### 14. Trade receivables

	<u>12.31.13</u>	<u>12.31.12</u>
<b>Non-current:</b>		
Bonds for the cancellation of debts of the Province of Bs. As.	-	2,042
<b>Total Non-current</b>	<u><b>-</b></u>	<u><b>2,042</b></u>
<b>Current:</b>		
Sales of electricity - Billed (1)	542,324	564,338
Sales of electricity – Unbilled	236,761	325,623
Framework Agreement	56,928	25,438
National Fund of Electricity	5,290	2,984
Bonds for the cancellation of debts of the Province of Bs. As.	1,701	4,095
Specific fee payable for the expansion of the network, transportation and others	10,536	9,933
Receivables in litigation	22,740	20,237
Allowance for the impairment of trade receivables	(73,185)	(63,265)
<b>Total Current</b>	<u><b>803,095</b></u>	<u><b>889,383</b></u>

(1) Net of Stabilization factor.

The carrying amount of the Company's trade receivables approximates their fair value.

**EDENOR S.A.**  
**Notes to the Consolidated Financial Statements as of December 31, 2013 and 2012 (continued)**

The aging analysis of these trade receivables is as follows:

	<u>12.31.13</u>	<u>12.31.12</u>
Past due	464,113	315,688
Up to 3 months	338,982	573,396
From 3 to 6 months	-	299
More than 6 months	-	2,042
<b>Total trade receivables</b>	<b><u>803,095</u></b>	<b><u>891,425</u></b>

The roll forward of the allowance for the impairment of trade receivables is as follows:

	<u>12.31.13</u>	<u>12.31.12</u>
Balance at beginning of year	63,265	57,618
Increase	32,871	13,054
Uses	(410)	(8,778)
Discontinued operations (Note 37)	(22,541)	1,371
<b>Balance at end of year</b>	<b><u>73,185</u></b>	<b><u>63,265</u></b>

As of December 31, 2013, the maximum exposure to credit risk is the carrying amount of each class of trade receivables.

The carrying amount of the Company's trade receivables is denominated in the following currencies:

	<u>12.31.13</u>	<u>12.31.12</u>
Argentine pesos	803,095	891,425
	<b><u>803,095</u></b>	<b><u>891,425</u></b>

**15. Financial assets at fair value through profit or loss**

	<u>12.31.13</u>	<u>12.31.12</u>
<b>Current</b>		
Government bonds	14,256	3,415
Government bonds - AESEBA trust	99,523	-
Money market funds	102,655	-
<b>Total current</b>	<b><u>216,434</u></b>	<b><u>3,415</u></b>

**16. Inventories**

	<u>12.31.13</u>	<u>12.31.12</u>
<b>Current:</b>		
Supplies and spare-parts	83,853	85,002
<b>Total inventories</b>	<b><u>83,853</u></b>	<b><u>85,002</u></b>

**17. Cash and cash equivalents**

	<u>12.31.13</u>	<u>12.31.12</u>	<u>12.31.11</u>
Cash and banks	19,837	19,673	23,095
Time deposits	3,749	481	48,511
Money market funds	219,887	50,954	58,903
<b>Total cash and cash equivalent</b>	<b><u>243,473</u></b>	<b><u>71,108</u></b>	<b><u>130,509</u></b>

**EDENOR S.A.**  
**Notes to the Consolidated Financial Statements as of December 31, 2013 and 2012 (continued)**

**18. Assets under construction**

	<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, 2012</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>
Discontinued operations (Nota 37)	(62,681)	(13,699)	(4,072)	(4,014)	(84,466)
<b>At December 31, 2013</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**19. Share capital and additional paid-in capital**

	<b>Number of Shares (1)</b>	<b>Additional 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	-	(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>
Absorption of accumulated losses - Shareholders' Meeting of 04/25/2013	-	(498,708)	(3,452)	(502,160)
Reversal of the absorption of accumulated losses - Shareholders' Meeting of 12/20/2013	-	498,708	3,452	502,160
<b>At December 31, 2013</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 at December 31, 2013 and 2012, respectively.

(2) Includes the nominal value of capital and treasury stock and the adjustment for inflation of both concepts.

At December 31, 2012, the Company's share capital amounted to 906,455,100 shares, divided into 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.

On April 25, 2013, the Shareholders' Meeting approved the annual separate and consolidated Financial Statements as of December 31, 2012 and resolved to reduce capital stock, due to the fact that the Company had become subject to compliance with the mandatory capital stock reduction established in section 206 of the Argentine Business Organizations Law since losses consumed the totality of the reserves and 50% of capital stock. The approved reduction implies the decrease of the number of shares while maintaining shareholding proportions. On May 22, 2013, the Company filed the documentation with the National Securities Commission for its approval and subsequent registration.

With regard to the capital reduction mentioned in the preceding paragraph, the Company Extraordinary Shareholders' Meeting held on December 20, 2013, as a consequence of the issuance of SE Resolution 250/13 and SE Note 6852/13 described in Note 2.c.III, approved the reversal of the mandatory capital stock reduction due to the fact that the causes that had led to the adoption of such decision have disappeared. Furthermore, the effects of those regulations allowed the Company to overcome the situation concerning the grounds for corporate dissolution due to loss of capital stock to which it had been exposed at March 31, 2013.

Therefore, at December 31, 2013, the Company's share capital amounts to 906,455,100 shares, divided into 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.

### **Listing of the Company's shares**

The Company's shares are listed on the Buenos Aires Stock Exchange and are part of the Merval Index.

Furthermore, on August 5, 2009 the Securities and Exchange Commission ("SEC") of the United States of America authorized the Company to trade American Depositary Shares ("ADSs"), each representing 20 common shares of the Company. As from October 9, 2009 the Company's ADSs are traded in the New York Stock Exchange ("NYSE").

The trading of ADSs in the NYSE is part of the Company's strategic plan to increase both its liquidity and the volume of its shares.

### **Acquisition of the Company's own shares**

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 unappropriated 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 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 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, 2013 and 2012, 1,757,344 and 1,952,604 Class C shares, representing 0.22% of the Company's share capital in each case are outstanding.

## **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 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.
- 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 year being reported.
- v.** Recording of legal reserve for up to the amount absorbed, as resolved by the General Annual Meeting held on April 27, 2012.

**EDENOR S.A.**  
**Notes to the Consolidated Financial Statements as of December 31, 2013 and 2012 (continued)**

**21. Trade payables**

	<u>12.31.13</u>	<u>12.31.12</u>
<b>Non-current:</b>		
Customer deposits	54,524	57,785
Customer contributions	113,778	95,723
Funding contributions - substations	51,700	-
Suppliers	794	1,805
<b>Total Non-current</b>	<b><u>220,796</u></b>	<b><u>155,313</u></b>
<b>Current:</b>		
Payables for purchase of electricity - CAMMESA (1)	1,500,609	421,398
Provision for unbilled electricity purchases - CAMMESA	280,935	259,762
Suppliers	480,656	349,633
Related parties	-	14,257
Customer contributions	176,800	68,237
Funding contributions - substations	12,352	53,286
Other	29,956	42,083
<b>Total Current</b>	<b><u>2,481,308</u></b>	<b><u>1,208,656</u></b>

(1) As of December 31, 2013, net of \$ 1,152.3 million, offset in accordance with SE Resolution 250/13 and SE Note 6852/13 (Note 2.C.III.).

The fair values of non-current customer contributions at December 31, 2013 and 2012 amount to \$ 98.7 million and \$ 83.7 million, respectively.

The carrying amount of the rest of the Company's financial liabilities included in trade payables approximates their fair value.

**22. Other payables**

	<u>12.31.13</u>	<u>12.31.12</u>
<b>Non-current:</b>		
ENRE penalties and discounts	836,115	617,011
Program for the rational use of electric power (1)	108,603	1,277,761
<b>Total Non-current</b>	<b><u>944,718</u></b>	<b><u>1,894,772</u></b>
<b>Current:</b>		
ENRE penalties and discounts	87,658	45,031
Program for the rational use of electric power (Res. MIVSPBA No. 252/07)	-	74,693
Advance payments received for sale agreements of related parties	-	7,377
Related parties	2,028	2,382
Liability with FOCEDE (Note 2.c.V)	4,237	3,789
Liability with FOTAE (Note 41)	48,960	-
Dividends payable to class "C" shareholders	-	7,509
Other	4,294	9,606
<b>Total Current</b>	<b><u>147,177</u></b>	<b><u>150,387</u></b>

(1) As of December 31, 2013, net of \$ 1.6 billion, offset in accordance with SE Resolution 250/13 and SE Note 6852/13 (Note 2.C.III.).

The carrying amount of the Company's other financial payables approximates their fair value.

**23. Deferred revenue**

	<u>12.31.13</u>	<u>12.31.12</u>
<b>Non-current</b>		
Related to IFRIC 12	-	230,061
Nonrefundable customer contributions	33,666	34,366
<b>Total Non-current</b>	<u>33,666</u>	<u>264,427</u>

**24. Borrowings**

	<u>12.31.13</u>	<u>12.31.12</u>
<b>Non-current:</b>		
Financial loans	-	5,424
Corporate notes (1)	1,309,949	1,345,276
<b>Total non-current</b>	<u>1,309,949</u>	<u>1,350,700</u>
<b>Current:</b>		
Financial loans	430	31,371
Interest	40,153	35,107
Corporate notes	-	11,665
Bank overdrafts	-	25,000
<b>Total current</b>	<u>40,583</u>	<u>103,143</u>

(1) Net of issuance expenses and debt repurchase.

The maturities of the Company's borrowings and their exposure to interest rates are as follow:

	<u>12.31.13</u>	<u>12.31.12</u>
<b>Fixed rate</b>		
Less than 1 year	40,583	61,028
From 1 to 2 years	-	424
More than 4 years	1,309,949	1,345,276
	<u>1,350,532</u>	<u>1,406,728</u>
<b>Floating rate</b>		
Less than 1 year	-	42,115
From 1 to 2 years	-	5,000
	<u>-</u>	<u>47,115</u>
	<u>1,350,532</u>	<u>1,453,843</u>

The carrying amounts of the Company's current borrowings and non-current financial loans approximate their fair values.

As of December 31, 2013 and 2012, the fair values of the Company's non-current borrowings (Corporate Notes) amount to \$ 924.1 million and \$ 588.3 million, respectively. Such values were calculated on the basis of the market price of the Company's corporate notes at the end of each year.

The Company's borrowings are denominated in the following currencies:

	<u>12.31.13</u>	<u>12.31.12</u>
Argentine pesos	430	72,294
US dollars	1,350,102	1,381,549
	<u>1,350,532</u>	<u>1,453,843</u>

**EDENOR S.A.**  
**Notes to the Consolidated Financial Statements as of December 31, 2013 and 2012 (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	249,266
Discontinued operations	(84)
<b>Balance at 12.31.2011</b>	<b>1,248,907</b>
Principal borrowed	751
Principal repaid	(36,480)
Interest paid	(128,893)
Exchange difference and interest accrued	308,930
Discontinued operations (Note 37)	60,628
<b>Balance at 12.31.2012</b>	<b>1,453,843</b>
Discontinued operations (Note 37)	(60,629)
Principal repaid	(25,535)
Interest paid	(176,976)
Repurchase of Corporate Notes - Trust AESEBA	(165,085)
Repurchase of Corporate Notes for collection of related companies	(52,840)
Gain from the repurchase of Corporate	(176,104)
Exchange difference and interest accrued	553,858
<b>Balance at 12.31.2013</b>	<b>1,350,532</b>

### 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 \$
				Debt structure at 01-01-13	Debt repurchase (2)	Debt structure at 12-31-13	At 12-31-13
Fixed Rate Par Note	7	10.50	2017	24.76	(10.00)	14.76	96.25
Fixed Rate Par Note (1)	9	9.75	2022	247.43	(61.31)	186.12	1,213.70
<b>Total</b>				<b>272.19</b>	<b>(71.31)</b>	<b>200.88</b>	<b>1,309.95</b>

Corporate Notes	Class	Rate	Year of Maturity	Million of USD			Million of \$
				Debt structure at 01-01-12	Debt repurchase (2)	Debt structure at 12-31-12	At 12-31-12
Fixed Rate Par Note	7	10.50	2017	24.76	-	24.76	121.77
Fixed Rate Par Note (1)	9	9.75	2022	247.43	-	247.43	1,223.51
<b>Total</b>				<b>272.19</b>	<b>-</b>	<b>272.19</b>	<b>1,345.28</b>

(1) Net of issuance expenses.

(2) Includes collection, through the trust, of proceeds from subsidiary sales and collection of financial receivables with related companies.

**Debt issued in Argentine pesos**

<b>Obligaciones Negociables</b>	<b>Debt structure (Million of \$)</b>			
	<b>Class</b>	<b>Rate</b>	<b>Year of maturity</b>	<b>At 12-31-13</b>
<b>Floating Rate Par Note</b>	8	BADLAR+6,7 5	2013	-
<b>Total</b>				<b>-</b>

<b>Corporate Notes</b>	<b>Debt structure (Million of \$)</b>			
	<b>Class</b>	<b>Rate</b>	<b>Year of maturity</b>	<b>At 12-31-12</b>
<b>Floating Rate Par Note</b>	8	BADLAR+6,7 5	2013	11.66
<b>Total</b>				<b>11.66</b>

**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).

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 its Level of Indebtedness is equal to or lower than 2.5.

- If the Company subsequently losses 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.

At the date of issuance of these consolidated Financial Statements, the previously mentioned ratios have been complied with.

However, the reinstatement of the covenants will not affect those acts which the Company may have performed during the suspension of such covenants.

**25. Salaries and social security taxes payable**

**a. Salaries and social security taxes payable**

	<b>12.31.13</b>	<b>12.31.12</b>
<b>Non-current:</b>		
Early retirements payable	1,164	1,983
Seniority-based bonus	24,795	15,477
<b>Total non-current</b>	<b>25,959</b>	<b>17,460</b>
<b>Current:</b>		
Salaries payable and provisions	383,096	326,903
Social security taxes payable	35,832	53,018
Early retirements payable	1,929	3,721
<b>Total current</b>	<b>420,857</b>	<b>383,642</b>

**EDENOR S.A.**  
**Notes to the Consolidated Financial Statements as of December 31, 2013 and 2012 (continued)**

**b. Salaries and social security taxes expenses**

	<u>12.31.13</u>	<u>12.31.12</u>
Salaries	892,679	663,434
Social security taxes	227,276	220,352
Discontinued operations (Note 37)	-	(189,791)
<b>Total salaries and social security taxes</b>	<b><u>1,119,955</u></b>	<b><u>693,995</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, 2013 and 2012 amount to \$ 1.9 million and \$ 3.7 million (current) and \$ 1.2 million and \$ 2 million (non-current), respectively.

As of December 31, 2013 and 2012, the provisions for the seniority-based bonus granted to employees amounted to \$ 24.8 million and \$ 15.5 million, respectively.

As of December 31, 2013 and 2012, the number of employees amounts to 3,563 and 2,966, respectively.

**26. Benefit plans**

A bonus is granted to all those employees who have the necessary years of service and made the required contributions to retire under ordinary retirement plans.

The amounts and conditions vary in accordance with the collective bargaining agreement and for employees who are not union members.

	<u>12.31.13</u>	<u>12.31.12</u>
Non-current	102,691	97,436
Current	-	14,968
<b>Total Benefit plans</b>	<b><u>102,691</u></b>	<b><u>112,404</u></b>

The detail of the benefit plan obligations at December 31, 2013 2012 and 2011 is as follows:

	<u>12.31.13</u>	<u>12.31.12</u>	<u>12.31.11</u>
Benefit payment obligations at beginning of year (1)	112,404	94,830	41,492
Current service cost	3,678	3,568	2,229
Interest cost	18,862	16,796	7,684
Actuarial losses	20,951	(7,937)	10,247
Benefits paid to participating employees	(7,904)	(3,989)	(2,986)
Discontinued operations (Note 37)	(45,300)	9,136	36,164
<b>Benefit payment obligations at year end</b>	<b><u>102,691</u></b>	<b><u>112,404</u></b>	<b><u>94,830</u></b>

As of December 31, 2013 2012 and 2011, the Company does not have any assets related to post-retirement benefit plans.

The detail of the charge recognized in the consolidated statement of comprehensive income (loss) is as follows:

	<u>12.31.13</u>	<u>12.31.12</u>	<u>12.31.11</u>
Cost	3,678	3,568	2,229
Interest	18,862	16,796	7,684
Discontinued operations (Note 37)	-	10,662	5,734
Actuarial results - Other comprehensive loss	20,951	(7,937)	10,247
Actuarial results - Other comprehensive loss from discontinued operations (Nota 37)	-	6,011	3,517
	<b><u>43,491</u></b>	<b><u>29,100</u></b>	<b><u>29,411</u></b>

**EDENOR S.A.**  
**Notes to the Consolidated Financial Statements as of December 31, 2013 and 2012 (continued)**

The main actuarial assumptions used by the Company were the following:

	<u>12.31.13</u>	<u>12.31.12</u>	<u>12.31.11</u>
Discount rate	6%	6%	6%
Salary increase	2%	2%	2%
Inflation	25%	29%	29%

The annual 6% real discount rate is reasonable considering the market rates for Argentine government bonds at December 31, 2010. The IRR of Argentine government bonds has been significantly influenced, since mid-2011, by the global macroeconomic context, and the probability of default thereon is assumed to be higher than the credit risk of large corporations. Subsequently, the rates increased due to a significant increase of the risk of default, unrelated to the risk of well-established firms whose risk of default on their obligations has not changed in such proportion.

The following information shows the effect of a 1% variation in the discount rate for the projection at December 31, 2013:

	<u>Changes in premises</u>	<u>Increase in premises</u>	<u>Decrease in premises</u>
Discount rate	1%	6,30%	7,24%
Salary growth rate	1%	6,83%	6,05%

Payments expected benefits are:

	<u>From 1 to 2 years</u>	<u>From 2 to 3 years</u>	<u>From 3 to 4 years</u>	<u>From 4 to 5 years</u>	<u>More than 5 years</u>
<b>At December 31, 2013</b>					
Benefit payment obligations	3,490	2,398	3,933	5,117	80,899

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 “1971 Group Annuity Mortality” table has been used. In general, a mortality table shows for each age group the probability that a person 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 the Company 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, 2013.

These benefits do not apply to key management personnel.

**27. Income tax and tax on minimum presumed income / Deferred tax**

At the date of issuance of these Consolidated Financial Statements, there are no significant changes with respect to the situation reported by the Company as of December 31, 2012, except for the following:

As a consequence of the issuance of SE Resolution 250/13 and SE Note 6852/13 described in Note 2.c.III, as of December 31, 2013 the Company generated taxable profit. Therefore, and in accordance with IFRS, the Company recognized in the accounting tax losses carryforward from prior years for an amount of \$ 406.8 million, which have been applied to assess the tax expense for the period.

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

	<b>12.31.13</b>	<b>12.31.12</b>
<i>Deferred tax assets:</i>		
Deferred tax assets to be recovered in more than 12 months	339,113	373,351
	<b>339,113</b>	<b>373,351</b>
<i>Deferred tax liabilities:</i>		
Deferred tax liabilities to be recovered in more than 12 months	(412,540)	(603,762)
	<b>(412,540)</b>	<b>(603,762)</b>
<b>Net deferred tax liabilities</b>	<b>(73,427)</b>	<b>(230,411)</b>

The amounts of deferred tax assets and liabilities considered as of December 31, 2013, 2012 and 2011, respectively, are detailed below:

<b>Balance at January 1, 2011</b>	<b>(250,279)</b>
Charged to the statement of comprehensive loss	(108,662)
Charged to other comprehensive loss	10,192
<b>Balance at December 31, 2011</b>	<b>(348,749)</b>
Charged to the statement of comprehensive loss	119,984
Charged to other comprehensive loss	(1,646)
<b>Balance at December 31, 2012</b>	<b>(230,411)</b>
Charged to the statement of comprehensive income	44,116
Charged to other comprehensive income	7,333
Discontinued operations (Note 37)	105,535
<b>Balance at December 31, 2013</b>	<b>(73,427)</b>

**EDENOR S.A.**  
**Notes to the Consolidated Financial Statements as of December 31, 2013 and 2012 (continued)**

The detail of the income tax expense is disclosed below:

	<b>12.31.13</b>	<b>12.31.12</b>	<b>12.31.11</b>
Deferred tax	(149,651)	(99,779)	152,971
<b>Income tax</b>	<b>(149,651)</b>	<b>(99,779)</b>	<b>152,971</b>
	<b>12.31.13</b>	<b>12.31.12</b>	<b>12.31.11</b>
Loss before income tax	823,751	(1,147,020)	(84,797)
Discontinued operations (Note 37)	-	56,192	85,918
<b>Subtotal</b>	<b>823,751</b>	<b>(1,090,828)</b>	<b>1,121</b>
Applicable tax rate	35%	35%	35%
<b>Gain (Loss) Profit at the tax rate</b>	<b>288,313</b>	<b>(381,790)</b>	<b>392</b>
Tax effects of:			
Permanent differences	(52,120)	4,348	3,568
Previously unrecognized losses carry forward	(385,844)	262,059	149,011
Difference between provision and tax return	-	15,604	-
<b>Income tax - Continuing operations</b>	<b>(44,116)</b>	<b>(116,717)</b>	<b>105,129</b>
<b>Income tax - Discontinued operations</b>	<b>(105,535)</b>	<b>16,938</b>	<b>47,842</b>

Tax losses carryforward in effect (not recognized) at December 31, 2013 are as follow:

<b>Tax loss carryforward</b>	<b>Amount</b>	<b>Rate 35%</b>	<b>Year of expiration</b>
Generated in fiscal year 2009	12,088	4,231	2014
Generated in fiscal year 2010	20,837	7,293	2015
Generated in fiscal year 2011	-	-	2016
Generated in fiscal year 2012	129,928	45,475	2017
Generated in fiscal year 2013	-	-	2018
<b>Total tax loss carryforward al December 31, 2013</b>	<b>162,853</b>	<b>56,999</b>	

Additionally, at December 31, 2013, the minimum presumed income tax receivable of \$ 127.4 million has been disclosed in the Other non-current receivables account (Note 13).

The detail of the aforementioned receivable is as follows:

<b>Minimum presumed income tax receivable</b>	<b>Amount</b>	<b>Year of expiration</b>
Generated in fiscal year 2010	17,330	2020
Generated in fiscal year 2011	32,848	2021
Generated in fiscal year 2012	32,105	2022
Generated in fiscal year 2013	45,102	2023
	<b>127,385</b>	

**28. Tax liabilities**

	<b>12.31.13</b>	<b>12.31.12</b>
<b>Non-current:</b>		
Tax regularization plan	4,406	9,971
<b>Total Non-current</b>	<b>4,406</b>	<b>9,971</b>
<b>Current:</b>		
Income tax provision net of the minimum presumed income tax credit	-	4,525
Tax on minimum presumed income payable	24,876	70,487
Provincial, municipal and federal contributions and taxes	53,620	88,720
VAT payable	-	21,204
Tax withholdings	25,761	15,749
SUSS (Social Security System) withholdings	1,582	665
Municipal taxes	36,170	40,462
Tax regularization plan	40,460	2,825
Tax-related interest payable	-	8,937
<b>Total Current</b>	<b>182,469</b>	<b>253,574</b>

**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 Transformer 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 Transformer Center (two buildings and a plot of land located within the perimeter of Central Nuevo Puerto and Puerto Nuevo) and Las Heras substation.

As of December 31, 2013 and 2012, future minimum lease payments with respect to operating leases are as follow:

	<b>12.31.13</b>	<b>12.31.12</b>
2013	-	16,653
2014	21,046	17,006
2015	10,998	9,657
2016	4,943	4,943
2017	4,752	4,753
2018	147	147
2019	147	-
<b>Total future minimum lease payments</b>	<b>42,033</b>	<b>53,159</b>

Total rental expenses for all operating leases for the years ended December 31, 2013 and 2012 are as follow:

	<b>12.31.13</b>	<b>12.31.12</b>
<b>Total lease expenses</b>	<b>19,786</b>	<b>14,687</b>

- **As lessor**

**EDENOR S.A.**  
**Notes to the Consolidated Financial Statements as of December 31, 2013 and 2012 (continued)**

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.

As of December 31, 2013 and 2012, future minimum lease collections with respect to operating leases are as follow:

	<b>12.31.13</b>	<b>12.31.12</b>
2013	-	42,817
2014	51,620	3,299
2015	48,023	146
2016	28	-
2017	-	-
2018	-	-
2019	-	-
<b>Total future minimum lease collections</b>	<b>99,671</b>	<b>46,262</b>

Total rental income for all operating leases for the years ended December 31, 2013 and 2012 is as follows:

	<b>12.31.13</b>	<b>12.31.12</b>
<b>Total lease income</b>	<b>41,538</b>	<b>34,762</b>

**30. Provisions**

	<b>Non Current Liabilities</b>	<b>Current Liabilities</b>
	Contingencies	Contingencies
<b>Balances at beginning of year</b>		
<b>01.01.11</b>	<b>6,816</b>	<b>57,832</b>
Increases	3,000	13,634
Decreases	-	(10,958)
Reclassifications	53,541	(53,541)
Discontinued operations	2,787	3,377
<b>Balances at end of year 31.12.11</b>	<b>66,144</b>	<b>10,344</b>
Increases	13,366	11,414
Decreases	-	(12,050)
Discontinued operations (Note 37)	509	785
<b>Balances at end of year 12.31.12</b>	<b>80,019</b>	<b>10,493</b>
Increases	14,638	21,395
Decreases	(8,240)	(17,059)
Discontinued operations (Note 37)	(3,296)	(4,162)
<b>Balances at end of year 12.31.13</b>	<b>83,121</b>	<b>10,667</b>

**31. Revenue from sales**

	<b>12.31.13</b>	<b>12.31.12</b>	<b>12.31.11</b>
Sales of electricity (1)	3,393,759	2,936,661	2,273,260
Right of use on poles	41,538	34,762	22,511
Connection charges	4,218	3,275	4,270
Reconnection charges	1,176	1,484	2,004
	<b>3,440,691</b>	<b>2,976,182</b>	<b>2,302,045</b>

(1) Includes revenue from the application of Resolution 347/12 for \$ 491.5 million and \$ 54.4 million for the years ended December 31, 2013 and 2012, respectively.

**EDENOR S.A.**  
**Notes to the Consolidated Financial Statements as of December 31, 2013 and 2012 (continued)**

**32. Expenses by nature**

The detail of expenses by nature is as follows:

Description	<b>12.31.13</b>			
	Transmission and Distribution Expenses	Selling Expenses	Administrative Expenses	Total
Salaries and social security taxes	790,667	179,355	149,933	<b>1,119,955</b>
Pension plan	14,748	3,728	4,064	<b>22,540</b>
Communications expenses	7,714	32,629	1,805	<b>42,148</b>
Allowance for the impairment of trade and other receivables	-	38,017	-	<b>38,017</b>
Supplies consumption	121,918	-	7,735	<b>129,653</b>
Rent and insurance	6,063	-	21,867	<b>27,930</b>
Security services	17,967	553	10,390	<b>28,910</b>
Fees and remuneration for services	665,136	198,458	103,421	<b>967,015</b>
Public relations and marketing	-	-	4,460	<b>4,460</b>
Advertising and sponsorship	-	-	2,298	<b>2,298</b>
Reimbursements to personnel	1,024	179	1,036	<b>2,239</b>
Depreciation of property, plant and	194,815	9,105	8,228	<b>212,148</b>
Directors and Supervisory Committee	-	-	2,507	<b>2,507</b>
ENRE penalties	234,803	52,700	-	<b>287,503</b>
Taxes and charges	-	33,435	5,460	<b>38,895</b>
Other	430	97	1,564	<b>2,091</b>
<b>Total at 12.31.2013</b>	<b>2,055,285</b>	<b>548,256</b>	<b>324,768</b>	<b>2,928,309</b>

The expenses included in the chart above are net of the Company's own expenses capitalized in property, plant and equipment as of December 31, 2013 for \$ 124.2 million.

Description	<b>12.31.12</b>			
	Transmission and Distribution Expenses	Selling Expenses	Administrative Expenses	Total
Salaries and social security taxes	454,090	114,771	125,134	<b>693,995</b>
Pension plans	13,324	3,368	3,672	<b>20,364</b>
Communications expenses	7,549	20,493	1,703	<b>29,745</b>
Allowance for the impairment of trade and other receivables	-	17,149	-	<b>17,149</b>
Supplies consumption	85,144	-	6,510	<b>91,654</b>
Rent and insurance	3,937	-	17,208	<b>21,145</b>
Security services	11,826	680	4,256	<b>16,762</b>
Fees and remuneration for services	478,448	154,047	74,540	<b>707,035</b>
Public relations and marketing	-	-	3,419	<b>3,419</b>
Advertising and sponsorship	-	-	1,761	<b>1,761</b>
Reimbursements to personnel	1,003	197	794	<b>1,994</b>
Depreciation of property, plant and	182,137	7,165	3,252	<b>192,554</b>
Directors and Supervisory Committee	-	-	2,543	<b>2,543</b>
ENRE penalties	106,557	10,386	-	<b>116,943</b>
Taxes and charges	-	24,618	3,516	<b>28,134</b>
Other	101	64	1,087	<b>1,252</b>
<b>Total at 12.31.2012</b>	<b>1,344,116</b>	<b>352,938</b>	<b>249,395</b>	<b>1,946,449</b>

The expenses included in the chart above are net of the Company's own expenses capitalized in property, plant and equipment as of December 31, 2012 for \$ 107.5 million.

**EDENOR S.A.**  
**Notes to the Consolidated Financial Statements as of December 31, 2013 and 2012 (continued)**

Description	12.31.11			Total
	Transmission and Distribution Expenses	Selling Expenses	Administrative Expenses	
Salaries and social security taxes	401,104	89,376	80,485	570,965
Pension plans	6,964	1,552	1,397	9,913
Communications expenses	6,492	16,293	2,760	25,545
Allowance for the impairment of trade and other receivables	-	13,184	-	13,184
Supplies consumption	53,035	1,106	3,102	57,243
Rent and insurance	3,281	272	13,398	16,951
Security services	8,135	466	3,652	12,253
Fees and remuneration for services	235,440	109,173	60,244	404,857
Public relations and marketing	-	-	11,212	11,212
Advertising and sponsorship	-	-	5,845	5,845
Reimbursements to personnel	1,048	1,334	1,530	3,912
Depreciation of property, plant and equipment	180,059	1,996	2,737	184,792
Directors and Supervisory Committee	-	-	4,337	4,337
ENRE penalties	74,753	6,305	-	81,058
Taxes and charges	-	20,787	2,101	22,888
Other	190	104	3,802	4,096
<b>Total at 12.31.2011</b>	<b>970,501</b>	<b>261,948</b>	<b>196,602</b>	<b>1,429,051</b>

The expenses included in the chart above are net of the Company's own expenses capitalized in property, plant and equipment as of December 31, 2011 for \$ 79.9 million.

**EDENOR S.A.**  
**Notes to the Consolidated Financial Statements as of December 31, 2013 and 2012 (continued)**

**33. Other income / (expense)**

	<u>12.31.13</u>	<u>12.31.12</u>	<u>12.31.11</u>
<b>Other operating income</b>			
Services provided to third parties	21,700	15,865	14,898
Commissions on municipal taxes collection	8,638	6,650	5,387
Other net income with Related Companies	3,857	2,790	-
Recovery of trade receivables	4,318	-	-
Recovery of tax credits	-	5,112	-
Advance payments received for subsidiaries sale agreements	8,868	-	-
Others	14,199	1,846	2,214
<b>Total other operating income</b>	<u><b>61,580</b></u>	<u><b>32,263</b></u>	<u><b>22,499</b></u>
<b>Other operating expense</b>			
Net expense from technical services	(15,541)	(10,597)	(5,148)
Cost for services provided to third parties	(9,035)	(13,688)	(8,019)
Voluntary Retirements - Bonuses	(15,876)	(10,126)	(10,897)
Severance paid	(4,924)	(4,819)	(5,844)
Impairment of other receivables (Note 37)	-	(37,266)	-
Provision for contingencies	(36,033)	(24,780)	(16,634)
Disposals of property, plant and equipment	(1,230)	(1,849)	(1,751)
Disposals of intangible assets	-	-	-
Transaction costs	(55,548)	(47,086)	(41,286)
Transaction costs	-	-	(4,269)
Others	(4,590)	-	-
<b>Total other operating expense</b>	<u><b>(142,777)</b></u>	<u><b>(150,211)</b></u>	<u><b>(93,848)</b></u>

**EDENOR S.A.**  
**Notes to the Consolidated Financial Statements as of December 31, 2013 and 2012 (continued)**

**34. Net financial expense**

	<b>12.31.13</b>	<b>12.31.12</b>	<b>12.31.11</b>
<u>Financial income</u>			
Late payment charges	45,383	25,723	31,269
Financial interest (1) (2)	241,685	49,782	22,252
<b>Total financial income</b>	<b>287,068</b>	<b>75,505</b>	<b>53,521</b>
<u>Financial expenses</u>			
Financial interest (3)	(155,388)	(150,130)	(141,287)
Tax-related interest	(13,357)	(10,834)	(2,501)
Commercial interest	(325,796)	(64,501)	(5,137)
Bank fees and expenses	(10,313)	(511)	(1,644)
<b>Total financial expenses</b>	<b>(504,854)</b>	<b>(225,976)</b>	<b>(150,569)</b>
<u>Other financial expense</u>			
Exchange differences	(365,759)	(192,879)	(100,341)
Adjustment to present value	2,378	(2,196)	1,170
Changes in fair value of financial assets	16,097	39,053	14,753
Net gain from the repurchase of Corporate Notes	88,879	-	6,546
Other financial expense	(14,705)	(12,084)	(15,595)
<b>Total other financial expense</b>	<b>(273,110)</b>	<b>(168,106)</b>	<b>(93,467)</b>
<b>Total net financial expense</b>	<b>(490,896)</b>	<b>(318,577)</b>	<b>(190,515)</b>

- (1) Includes interest on cash equivalents at December 31, 2013, 2012 and 2011 for \$ 2.9 million, \$ 32.6 million and \$ 3.3 million, respectively.
- (2) Includes net interest for 197.5 million relating to the CMM and the PUREE (Note 2.C.III).
- (3) Net of interest capitalized at December 31, 2013, 2012 and 2011 for \$ 24.5 million, \$ 25.4 million and \$ 16.2 million, respectively.

**35. Basic and diluted earnings (loss) per share**

**Basic**

The basic earnings (loss) per share are calculated 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, 2013 and 2012, excluding common shares purchased by the Company and held as treasury shares.

The basic earnings (loss) per share coincide with the diluted earnings (loss) per share, inasmuch as the Company has issued neither preferred shares nor corporate notes convertible into common shares.

	<b>12.31.13</b>		<b>12.31.12</b>		<b>12.31.11</b>	
	<b>Continuing Operations</b>	<b>Discontinued Operations</b>	<b>Continuing Operations</b>	<b>Discontinued Operations</b>	<b>Continuing Operations</b>	<b>Discontinued Operations</b>
Profit (Loss) for the year attributable to the owners of the parent.	867,867	(96,128)	(1,030,303)	13,833	(166,974)	(137,083)
Weighted Average number of common shares outstanding	864,152	864,152	897,043	897,043	897,043	897,043
<b>Basic and Dilute Earnings (Loss) per share - in pesos</b>	<b>1.00</b>	<b>(0.11)</b>	<b>(1.15)</b>	<b>0.02</b>	<b>(0.19)</b>	<b>(0.14)</b>

**36. Related-party transactions**

- The following transactions were carried out with related parties:

**a. Income**

<b><u>EDENOR</u></b>				
<b><u>Company</u></b>	<b><u>Description</u></b>	<b><u>12.31.13</u></b>	<b><u>12.31.12</u></b>	<b><u>12.31.11</u></b>
CYCSA	Other income	3,857	2,790	352
PYSSA	Interest	-	-	25
PESA	Interest	11,606	5,572	-
		<b><u>15,463</u></b>	<b><u>8,362</u></b>	<b><u>377</u></b>

**b. Expense**

<b><u>EDENOR</u></b>				
<b><u>Company</u></b>	<b><u>Description</u></b>	<b><u>12.31.13</u></b>	<b><u>12.31.12</u></b>	<b><u>12.31.11</u></b>
EASA	Technical advisory services on financial matters	(13,599)	(11,325)	(10,080)
SACME	Operation and oversight of the electric power transmission system	(14,745)	(10,883)	(8,009)
Salaverri, Dellatorre, Burgio y Wetzler Malbrán	Legal fees	(1,069)	(685)	(3,534)
PYSSA	Financial and granting of loan services to customers	(95)	(74)	(90)
PESA	Financing expenses and costs	-	-	(1,760)
		<b><u>(29,508)</u></b>	<b><u>(22,967)</u></b>	<b><u>(23,473)</u></b>

- The balances with related parties are as follow:

**c. Receivables and payables**

<b><u>EDENOR</u></b>		
<b><u>Company</u></b>	<b><u>12.31.13</u></b>	<b><u>12.31.12</u></b>
<b><u>Other receivables</u></b>		
SACME	7,935	9,007
PESA	-	43,285
CYCSA	530	-
	<b><u>8,465</u></b>	<b><u>52,292</u></b>

<b><u>EDENOR</u></b>		
<b><u>Company</u></b>	<b><u>12.31.13</u></b>	<b><u>12.31.12</u></b>
<b><u>Other payables</u></b>		
SACME	(2,027)	(2,375)
EASA	(1)	-
PESA	-	(7)
	<b><u>(2,028)</u></b>	<b><u>(2,382)</u></b>

<b><u>EDEN</u></b>		
<b><u>Company</u></b>	<b><u>12.31.13</u></b>	<b><u>12.31.12</u></b>
<b><u>Trade payables</u></b>		
POWERCO	-	(873)
EASA	-	(11,178)
CTG	-	(488)
CPB	-	(1,718)
	<b><u>-</u></b>	<b><u>(14,257)</u></b>

**EDENOR S.A.**  
**Notes to the Consolidated Financial Statements as of December 31, 2013 and 2012 (continued)**

**d.** Key management personnel's remuneration

	<b>12.31.13</b>	<b>12.31.12</b>	<b>12.31.11</b>
Salaries	33,898	32,648	29,128
	<b>33,898</b>	<b>32,648</b>	<b>29,128</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 detailed below:

*(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 ENRE Resolution No. 381/07.

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.

**37. Assets and liabilities of disposal group classified as held for sale and discontinued operations**

**Sale of EMDERSA/EDELAR**

On September 17, 2013, the Company Board of Directors approved the sending to Energía Riojana S.A. (ERSA) and the Government of the Province of La Rioja of an irrevocable offer for (i) the sale of the indirect stake held by the Company in EMDERSA, the parent company of EDELAR, and (ii) the assignment for valuable consideration of certain receivables which the Company has with EMDERSA and EDELAR. On October 4, 2013, the Company received the acceptance of the Offer by ERSA and the Government of the Province of La Rioja in its capacity as controlling shareholder of the buyer. The transaction was closed and effectively carried out on October 30, 2013. The price agreed upon in the aforementioned agreement amounts to \$ 75.2 million and is payable in 120 monthly and consecutive installments, with a grace period of 24 months, to commence from the closing date of the transaction, for the payment of the first installment.

Furthermore, on August 5, 2013 the Company was notified of ENRE Resolution 216/2013, whereby the Regulatory agency declared that the procedure required by Section 32 of Law No. 24,065 with respect to the purchase of EMDERSA, AESEBA and their respective subsidiaries made by the Company in March 2011 had been complied with, formally authorizing the acquisition thereof.

The transaction was closed on October 30, 2013 together with the holding of the Ordinary Shareholders' Meeting that appointed new authorities and approved the actions taken by the outgoing Directors and Supervisory Committee members.

**Sale of AESEBA/EDEN's assets**

In February 2013 the Company received offers from two investment groups for the acquisition of the total number of shares of AESEBA, the parent company of EDEN. On February 27, 2013, the Company Board of Directors unanimously approved the acceptance of the Offer Letter sent by Servicios Eléctricos Norte BA S.L. (the "Buyer") for the acquisition of the shares representing 100% of AESEBA's capital stock and voting rights. The price offered by the buyer is payable through the delivery of Edenor debt securities for an amount equivalent, considering their quoted price at the date of the acceptance, to approximately USD 85 million of nominal value. Such price was fixed in Bonar 2013 sovereign debt bonds or similar bonds ("the Debt Securities") for a value equivalent to \$ 334.3 million at the closing of the transaction, considering the market value of such government bonds at that time.

In this regard, a Trust was set up in March 2013 by the Settlor (the Buyer), the Trustee (Equity Trust Company from Uruguay) and the Company.

At the closing date of the transaction, which took place on April 5, 2013, the buyer deposited in the Trust cash and Debt Securities for the equivalent of \$ 262 million pesos, considering the market value of those government bonds at the closing date, and, prior to December 31, 2013, the buyer will be required to deposit in the Trust Debt Securities for the equivalent of 8.5 million of nominal value divided by the average price of purchase thereof. At the closing of the transaction, the Company received the rights as beneficiary under the Trust. With the proceeds of the liquidation of the bonds received the Trust will purchase Edenor Class 9 and Class 7 Corporate Notes due in 2022 and 2017, respectively.

As of the date of these consolidated Financial Statements, the Trust has purchased USD 10 million and USD 50.3 million nominal value of Edenor Corporate Notes due in 2017 and 2022, respectively.

In this manner, the Company divested the AESEBA segment, which resulted in a loss of \$ 96.5 million, included within the (loss) profit from discontinued operations, after tax-related effects and without considering the results of the repurchase of Corporate Notes, which will be recognized by the Company as long as such transaction takes place. At December 31, 2013, and due to the repurchases of the Company's own debt made by the Trust, the Company recorded a gain of \$ 71.7 million included in the "Other financial expense" line item of the Statement of Comprehensive Income (Loss).

**EGSSA SALE**

On October 11, 2011, the Company 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 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 2.2 million was made on October 31, 2011 as partial payment of the price, and the remaining balance, i.e. an amount of USD 8.7 million was paid on October 4, 2013 by an equivalent of \$ 53.3 million as principal and interest.

The aforementioned payment was made in cash for \$ 0.5 million and through the delivery of the Company’s Class 9 Corporate Notes due 2022 for a nominal value of USD 10 million.

**Classification of assets 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 Management has decided to divest and subsequently sell the companies comprising EMDERSA, classifying them as Assets available for sale and associated liabilities, discontinuing their activities at December 31, 2011.

The indicated Assets and Liabilities are part of the EMDERSA business segment and have been valued at realizable value, which is lower than their equity value.

The respective charges to profit or loss have been included in the (loss) profit from discontinued operations line item in the Company’s Consolidated Statement of Comprehensive (Loss).

In order to determine the realizable value, the Company used the values of the offers received for EDELAR and EGSSA and the acquisition values of the other companies.

The main types of assets and liabilities of the disposal group held for sale are as follow:

	<b>12.31.13</b>	<b>12.31.12</b>
Property, plant and equipment and Intangible assets (*)	-	100,197
Inventories	-	1,148
Trade and other receivables	-	74,026
Deferred tax assets	-	36,873
Cash and cash equivalents	-	11,154
<b>Total assets of disposal group classified as held for sale</b>	<b>-</b>	<b>223,398</b>
Trade payables	-	126,335
Borrowings	-	4,623
Salaries and social security taxes payable	-	10,012
Tax liabilities	-	6,073
Other payables	-	914
Provisions	-	9,310
<b>Total liabilities of disposal group classified as held for sale</b>	<b>-</b>	<b>157,267</b>

(\*) The breakdown of the account is as follows:

Property, plant and equipment and Intangible assets:	-	115,945
Impairment from valuation at net realizable value:	-	(15,748)
<b>Total Property, plant and equipment and Intangible assets:</b>	<b>-</b>	<b>100,197</b>

**EDENOR S.A.**  
**Notes to the Consolidated Financial Statements as of December 31, 2013 and 2012 (continued)**

The financial statements related to discontinued operations are disclosed below:

**a. Statements of comprehensive (loss) income**

	<u>12.31.13</u>	<u>12.31.12</u>	<u>12.31.11</u>
Revenue from sales	399,619	1,175,391	1,268,048
Revenue from construction	9,028	117,615	87,374
Cost of sales	(164,241)	(523,026)	(459,079)
Cost of construction	(9,028)	(117,615)	(87,374)
<b>Gross profit</b>	<u><b>235,378</b></u>	<u><b>652,365</b></u>	<u><b>808,969</b></u>
Transmission and distribution expenses	(104,392)	(401,394)	(299,940)
Selling expenses	(56,439)	(135,072)	(147,229)
Administrative expenses	(36,855)	(94,140)	(128,233)
Other operating income	1,865	53,328	8,170
Other operating expense	(2,600)	(10,296)	(7,632)
Gain from interest in joint ventures	-	-	924
<b>Operating profit</b>	<u><b>36,957</b></u>	<u><b>64,791</b></u>	<u><b>235,029</b></u>
Financial income	14,803	10,522	4,037
Financial expenses	(28,576)	(66,500)	(44,292)
Other financial expense	(7,473)	(3,620)	(23,472)
<b>Net financial expense</b>	<u><b>(21,246)</b></u>	<u><b>(59,598)</b></u>	<u><b>(63,727)</b></u>
<b>Profit before taxes</b>	<u><b>15,711</b></u>	<u><b>5,193</b></u>	<u><b>171,302</b></u>
Income tax and tax on minimum presumed income	(7,136)	22,140	(47,842)
<b>Profit after taxes</b>	<u><b>8,575</b></u>	<u><b>27,333</b></u>	<u><b>123,460</b></u>
Loss on subsidiary sale	(185,959)	-	-
Loss (Gain) from assets made available for sale	(7,146)	(10,446)	(247,867)
Tax effect	89,422	-	-
<b>Gain (loss) for the year</b>	<u><b>(95,108)</b></u>	<u><b>16,887</b></u>	<u><b>(124,407)</b></u>
<b>Gain (loss) for the year attributable to:</b>			
Owners of the parent	(96,128)	13,833	(137,083)
Non-controlling interests	1,020	3,054	12,676
	<u><b>(95,108)</b></u>	<u><b>16,887</b></u>	<u><b>(124,407)</b></u>

**b. Statements of cash flows**

	<u>12.31.13</u>	<u>12.31.12</u>	<u>12.31.11</u>
Net cash flows provided by operating activities	168,628	287,788	332,023
Net cash flows used in investing activities	(124,246)	(232,131)	(610,893)
Net cash flows used in financing activities	25,388	136,786	55,889
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u><b>69,770</b></u>	<u><b>192,443</b></u>	<u><b>(222,981)</b></u>

At December 31, 2012, the assets and liabilities of the disposal group classified as held for sale and discontinued operations were valued, in accordance with the terms of the aforementioned agreement, at net realizable value, which is lower than their book values.

**EDENOR S.A.**  
**Notes to the Consolidated Financial Statements as of December 31, 2013 and 2012 (continued)**

The detail thereof is disclosed below:

*a. Information on assets and liabilities*

	<b>12.31.13</b>	<b>12.31.12</b>
Emdersa Holding's equity	-	56,107
Percentage interest held	0.00%	99.99%
<b>Value on equity method:</b>	-	<b>56,101</b>

**Assets and liabilities of disposal group classified as held for sale at Net Realizable Value - EMDERSA:**

	-	<b>41,518</b>
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**Assets and liabilities of disposal group classified as held for sale at Net Realizable Value at beginning of year:**

	<b>41,518</b>
Addition for the year - Aeseba	480,949
Loss on Net Realizable Value Emdersa	(8,483)
Loss on Net Realizable Value Aeseba	(146,609)
Disposal for the year - Aeseba	(334,340)
Disposal for the year - Emdersa	(33,035)

**Assets and liabilities of disposal group classified as held for sale at Net Realizable Value at end of period:**

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*b. Information on the result of discontinued operations*

Loss for the period on interest in Emdersa	(1,337)
Loss on measurement at Net Realizable Value Emdersa	(7,146)
Gain for the period from interest in Aeseba	8,517
Loss on measurement at Net Realizable Value Aeseba	(146,609)
Impairment of receivable with Aeseba	(39,350)
Income tax associated with discontinued operations	89,422
Intercompany eliminations	375
<b>Loss from discontinued operations attributable to the owners</b>	<b>(96,128)</b>
Non-controlling interest	1,020
<b>Loss from discontinued operations</b>	<b>(95,108)</b>

The aforementioned transactions did not generate results for the Company.

**38. 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 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. (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 company named EDESAL 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.

**39. Merger process – EMDERSA HOLDING S.A.**

On December 20, 2013, the Company Extraordinary Shareholders' Meeting approved the merger of Emdersa Holding S.A. (as the acquired company, which will be dissolved without liquidation) with and into Edenor S.A. (as the acquiring and surviving company), as well as all the documentation and information required for such purpose by the applicable regulations. The effective reorganization date for legal, accounting and tax purposes are retroactive to October 1, 2013. As of the date of issuance of these Financial Statements, the administrative approval thereof by the *Inspección General de Justicia* (Argentine governmental regulatory agency of corporations) is in process.

**40. Ground for corporate dissolution due to loss of capital stock**

As of March 31, 2013, the Company's negative equity amounted to \$ 92.25 million, thus rendering it subject to compliance with the provisions of Section 94, sub-section 5, of the Argentine Business Organizations Law No. 19,550, which provide for the dissolution of companies in the event of loss of capital stock. Thanks to the issuance of SE Resolution 250/13 and SE Note 6852/13 described in Note 2.c.III, the Company has overcome such situation.

**41. 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 tariff increase granted to distribution companies by ENRE Resolution 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 1/03, 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 CAMESA by the Company as from the commencement date of the project, through contributions in cash, supplies and services totals \$ 45.8 million. 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 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.

In summary, at the date of these Consolidated Financial Statements:

- 1) The Company, as agreed, has made contributions to CAMESA 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.

During the first half of 2013, the interconnection works between Costanera and Puerto Nuevo Transformer Stations with Malaver Transformer Station were brought into service. The Company and Edesur were to contribute 30% of the total execution cost of the works, whereas the remaining 70% is to be absorbed by CAMESA.

Consequently, as of December 31, 2013, the Company recognized as facilities in service in the Property, plant and equipment account its participation in the total of the works for an amount of \$ 85.2 million, \$ 48.9 million of which have not yet been contributed, a debt which is disclosed in Other payables account of Current Liabilities.

The Company is still awaiting the Energy Secretariat’s definition concerning who will be appointed as the owner of the totality of the works and the final 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.

#### **42. Electric works arrangement - Agreement for the supply of electric power to Mitre and Sarmiento railway lines**

In September 2013, the Company and the Interior and Transport Ministry entered into a supply and financial contribution arrangement pursuant to which the Federal Government will finance the necessary electric works aimed at adequately meeting the greater power requirements of the Mitre and Sarmiento railway lines.

The total cost of the works amounts to \$ 114.3 million. The Federal Government will bear the costs of the so called “exclusive facilities”, which amount to \$ 59.9 million, whereas the costs of the remaining works will be financed by the Federal Government and reimbursed by the Company.

The financed amount of \$ 54.4 million will be reimbursed by the Company in seventy-two monthly and consecutive installments, as from the first month immediately following the date on which the Works are authorized and brought into service.

As of December 31, 2013, the Company received disbursements for \$ 20 million which are recognized as Non-current trade payables – Customer contributions (Note 21).

At the completion of the works, the portion borne by the Federal Government will be recognized as Non-refundable customer contributions.

**43. Construction works - San Miguel and San Martín Transformer Centers**

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 currently 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, 2013, 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.

**44. Events after the reporting period**

**Development of the economic context in which the Company operates**

Subsequent to the closing date of these financial statements, the economic context in which the Company operates has been affected by a devaluation of the Argentine peso of approximately 20 % since the date to which these Financial Statements refer, a situation which affects the Company's results. In accordance with Company estimates, such impact results in a loss of approximately \$ 284.1 million, generated almost entirely by the Company's net US dollar passive exposure.

It is not currently possible to anticipate the future development of the Argentine economy or its impact on the Company's economic and financial position, in addition to that disclosed in Note 1. The Company's financial statements must be read in the light of these circumstances.

**Electric works arrangement - Agreement for the supply of electric power to Mitre and Sarmiento railway lines**

With regard to Note 42 to these Financial Statements, on January 30, 2014 the Company collected installment number 1 for \$ 19.8 million.

**Trust - Repurchase of Corporate Notes**

From January 1, 2014 until the date of issuance of these financial statements, the trust mentioned in Note 37 has repurchased at market prices "Class 9 fixed rate Corporate Notes" due in 2022 for a nominal value of USD 16.5 million.

**RICARDO TORRES**  
**Chairman**

## **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 income (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 as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013 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, 2013, based on criteria established in Internal Control – Integrated Framework (1992) 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 the accompanying Management's Annual Report on Internal Control Over Financial Reporting. 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 to the financial statements, the delay in obtaining tariff increases and/or actual cost adjustments recognition 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.

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,  
March 7, 2014.

/s/ PRICE WATERHOUSE & CO. S.R.L.

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Andrés Suarez (Partner)

**Empresa Distribuidora y Comercializadora Norte Sociedad Anónima (EdenorS.A.)**  
**Management's Report on Internal Control Over Financial Reporting**

Edenor S.A.'s Management is responsible for establishing and maintaining adequate internal control over financial reporting for Edenor S.A. as defined in Exchange Act Rule 13a-15(f) and 15d-15(f). Our internal control over financial reporting was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ("IFRS"). Internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of Edenor S.A.;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS and that receipts and expenditures of Edenor S.A. are being made only in accordance with authorizations of Management and directors of Edenor S.A.; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of Edenor S.A.'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 conducted an evaluation of the effectiveness of Edenor S.A.'s internal control over financial reporting based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in 1992. Based on such evaluation, Management concluded that the Edenor S.A.'s internal control over financial reporting was effective as of December 31, 2013. The effectiveness of Edenor S.A.'s internal control over financial reporting as of December 31, 2013 has been audited by Price Waterhouse & Co S.R.L., an independent registered public accounting firm, as stated in their report which accompanies this report.

Edgardo Volosín  
Chief Executive Officer

Leandro Montero  
Chief Financial Officer

Buenos Aires, Argentina  
March 7, 2014