
UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 20-F/A

(Amendment No. 2)

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

For the fiscal year ended December 31, 2015 Commission File number: 001-33422

Empresa Distribuidora y Comercializadora Norte S.A.

(Exact name of registrant as specified in its charter)

Distribution and Marketing Company of the North S.A.

(Translation of registrant's name into English)

Argentine Republic

(Jurisdiction of incorporation or organization)

Avenida Del Libertador 6363

Ciudad de Buenos Aires, C1428ARG

Buenos Aires, Argentina

(Address of principal executive offices)

Leandro Montero

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

Avenida Del Libertador 6363 (C1428ARG)

Buenos Aires, Argentina

Chief Financial Officer

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

Title of each class:

Name of each exchange on which registered

Class B Common Shares

New York Stock Exchange, Inc.*

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

New York Stock Exchange, Inc.

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

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

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

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

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

Yes No

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

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

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

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

Large accelerated filer Accelerated filer Non-accelerated filer

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

U.S. GAAP

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

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

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

EXPLANATORY NOTE

On April 27, 2016, the Company filed its annual report on Form 20-F for the year ended December 31, 2015 (the “Original Annual Report”) with the Securities and Exchange Commission (the “Commission”). On July 21, 2016, the Company filed an amendment to its annual report on Form 20-F for the year ended December 31, 2015 (“Amendment No. 1” and, together with the Original Annual Report, the “Annual Report”).

This amendment on Form 20-F/A (this “Amendment No. 2”) amends and restates the Annual Report solely to include the report of Price Waterhouse & Co. S.R.L., an independent registered public accounting firm.

Amendment No. 1 amended and restated the Original Annual Report, solely to (i) replace (a) Item 3 (*Key Information*), (b) Item 4A (*Unresolved Staff Comments*), (c) Item 5 (*Operating and Financial Review and Prospects*), (d) Item 15 (*Controls and Procedures*) and (e) Item 18 (*Financial Statements*) and (ii) to reflect the restatement in our financial statements for the years ended December 31, 2015 and 2014 as a consequence of changes within the statement of cashflows and to disclose subsequent events through such date. These additions and changes were made in response to comments that we received from the Commission.

In light of the restatement, readers should not rely on the Company’s previously filed financial statements as of each of December 31, 2015 and December 31, 2014, and for each of the years ended December 31, 2015 and December 31, 2014.

Except as provided in this explanatory note, or as indicated in the applicable disclosure, this Amendment No. 2 has not been updated to reflect other events occurring after the filing of the Original Annual Report or Amendment No. 1 and does not modify or update information and disclosures in the Original Annual Report affected by subsequent events. Accordingly, this Amendment No. 2 should be read in conjunction with our filings with the Commission subsequent to the date on which we filed the Original Annual Report, together with any amendments to those filings.

This Amendment No. 2 also includes certifications from our Chief Executive Officer and Chief Financial Officer, dated as of the date of this filing.

PART I

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;
- 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, 2015, 2014, 2013, 2012 and 2011. This information should be read in conjunction with our audited restated financial statements as of December 31, 2015 and 2014 and for each of the three years in the period ended December 31, 2015 (the “Restated 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, 2015, has been derived from our Restated Financial Statements.

Our Restated Financial Statements have been prepared in accordance with International Financing Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), and these have been approved by resolution of the board of directors’ meeting held on July 20, 2016. See “Item 18—Financial Statements.”

The selected statement of comprehensive (loss) income data for the years ended December 31, 2015, 2014, 2013, 2012 and 2011, and the selected statement of financial position data as of December 31, 2015, 2014, 2013, 2012 and 2011 have been prepared in accordance with IFRS, as issued by the IASB, and have been derived from our financial statements, which were audited by Price Waterhouse & Co. S.R.L. (“PwC”), member firm of PricewaterhouseCoopers network. The financial data as of December 31, 2011, 2012 and 2013 is derived from our audited financial statements that are not included in this annual report, which were also audited by PwC.

Despite the delay in the implementation of certain provisions of the Adjustment Agreement, particularly in relation to the implementation of the semi-annual rate adjustments resulting from the CMM (as defined below) and the completion of the RTI process, the recent adoption of certain measures, such as Resolution No. 32/15 of the Argentine Secretariat of Energy (the “SE”) and Resolution No. 7/16 of the Ministry of Energy and Mining (the “Ministry of Energy”), has allowed us to not only maintain the quality and safety of our service but also to satisfy the constant year-on-year increase in demand for electricity following Argentina’s relative economic growth in recent years (especially, from 2012 through 2015). Accordingly, we have been able to absorb the higher costs associated with the increased supply of electricity and to carry out investments and essential operation and maintenance-related works as planned.

During 2015, we recorded positive operating and net income reversing the negative economic and financial situation experienced in previous years. Such improvement was achieved mainly as a consequence of the issuance on March 13, 2015 of Resolution No. 32/15 of the SE, which addressed the need for adjustment of the economic and financial situation of distribution companies granting us a temporary increase in income through funds provided by CAMMESA, applicable retroactively as from February 1, 2015, to cover costs and investments associated with the regular provision of the public service of distribution of energy on account of the future RTI.

Notwithstanding the foregoing, as of December 31, 2015, our negative working capital amounted to Ps. 1,811 million, which included debt owed to CAMMESA of Ps. 1,808.6 million plus accrued interest, as described under Note 2.c.IX.e to our Restated Financial Statements, with respect to which we have submitted to CAMMESA a repayment plan in November 2015 based on available and projected cash flows data. As of the date of this annual report, negotiations with CAMMESA continue with respect to a final repayment schedule. On December 16, 2015, the Macri administration issued Decree No. 134/15, which declared the state of emergency with respect to the national electricity system, authorizing the Ministry of Energy to implement a nation-wide plan of action for the generation, transmission and distribution of electricity and to take actions to guarantee the supply of the electricity under adequate economic and technical conditions.

During January 2016, the Ministry of Energy issued Resolutions No. 6/16 and No. 7/16 implementing a new tariff schedule that improved the income of distribution companies such as us to enable them to make investments, carry out maintenance works and expand their networks during 2016. Pursuant to such resolutions, the Argentine Electricity Agency (*Ente Nacional Regulador de la Electricidad*, the “ENRE”) implemented a VAD (as defined below) adjustment to the tariff schedule on account of the future RTI, and is expected to take all necessary action to conclude the RTI process by December 31, 2016.

Notwithstanding the foregoing, our board of directors (the “Board of Directors”) continues evaluating the sufficiency of financial resources allocated to pay for operation costs, investment plans and debt service, together with the impact on the different variables that affect our business, such as demand behavior, losses, penalties and service quality, among others. In addition, our Board of Directors will continue to actively participate in the RTI process, which is expected to be concluded by December 31, 2016 in accordance with Section 5 of Resolution No. 7/16 of the Ministry of Energy.

Our Restated Financial Statements are included in this annual report beginning on page F-1.

In accordance with the decision of our board of directors to divest and sell the subsidiary Aeseba as of March 31, 2013 and the subsidiaries Emdera Holding S.A. (“Emdera Holding” or “EHSA”), including Emdera 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 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 “Income (Loss) 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, 2015 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, 2015, which was Ps. 13.04 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. 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.

Statement of comprehensive (loss) income *

	2015	2015	2014	2013	2012	2011
	US\$	Ps.	Ps.	Ps.	Ps.	Ps.
Continuing operations						
Revenue from sales (1)	291,6	3.802,2	3.598,4	3.440,7	2.976,2	2.302,0
Electric power purchases	(155,1)	(2.022,0)	(1.878,1)	(2.050,3)	(1.740,2)	(1.130,9)
Subtotal	136,5	1.780,2	1.720,3	1.390,4	1.236,0	1.171,1
Transmission and distribution expenses	(241,8)	(3.153,7)	(2.825,1)	(2.055,3)	(1.344,1)	(970,5)
(Loss) Gross income	(105,3)	(1.373,5)	(1.104,8)	(664,9)	(108,1)	200,6
Selling expenses	(63,9)	(832,8)	(657,9)	(548,3)	(352,9)	(261,9)
Administrative expenses	(54,1)	(706,1)	(496,8)	(324,8)	(249,4)	(196,6)
Other operating income	6,1	79,2	52,4	61,6	32,3	22,5
Other operating expense	(38,5)	(502,5)	(318,7)	(142,8)	(150,3)	(93,8)
Gain from acquisition of companies	-	-	-	-	-	435,0
Income from non-reimbursable customer contributions	0,1	0,8	0,8	0,7	-	-
Operating (loss) profit before SE Resolution 250/13 and subsequent Notes	(255,7)	(3.334,9)	(2.525,0)	(1.618,5)	(828,4)	105,8
Income recognition on account of the RTI - SE Resolution 32/15	385,4	5.025,1	-	-	-	-
Higher costs recognition - SE Resolution 250/13 and subsequent Notes	42,3	551,5	2.271,9	2.933,1	-	-
Operating profit (loss)	171,9	2.241,7	(253,1)	1.314,6	(828,4)	105,8
Financial income	7,4	96,2	235,5	287,1	75,5	53,5
Financial expenses (2)	(34,5)	(450,0)	(592,0)	(504,9)	(226,0)	(150,6)
Other financial expense	(43,1)	(561,7)	(324,5)	(273,1)	(168,1)	(93,5)
Net financial (expense) income	(70,2)	(915,5)	(681,0)	(490,9)	(318,6)	(190,6)
Profit (Loss) before taxes	101,7	1.326,2	(934,1)	823,7	(1.147,0)	(84,8)
Income tax	(14,1)	(183,8)	154,4	44,1	116,7	(82,2)
Profit (Loss) for the year from continuing operations	87,6	1.142,4	(779,7)	867,8	(1.030,3)	(167,0)
Discontinued operations	-	-	-	(95,1)	16,9	(124,4)
Profit (Loss) for the year	87,6	1.142,4	(779,7)	772,7	(1.013,4)	(291,4)
Profit (Loss) for the year attributable to:						
Owners of the Company	87,6	1.142,4	(779,7)	771,7	(1.016,5)	(304,1)
Non-controlling interests	-	-	-	1,0	3,1	12,7
Profit (Loss) for the year	87,6	1.142,4	(779,7)	772,7	(1.013,4)	(291,4)
Profit (Loss) for the year attributable to the owners of the parent						
Continuing operations	87,6	1.142,4	(779,7)	867,9	(1.030,3)	(167,0)
Discontinued operations	-	-	-	(96,2)	13,8	(137,1)
Profit (Loss) for the year	87,6	1.142,4	(779,7)	771,7	(1.016,5)	(304,1)

Statement of comprehensive (loss) income * (continued)

	2015	2015	2014	2013	2012	2011
	US\$	Ps.	Ps.	Ps.	Ps.	Ps.
Other comprehensive income						
<i>Items that will not be reclassified to profit or loss</i>						
Results related to benefit plans	(0,3)	(3,7)	(17,8)	(21,0)	7,9	(10,2)
Tax effect of actuarial income (losses) on benefit plans	0,1	1,3	6,2	7,4	(2,8)	3,6
Total other comprehensive loss from discontinued operations	-	-	-	-	(2,1)	(5,7)
Total other comprehensive (loss) income	(0,2)	(2,4)	(11,6)	(13,6)	3,0	(12,3)
Comprehensive income for the year attributable to:						
Owners of the parent	87,4	1.140,0	(791,3)	758,1	(1.013,2)	(315,4)
Non-controlling interests	-	-	-	1,0	2,8	11,7
Comprehensive income (loss) for the year	87,4	1.140,0	(791,3)	759,1	(1.010,4)	(303,7)
Profit (Loss) for the year attributable to the owners of the parent						
Continuing operations	87,4	1.140,0	(791,3)	757,1	(1.025,1)	(173,6)
Discontinued operations	-	-	-	1,0	11,9	(141,8)
Profit (Loss) for the year attributable to the owners of the parent	87,4	1.140,0	(791,3)	758,1	(1.013,2)	(315,4)
Basic and diluted earnings (loss) per share:						
Basic and diluted earnings (loss) per share from continuing operations	0,10	1,27	(0,87)	0,97	(1,15)	(0,19)
Basic and diluted (loss) earnings per share from discontinued operations	-	-	-	(0,11)	0,02	(0,15)
Basic and diluted earnings (loss) per ADS (3):						
Basic and diluted earnings (loss) per ADS from continuing operations	1,95	25,40	(17,40)	19,40	(23,00)	(3,80)
Basic and diluted (loss) earnings per ADS from discontinued operations	-	-	-	(2,20)	0,40	(3,00)

- (*) Certain amounts of the presented financial data for comparative purposes (2014, 2013, 2012 and 2011) have been reclassified (with regard to the financial statements as of such dates) following the disclosure criteria used for the financial statements as of December 31, 2015, 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 No. 347/12.
 - (2) Net of interest capitalized at December 31, 2015, 2014, 2013, 2012 and 2011 for Ps. 255.9, Ps. 123.9 million, Ps. 24.5 million, Ps. 25.4 million and Ps. 16.1 million, respectively.
 - (3) Each ADS represents 20 Class B common shares.

Statement of financial position

	2015	2015	2014	2013	2012	2011
	US\$	Ps.	Ps.	Ps.	Ps.	Ps.
ASSETS						
Non-current assets						
Property, plant and equipment	681.4	8,885.8	6,652.5	5,189.3	4,344.6	3,995.3
Intangible assets	-	-	-	-	845.8	793.0
Interest in joint ventures	-	0.4	0.4	0.4	0.4	0.4
Deferred tax asset	3.8	50.0	87.2	-	-	-
Other receivables	11.8	153.8	249.2	199.4	195.0	50.3
Trade receivables	1.8	23.6	-	-	2.0	45.7
Total non-current assets	698.9	9,113.6	6,989.3	5,389.1	5,387.8	4,884.7
Current assets						
Assets under construction	-	-	-	-	84.5	45.5
Inventories	10.3	134.9	74.0	83.9	85.0	45.3
Other receivables	82.8	1,079.8	250.3	522.1	127.2	76.3
Trade receivables	73.8	963.0	882.9	803.1	889.4	534.7
Financial assets at fair value through profit or loss	119.7	1,560.4	254.4	216.4	3.4	2.1
Derivative financial instruments	0.0	0.2	-	-	-	1.3
Cash and cash equivalents	9.9	129.0	179.1	243.5	71.1	130.5
Total current assets	296.6	3,867.3	1,640.7	1,869.0	1,260.6	835.7
Assets of disposal group classified as held for sale	-	-	-	-	223.4	1,291.1
TOTAL ASSETS	995.4	12,980.9	8,630.0	7,258.1	6,871.8	7,011.5
EQUITY						
Capital and reserves attributable to the owners						
Share capital	68.8	897.0	897.0	897.0	897.0	897.0
Adjustment to share capital	30.5	397.7	397.7	397.7	397.7	986.1
Additional paid-in capital	0.3	3.5	3.5	3.5	3.5	21.8
Treasury stock	0.7	9.4	9.4	9.4	9.4	9.4
Adjustment to treasury stock	0.8	10.3	10.3	10.3	10.3	10.3
Other comprehensive (loss) income	(3.2)	(42.3)	(39.9)	(28.3)	(14.6)	64.0
Accumulated deficit	19.1	249.4	(893.0)	(113.3)	(885.1)	(557.3)
Equity attributable to the owners	116.9	1,525.0	385.0	1,176.3	418.2	1,431.3
Non-controlling interest	-	-	-	-	71.1	415.9
TOTAL EQUITY	116.9	1,525.0	385.0	1,176.3	489.3	1,847.2
LIABILITIES						
Non-current liabilities						
Trade payables	17.3	225.0	231.1	220.8	155.3	87.7
Other payables (1)	183.4	2,391.9	1,644.6	944.7	1,894.8	1,373.7
Borrowings	188.7	2,461.0	1,598.4	1,309.9	1,350.7	1,189.9
Deferred revenue	11.8	153.8	109.1	33.7	264.4	174.8
Salaries and social security taxes payable	6.1	80.0	62.9	26.0	17.5	23.6
Benefit plans	15.7	204.4	150.4	102.7	97.4	83.5
Deferred tax liability	-	-	-	73.4	230.4	348.7
Tax liabilities	0.1	1.9	3.2	4.4	10.0	17.7
Provisions	19.9	259.6	112.1	83.1	80.0	66.1
Total non-current liabilities	443.1	5,777.6	3,911.8	2,798.7	4,100.5	3,365.7
Current liabilities						
Trade payables	343.2	4,475.4	3,299.6	2,481.2	1,208.5	623.7
Other payables (1)	11.6	151.7	187.1	147.2	150.4	128.6
Borrowings	3.7	48.8	34.0	40.6	103.1	59.0
Derivative financial instruments	-	-	5.9	-	-	-
Deferred revenue	0.1	0.8	0.8	-	-	-
Salaries and social security taxes payable	56.2	733.1	610.6	420.9	383.6	275.8
Benefit plans	2.2	28.3	10.6	-	15.0	11.3
Tax liabilities	13.0	169.7	160.5	182.5	253.6	147.7
Provisions	5.4	70.5	24.1	10.7	10.5	10.3
Total current liabilities	435.5	5,678.3	4,333.2	3,283.1	2,124.7	1,256.4
Liabilities of disposal group classified as held for sale	-	-	-	-	157.3	542.2
TOTAL LIABILITIES	878.5	11,455.9	8,245.0	6,081.8	6,382.5	5,164.3
TOTAL LIABILITIES AND EQUITY	995.4	12,980.9	8,630.0	7,258.1	6,871.8	7,011.5

- (1) Includes the amounts collected through the Program for the Rational Use of Electricity Power (PUREE). As of December 31, 2014 and 2013 net of Ps. 2,235.1 million and Ps. 1,661.1 million, respectively, compensated pursuant to Resolution No. 250/2013 and Notes 6852/2013, 4012/14, 486/14 and 1136/14, which as of December 31, 2014, 2013, 2012 and 2011 amounted to Ps. 17.5 million, Ps. 108.6 million, Ps. 1,352 million and Ps. 928.7 million, respectively, included under current and non-current liabilities. Edenor is permitted to retain funds from the PUREE that it would otherwise be required to transfer to CAMMESA according to Resolution No. 1,037/07 of the SE. Since the issuance of Resolution No. 32/15, the PUREE funds are considered part of Edenor's income on account of the future RTI.

Restated Statement of Cash flows

	2015 (Restated) US\$	2015 (Restated) Ps.	2014 (Restated) Ps.	2013 Ps.	2012 Ps.	2011 Ps.
Cash flows from operating activities						
(Loss) Profit for the year	87.6	1,142.4	(779.7)	772.7	(1,013.4)	(291.4)
Adjustments to reconcile net (loss) profit to net cash flows provided by operating activities:						
Depreciation of property, plant and equipment	21.6	281.4	237.6	212.1	192.6	184.8
Loss on disposals of property, plant and equipment	0.3	3.5	1.0	1.2	1.8	1.8
Net accrued interest	25.6	333.7	341.0	196.6	182.6	95.3
Exchange differences	68.6	894.8	427.9	365.8	192.9	100.5
Income tax	14.1	183.7	(154.4)	(44.1)	(116.7)	82.2
Allowance for the impairment of trade and other receivables, net of recovery	1.8	24.1	19.7	33.7	54.4	13.2
Adjustment to present value of receivables	(0.4)	(5.4)	(8.1)	(2.4)	2.2	(1.2)
Provision for contingencies	17.4	226.4	75.4	36.0	24.8	16.6
Other expenses - FOCEDE	4.6	59.6	97.7	-	-	-
Changes in fair value of financial assets	(24.8)	(323.6)	(67.6)	(16.1)	(39.1)	(14.8)
Accrual of benefit plans	6.8	89.3	51.4	22.5	20.4	9.9
Gain from acquisition of companies	-	-	-	-	-	(435.0)
Higher costs recognition - SE Resolution 250/13 and subsequent Notes	(42.3)	(551.5)	(2,271.9)	(2,933.1)	-	-
Income recognition on account of the RTI - SE Resolution 32/15	(38.0)	(495.5)	-	-	-	-
Net gain from the repurchase of Corporate Notes	-	-	(44.4)	(88.9)	-	(6.5)
Income from non-reimbursable customer contributions	(0.1)	(0.8)	-	-	-	-
Discontinued operations	-	-	-	168.6	287.8	349.8
Changes in operating assets and liabilities:						
Increase in trade receivables	(3.1)	(40.6)	(55.3)	(48.5)	(306.0)	(63.6)
Increase in other receivables	28.8	375.6	(134.7)	(111.7)	(15.6)	(44.0)
Decrease (Increase) in inventories	(4.7)	(60.9)	9.9	(42.7)	(18.3)	(10.5)
Increase in assets under construction	-	-	-	-	-	(8.6)
Increase (Decrease) in deferred revenue	3.5	45.5	76.2	(0.7)	16.9	17.5
(Decrease) Increase in trade payables	50.7	660.8	(528.4)	(87.0)	207.7	195.6
Increase in salaries and social security taxes payable	10.7	139.7	226.7	95.3	88.8	63.7
Decrease in benefit plans	(1.6)	(21.2)	(11.0)	(7.9)	(4.0)	(2.7)
(Decrease) Increase in tax liabilities	(10.8)	(141.0)	(28.7)	(44.9)	43.4	(19.2)
Increase in other payables	(4.8)	(62.1)	262.3	262.0	40.9	120.2
Funds obtained from the program for the rational use of electric power (PUREE) (SE Resolution No. 1037/07)	2.0	25.6	482.9	401.9	410.7	338.0
Net decrease in provisions	(2.5)	(32.6)	(33.0)	(25.3)	(12.1)	(11.0)
Subtotal before variations of account payables with CAMMESA	211.0	2,750.9	(1,807.5)	(794.9)	242.7	680.5
Increase in account payable with Cammessa	19.2	251.0	2,974.9	2,231.5	295.7	10.1
Net cash flows provided by operating activities	230.2	3,001.9	1,167.4	1,436.6	538.4	690.6
Cash flows from investing activities						
Payment of property, plants and equipments	(160.7)	(2,095.5)	(1,400.1)	(892.4)	(537.9)	(434.7)
Net (payment for) collection of purchase / sale of financial assets at fair value	(77.6)	(1,012.0)	(64.6)	(97.4)	37.8	443.5
Payment for acquisition of companies	-	-	-	-	-	(442.9)
Payment for acquisition of additional non-controlling interests	-	-	-	-	-	(6.4)
Loans granted	-	-	-	-	(0.5)	(39.7)
Collection of financial receivables with related companies	-	-	-	2.1	142.4	90.6
Collection for sales of discontinued operations	-	-	-	-	-	126.7
Incorporation of Cash and Cash equivalents in acquired companies	-	-	-	-	-	119.0
Collection of receivables from sale of subsidiaries - SIESA	0.3	4.3	3.0	2.9	-	-
Discontinued operations	-	-	-	(124.2)	(232.1)	(610.9)
Net cash flows used in investing activities	(238.0)	(3,103.2)	(1,461.7)	(1,109.0)	(590.3)	(754.8)

Restated Statement of Cash flows (continued)

	2015 (Restated) US\$	2015 (Restated) Ps.	2014 (Restated) Ps.	2013 Ps.	2012 Ps.	2011 Ps.
Cash flows from financing activities						
Loans taken	-	-	-	-	0.8	298.2
Repayment of principal on loans	-	-	(0.4)	(25.5)	(36.5)	(252.5)
Payment of interest on loans	(13.3)	(172.9)	(155.3)	(177.0)	(128.9)	(127.9)
Discontinued operations	-	-	-	25.4	136.8	55.9
Proceeds from PP&E mutuum	-	-	100.0	-	-	-
Proceeds from Salaries mutuum	16.5	214.9	280.6	-	-	-
Net cash flows used in financing activities	3.2	42.0	224.9	(177.1)	(27.8)	(26.3)
Net (decrease) / increase in cash and cash equivalents	(4.5)	(59.3)	(69.4)	150.5	(79.7)	(90.4)
Cash and cash equivalents at beginning of year	13.7	179.1	243.5	71.1	130.5	246.0
Cash and cash equivalents at beginning of year included in assets of disposal group classified as held for sale	-	-	-	11.2	28.3	-
Exchange differences in cash and cash equivalents	0.7	9.1	5.1	10.7	3.2	3.3
Net (decrease)/increase in cash and cash equivalents	(4.5)	(59.2)	(69.5)	150.5	(79.7)	(90.4)
Cash and cash equivalents at the end of year	9.9	129.0	179.1	243.5	82.3	158.8
Cash and cash equivalents at the end of the year in the statement of financial position	9.9	129.0	179.1	243.5	71.1	130.5
Cash and cash equivalents at the end of the year included in assets of disposal group classified as held for sale	-	-	-	-	11.2	28.3
Cash and cash equivalents at the end of the year	9.9	129.0	179.1	243.5	82.3	158.8
Supplemental cash flows information						
Non-cash operating, investing and financing activities						
Financial costs capitalized in property, plant and equipment	(19.6)	(255.9)	(123.9)	(24.5)	(6.4)	4.1
Acquisitions of property, plant and equipment through increased trade payables	(12.8)	(166.8)	(144.8)	(126.4)	-	-
Decrease from offsetting of PUREE-related liability against receivables (SE Resolution 250/13 and SE Notes 6852/13 and 4012/14)	0.8	10.6	(574.0)	(1,661.1)	-	-
Decrease from offsetting of liability with CAMMESA for electricity purchases against receivables (SE Resolution 250/13 and SE Notes 6852/13 and 4012/14)	12.1	158.1	(2,218.4)	(1,152.3)	-	-
Decrease from offset of other liabilities with CAMMESA for loans for consumption (Mutuums) granted for higher salary costs (SE Resolution 32/15)	(38.0)	(495.5)	-	-	-	-
Amounts received from CAMMESA through FOCEDA	55.5	723.6	100.0	-	-	-
Decrease in financial assets at fair value from repurchase of Corporate Notes	-	-	91.6	165.1	-	-
Increase in financial assets at fair value from subsidiary sale	-	-	-	(334.3)	-	-
Decrease of other receivables for collection of corporate notes with related companies	-	-	-	52.8	-	-
Net increase of trade receivables from assets of disposal group classified as held for sale	-	-	-	(44.6)	-	-
Acquisitions of property, plant and equipment through increased debt FOTAE	-	-	(32.9)	(49.0)	-	-
Acquired Companies						
Cash and Cash equivalents	-	-	-	-	-	119
Property, plant and equipment	-	-	-	-	-	1,881
Inventories	-	-	-	-	-	4
Trade receivables	-	-	-	-	-	255
Other receivables	-	-	-	-	-	85
Trade payables	-	-	-	-	-	(258)
Borrowings	-	-	-	-	-	(450)
Deferred tax liability	-	-	-	-	-	(79)
Other liabilities	-	-	-	-	-	(331)
Net Assets	-	-	-	-	-	1,227
Non-controlling interests	-	-	-	-	-	(230)
Net assets acquired	-	-	-	-	-	997
Bargain Purchase	-	-	-	-	-	435
Cash Paid	-	-	-	-	-	(562)
Cash and cash equivalents in acquired companies	-	-	-	-	-	119
Net Cash Flow for acquisition of companies	-	-	-	-	-	(443)

	Year ended December 31,				
	2015	2014	2013	2012	2011
Operating data					
Energy sales (in GWh):	22,402	21,312	21,674	20,760	20,098
Residential	9,671	9,114	9,114	8,662	8,139
Small Commercial	1,878	1,714	1,780	1,688	1,601
Medium Commercial	1,828	1,712	1,828	1,717	1,700
Industrial	3,680	3,431	3,458	3,335	3,442
Wheeling System ⁽¹⁾	4,200	4,213	4,374	4,261	4,156
Public Lighting	688	678	683	668	656
Shantytowns	435	430	417	409	384
Others ⁽²⁾	21	20	20	20	20
Customers (in thousands) ⁽³⁾	2,835	2,801	2,773	2,726	2,699
Energy Losses (%)	14.90%	14.30%	13.00%	13.30%	12.60%
MWh sold per employee	5,122	4,938	6,024	7,088	7,188
Customers per employee	648	649	771	931	965

(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, 2017. 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 may engage on a regular basis.

After several years of moderate variations in the nominal exchange rate, the Peso lost more than 30% of its value with respect to the U.S. Dollar in each of 2013 and 2014, and in 2015, the Peso lost approximately 52% of its value with respect to the U.S. Dollar, including a depreciation of approximately 34% mainly experienced after December 17, 2015 following the announcement of the lifting of a significant portion of exchange restrictions (See “—Risk Factors—Factors Relating to Argentina—Fluctuations in the value of the Peso could adversely affect the Argentine economy, and consequently, our results of operations or financial condition”). This was followed by a devaluation of the Peso with respect to the U.S. Dollar of approximately 9.9% from January 1, 2016 through April 14, 2016. There can be no assurance that the Argentine Peso will not depreciate or appreciate again in the future.

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.

	<u>Low</u>	<u>High</u>	<u>Average</u>	<u>Period End</u>
	<i>(Pesos per U.S. Dollar)</i>			
Year ended December 31,				
2011	3.97	4.30	4.13 ⁽¹⁾	4.30
2012	4.30	4.92	4.55 ⁽¹⁾	4.92
2013	4.93	6.52	5.48 ⁽¹⁾	6.52
2014	6.54	8.56	8.23 ⁽¹⁾	8.55
2015	8.56	13.40	9.51 ⁽¹⁾	13.04
Month				
November-2015	9.56 ⁽²⁾	9.69 ⁽²⁾	9.63	9.69
December-2015	9.70 ⁽²⁾	13.40 ⁽²⁾	11.41	13.04
January-2016	13.20 ⁽²⁾	13.96 ⁽²⁾	13.65	13.96
February-2016	14.13 ⁽²⁾	15.80 ⁽²⁾	14.85	15.80
March-2016	14.39 ⁽²⁾	15.80 ⁽²⁾	14.95	14.70
April-2016 ⁽³⁾	14.33 ⁽²⁾	14.79 ⁽²⁾	14.55	14.33

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 14, 2016

RISK FACTORS

Risks Related to Argentina

Overview

We are a stock corporation (*sociedad anónima*) incorporated under the laws of the Republic of Argentina and all of our revenues are earned in Argentina and 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 (including tariffs and other compensation of public services), foreign exchange controls and taxes, have had and may in the future 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.

The Argentine economy remains vulnerable and any significant decline could adversely affect our financial condition

The Argentine economy has experienced significant volatility in recent decades, characterized by periods of low or negative growth, high levels of inflation and currency devaluation. Sustainable economic growth in Argentina is dependent on a variety of factors, including the international demand for Argentine exports, the stability and competitiveness of the 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 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;
- Argentina's public debt as a percentage of GDP remains high, the availability of long-term credit is scarce and international financing remains limited;
- continued increases in public expenditure could result in fiscal deficits and affect economic growth;
- inflation remains high and threatens to continue at those levels;
- investment as a percentage of GDP remains too low to sustain the growth rate of recent years;
- a significant number of protests or strikes could take place, as they have in the past, which could adversely affect various sectors of the Argentina economy;
- energy or natural gas supply may not be sufficient to supply increased industrial activity (thereby limiting industrial development) and consumption;

- unemployment and informal employment remains high; and
- in the climate created by the above-mentioned conditions, demand for foreign currency has grown, generating a capital flight effect to which the Fernández de Kirchner administration reacted in the past with regulations and currency exchange transfer restrictions.

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 entities 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 Class B common shares.

The impact of the recent congressional and presidential elections on the future economic and political environment of Argentina is uncertain, but likely to be material

Presidential and congressional elections in Argentina took place on October 25, 2015, and a runoff election (*ballotage*) between the two leading Presidential candidates was held on November 22, 2015, which resulted in Mr. Mauricio Macri being elected President of Argentina. The Macri administration assumed office on December 10, 2015, and is expected to adjust longstanding fiscal and monetary policies that have resulted in recurrent public sector deficits, inflation and pervasive foreign exchange controls and limited foreign investment.

Since assuming office, the Macri administration has announced and already implemented several significant economic and policy reforms, including:

- *Electricity system state of emergency and reforms.* The Macri administration declared the state of emergency of the national electricity system that will remain in effect until December 31, 2017. The state of emergency allows the Argentine government to take actions designed to guarantee the supply of electricity. In addition, following the Macri administration's announcement that it would reexamine energy subsidy policies, the Ministry of Energy increased electricity rates for the wholesale market for purchases made between February 1 and April 30, 2016. This increase was used to reduce subsidies to the sector. On January 29, 2016, the ENRE, through Resolution No. 1/16 approved a new tariff structure which became effective on February 1, 2016, and introduced different prices depending on the categories of customers. Such resolution also contemplates a social tariff for residential customers who comply with certain consumption requirements, which includes a full exemption for monthly consumptions below or equal to 150 Kwh and tariffs benefits for customers who exceed such consumption level but achieve a monthly consumption lower than that of the same period in the immediately preceding year. On the same date, through Resolution No. 2/2016, the ENRE partially repealed Resolution No. 347/2012, discontinuing the FOCEDE (as defined below) and ordering us to open a special bank account with a Central Bank authorized entity where the funds received pursuant to Resolution No. 347/2012 must be deposited.
- *INDEC reforms.* In light of questions raised by the International Monetary Fund ("IMF") regarding the reliability of the information produced by the INDEC, the Macri administration appointed Mr. Jorge Todesca, previously a director of a private consulting firm, as head of the INDEC. It is expected that the INDEC will implement certain methodological reforms and adjust certain macroeconomic statistics on the basis of these reforms. On January 8, 2016, Decree No. 55/2016 was issued by the Argentine government declaring a state of administrative emergency on the national statistical system and on the official agency in charge of the system, the INDEC, until December 31, 2016. Following the declared emergency, the INDEC has ceased publishing statistical data until a rearrangement of its technical and administrative structure is finalized. During the implementation of these reforms, however, the INDEC will use official CPI figures and other statistics published by the Province of San Luis and the City of Buenos Aires.

Despite these expected reforms, there is uncertainty as to whether official data will be sufficiently corrected and within what time period such data will be corrected, and what effect these reforms will have on the Argentine economy and public accounts.

- *Foreign exchange reforms.* In addition, the Macri administration implemented certain reforms to the foreign exchange market regulatory framework that provide greater flexibility and easier access to the foreign exchange market. The principal measures adopted as of the date of this annual report include (i) the elimination of the requirement to register foreign exchange transactions in the Argentine Tax Authority's ("AFIP") database; (ii) the elimination of the requirement to transfer the proceeds of new financial indebtedness transactions into Argentina and settle such proceeds through the single and free-floating foreign exchange market (the "MULC"), (iii) the reestablishment of the U.S.\$2.0 million monthly limit per resident on the creation of offshore assets, (iv) a decrease from 30% to 0% of the registered, non-transferable and non-interest-bearing deposit required in connection with certain transactions involving foreign currency inflows, (v) the reduction of the required period that the proceeds of any new financial indebtedness incurred by residents, held by foreign creditors and transferred through the MULC must be maintained in Argentina from 365 calendar days to 120 calendar days from the date of the transfer of the relevant amount and (vi) the elimination of the requirement of a minimum holding period (72 business hours) for purchases and subsequent sales of the securities. In addition, on December 17, 2015, following the announcement of the lifting of a significant portion of exchange restrictions, the Peso depreciated approximately 36% against the U.S. Dollar. The exchange rate published by Banco Nación as of April 14, 2016 was 14.33 to U.S.\$1.00.
- *Foreign trade reforms.* The Macri administration eliminated export duties on wheat, corn, beef and regional products, and reduced the export duty on soybeans by 5% to 30%. Further, the 5% export duty on most industrial exports and export duties on mining exports were eliminated. With respect to payments of existing debts for imports of goods and services, the Macri administration announced the gradual elimination of amount limitations for access to the MULC and eliminated the amount for any new transactions. As of December 17, 2015, the amount limitations for such existing debt transactions are expected to gradually decrease and be eliminated in June 2016.
- *Financial Policy.* Soon after taking office, the Macri administration sought to settle the outstanding claims with holdout creditors. See "—Argentina's ability to obtain financing from international markets is limited, in part due to the unresolved litigation with holdout bondholders, which may impair its ability to foster economic growth and, consequently, affect our business, results of operations and prospects for growth."

As of the date of this annual report, the impact that these measures and any future measures taken by the Macri administration will have on the Argentine economy as a whole, and the electricity sector in particular, cannot be predicted. While we believe that the effect of the planned liberalization of the economy will be positive for our business by stimulating economic activity, it is not possible to predict such effect with certainty and such liberalization could also be disruptive to the economy and fail to benefit or harm our business. In addition, there is uncertainty as to which measures announced during the Presidential campaign by the Macri administration will be taken and when. Since assuming office, the Macri administration has begun reviewing certain public employee contracts in several sectors and reformed energy and gas sector tariffs. However, we cannot predict how the Macri administration will address certain other political and economic issues that were central during the presidential election campaign, such as the financing of public expenditures, public service subsidies and tax reforms, or the impact that any measures related to these matters that are implemented by the Macri administration will have on the Argentine economy as a whole. In addition, political parties opposed to the Macri administration retained a majority of the seats in the Argentine Congress in the recent elections, which will require the Macri administration to seek political support from the opposition for its economic proposals and creates further uncertainty as to the ability of the Macri administration to pass any measure which it may expect to implement. Political uncertainty in Argentina relating to the measures to be taken by the Macri administration in respect of the Argentine economy could lead to volatility in the market prices of securities of Argentine companies, such as ours. We cannot assure you the impact that these measures or any future measures taken by the Macri administration will have on the Argentine economy, 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 Class B common shares.

If the high levels of inflation continue, the Argentine economy and our results of operations could be adversely affected

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 pressures, evidenced by significantly higher fuel, energy and food prices, among other factors. According to data published by the *Instituto Nacional de Estadística y Censos* (National Statistics and Census Institute or "INDEC"), the rate of inflation reached 10.6% in 2013, 21.4% in 2014 and 11.9% in the ten-month period ended October 31, 2015. The wholesale price index ("WPI") increased 12.7%, 13.1%, 14.8% and 28.3% in each of those years, respectively, and 10.6% in the ten-month period ended October 31, 2015. In November 2015, the INDEC suspended the publication of the consumer price index (the "CPI") and the WPI. See "—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, in turn, limit our ability to access credit and the capital markets" below. The previous administration has in the past 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 rate affects Argentina's foreign competitiveness by diluting the effects of the Peso devaluation, negatively impacting employment and the level of economic activity and employment and undermining confidence in Argentina's banking system, which may further limit the availability of domestic and international credit to businesses. In turn, a portion of the Argentine debt is adjusted by the *Coeficiente 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 inflationary environment could undermine our results of operations, adversely affect our ability to finance the working capital needs of our businesses on favorable terms, 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, in turn, may limit our ability to access credit and the capital markets

In January 2007, INDEC modified its methodology used to calculate 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, through 2015, the credibility of the CPI, as well as other indices published by the INDEC have been called into question.

On November 23, 2010, the Fernández de Kirchner administration 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. However, Argentina was subsequently censured by the IMF in 2014 for failing to make sufficient progress in adopting remedial measures to address the quality of official data, including inflation and GDP.

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 represented the first national indicator to measure changes in prices of final consumption by households. Unlike the previous price index, which only measured inflation in the urban sprawl of the City of Buenos Aires, the new price index is calculated by measuring prices of goods across the entire urban population of the 24 provinces of Argentina. Using this new methodology, the consumer price index rose to 11.9% in the ten-month period ended October 31, 2015. Although this new methodology brought inflation statistics closer to those estimated by private sources, material differences between official inflation data and private estimates remained during 2015. In November 2015, the INDEC suspended the publication of the CPI and the WPI.

On January 8, 2016, Decree No. 55/2016 was issued by the Argentine government declaring a state of administrative emergency on the national statistical system and on the official agency in charge of the system, the INDEC, until December 31, 2016. Following the declared emergency, the INDEC ceased publishing statistical data until a rearrangement of its technical and administrative structure is finalized. During the implementation of these reforms, however, INDEC will use official CPI figures and other statistics published by the Province of San Luis and the City of Buenos Aires. Despite these expected reforms, there is uncertainty as to whether official data will be sufficiently corrected and within what time period such data will be corrected, and what effect these reforms will have on the Argentine economy.

The Macri administration has released an alternative CPI index based on data from the City of Buenos Aires and the Province of San Luis and is currently working on a new inflation index. According to the most recent publicly available information based on data from the Province of San Luis, the CPI grew by 31.6% in 2015 and the inflation rate was 6.5%, 4.2% and 2.7%, in December 2015, January 2016 and February 2016, respectively. According to the most recent publicly available information based on data from the City of Buenos Aires, the CPI grew by 26.9% in 2015 and the inflation rate was 3.9%, 4.1% and 4.0%, in December 2015, January 2016 and February 2016, respectively.

No official inflation data has been released since the new INDEC authorities have taken charge, and there is uncertainty regarding current rates of inflation.

The discontinuation of the publication of indices by the INDEC has generated uncertainty in Argentina's economy, and any future required correction or restatement of the INDEC indices could result in a decrease in confidence in Argentina's economy, which, in turn, could 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, in part due to the unresolved litigation with holdout bondholders, which may impair its ability to foster economic growth and, consequently, affect our business, results of operations and prospects for growth

The prospects for Argentine companies of accessing financial markets might be limited in terms of the amount of financing available, and the conditions and cost of such financing.

Economic policy measures adopted by the Argentine government, may continue to prevent Argentine companies such as us from accessing the international capital markets or make the terms of any such transactions less favorable than those provided to companies in other countries in the region, and may therefore negatively impact our financial condition or cash flows.

In 2005 and 2010, Argentina conducted exchange offers to restructure part of its sovereign debt that had been in default since the end of 2001. As a result of these exchange offers, Argentina restructured over 92% of its eligible defaulted debt.

Commencing in 2002, holdout creditors filed numerous lawsuits against Argentina in several jurisdictions, including the United States, Italy, Germany, and Japan. These lawsuits generally assert that Argentina failed to make timely payments of interest or principal on their bonds, and seek judgments for the face value of or accrued interest on those bonds. Judgments have been issued in numerous proceedings in the United States and Germany, but to date creditors have not succeeded, with a few minor exceptions, in executing on those judgments.

In February 2012, plaintiffs in 13 actions in New York, involving claims for U.S.\$ 428 million in principal, plus interest, obtained a U.S. district court order enjoining Argentina from making interest payments in full on the bonds issued pursuant to the 2005 and 2010 exchange offers ("Exchange Bonds") unless Argentina paid the plaintiffs in full, under the theory that the former payments violated the *pari passu* clause in the 1994 Fiscal Agency Agreement (the "FAA") governing those non-performing bonds. The U.S. district court order was stayed pending appeals. The Second Circuit Court of Appeals confirmed the so-called *pari passu* injunctions, and on June 16, 2014 the U.S. Supreme Court denied Argentina's petition for a writ of certiorari and the stay of the *pari passu* injunctions was vacated on June 18, 2014. Additionally, in 2015, plaintiffs that had obtained *pari passu* injunctions amended their complaints to include claims that Argentina's servicing of more recently issued BONAR 2024 bonds, as well as all external indebtedness in general, would violate the *pari passu* clause. The U.S. district court has not ruled on these new claims and discovery among the parties remains ongoing. On October 30, 2015, the U.S. district court issued new *pari passu* injunctions, substantially identical to the ones already in effect, in 49 additional proceedings, involving claims for over U.S.\$ 2.1 billion under the 1994 FAA, plus billions more in pre- and post-judgment interest. On November 10, 2015, Argentina appealed the decision.

In 2014, the Argentine government took a number of steps intended to continue servicing the bonds issued in the 2005 and 2010 exchange offers, which had limited success. Holdout creditors continued to litigate expanding the scope of issues to include payment by the Argentine government on debt other than the Exchange Bonds and the independence of the Central Bank.

The Macri administration engaged in negotiations with holders of defaulted bonds in December 2015 with a view to bringing closure to fifteen years of litigation. In February 2016, the Argentine government entered into an agreement in principle to settle with certain holders of defaulted debt and put forward a proposal to other holders of defaulted debt, including those with pending claims in U.S. courts, subject to two conditions: obtaining approval by the Argentine Congress and the lifting of the *pari passu* injunctions. On March 2, 2016, the U.S. district court agreed to vacate the *pari passu* injunctions, subject to two conditions: first, the repealing of all legislative obstacles to settlement with holders of defaulted debt securities issued under the FAA, and second, the full payment to holders of *pari passu* injunctions with whom the Argentine government had entered into an agreement in principle on or before February 29, 2016, in accordance with the specific terms of such agreements. The U.S. district court's order has been appealed and on April 13, 2016 was affirmed by the Second Circuit Court of Appeals. On March 31, 2016, the Argentine Congress repealed the legislative obstacles to the settlement and approved the settlement proposal. As of the date of this annual report, the Argentine government has reached settlement agreements with holders of a significant portion of the defaulted bonds.

As of the date of this annual report, litigation initiated by bondholders that have not accepted Argentina's settlement offer continues in several jurisdictions, although the size of the claims involved has decreased significantly. The lifting of the injunctions issued by the United States courts preventing bondholders from receiving their interest payments on the bonds issued pursuant to the 2005 and 2010 exchange offers and the related subsequent events paved the way for the Argentine government to regain access to the international capital markets, with an issue of U.S.\$16.5 billion aggregate principal amount of 3-year, 5-year, 10-year and 30-year bonds on April 22, 2016 and the *pari passu* injunctions were vacated.

Fluctuations in the value of the Peso could adversely affect the Argentine economy and, in turn, adversely affect our results of operations

Fluctuations in the value of the Peso may also adversely affect the Argentine economy, our financial condition and results of operations. The devaluation of the Peso may have a negative impact on the ability of certain Argentine businesses to service 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. After several years of moderate variations in the nominal exchange rate, the Peso lost more than 30% of its value with respect to the US Dollar in each of 2013 and 2014, and in 2015, the Peso lost approximately 52% of its value with respect to the U.S. Dollar, including a depreciation of approximately 34% mainly experienced after December 17, 2015 following the announcement of the lifting of a significant portion of foreign exchange restrictions. Since the devaluation in December 2015, the Central Bank has allowed the Peso to float and limited interventions to those needed to ensure the orderly functioning of the foreign exchange market. As of April 14, 2016, the exchange rate was Ps. 14.33 to U.S.\$1.00. We are unable to predict the future value of the Peso against the U.S. Dollar. If the Peso devalues further, the negative effects on the Argentine economy could have adverse consequences for our business, 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 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.

Government intervention may adversely affect the Argentine economy and, as a result, our business and results of operations

In the recent past, the Fernández de Kirchner administration increased its direct intervention in the economy, including through the implementation of expropriation and nationalization measures, price controls and exchange controls.

In response to the global economic crisis, in December 2008, Law No. 26,425, was passed by the Argentine Congress unifying 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 the "ANSES"), and 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. Prior to 2009, a significant portion of the local demand for securities of Argentine companies came from Argentine private pension funds. With the nationalization of Argentina's private pension funds, the Argentine government, through the ANSES, 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 had been 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 since exercised its voting rights in excess of such 5% limit in order to appoint directors in different stock exchange listed companies. ANSES's interests may differ from or conflict with those of the other investors in such companies. In addition, in September 2015, Law No. 27,181 was enacted, which prohibits the sale of shares in Argentine public companies held by the Argentine government or any other action that limits, alters or modifies the use, ownership or nature of such shares, without the prior authorization of Congress. Additionally, Law No. 27,181 created the National Government Equity Holdings Agency (*Agencia Nacional de Participaciones Estatales en Empresas*), a decentralized agency operating under the scope of the Argentine Executive Branch, which is in charge of implementing any policies and actions related to the exercise by the Argentine government of any rights arising out of the shares it holds. As of the date of this annual report, ANSES owns shares representing 26.8% of our capital stock, and also owns shares of capital stock of our affiliates, Pampa Energía S.A. and Transener.

Beginning in April 2012, the Fernández de Kirchner administration provided for the nationalization of YPF and imposed major changes to the legal framework in which oil companies operate, principally through the enactment of Law No. 26,741 and Decree No. 1,277/2012. In February 2014, the Fernández de Kirchner administration 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 amounted to U.S.\$5.0 billion, payable by delivery of Argentine sovereign bonds with various maturities. Additionally, on December 19, 2012, the Fernández de Kirchner administration issued Decree No. 2,552/2012, pursuant to which it 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 enforcement of Decree No. 2,552/2012. Although the decision was appealed by the Argentine government, the Supreme Court of Justice rejected such appeal and confirmed the Federal Civil and Commercial Chamber's injunction subject to a decision on the merits.

Notwithstanding the measures recently adopted by the Macri administration, we cannot assure you that these or other measures that may be adopted by the current or any future 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 and investments will not have a material adverse effect on the Argentine economy and, as a consequence, adversely affect our financial condition, our results of operations or cause the market value of our ADSs and Class B common shares to decline.

The implementation in the future of new exchange controls and restrictions on capital inflows and outflows could limit the availability of international credit and could threaten the financial system, adversely affecting the Argentine economy and, as a result, our business

During 2001 and the first half of 2002, Argentina experienced a mass withdrawal of deposits from the financial system as a result of a lack of confidence in the Argentine government's ability to repay its debt and sustain the parity between the Peso and the U.S. Dollar. This caused a liquidity crisis in the Argentine financial system, which led the Argentine government to impose 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. In addition to the foreign exchange restrictions applicable to outflows, in June 2005 the Argentine government adopted various rules and regulations that established new restrictive controls on capital inflows into Argentina, 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.

Through a combination of foreign exchange and tax regulations from 2011 until President Macri assumed office in 2015, the Fernández de Kirchner administration significantly curtailed access to the foreign exchange market by individuals and private-sector entities. In addition, during the last few years under the Fernández de Kirchner administration, the Central Bank exercised a *de facto* prior approval power for certain foreign exchange transactions otherwise authorized to be carried out under applicable regulations, such as dividend payments or repayment of principal of inter-company loans as well as the import of goods, by means of regulating the amount of foreign currency available to financial institutions to conduct such transactions. The number of exchange controls introduced in the past and in particular after 2011 during the Fernández de Kirchner administration gave rise to an unofficial U.S. Dollar trading market. The Peso/U.S. Dollar exchange rate in such market substantially differed from the official Peso/U.S. Dollar exchange rate. See “Item 3—Key Information—Exchange Rates” and “Item 10—Exchange Controls.”

Additionally, the level of international reserves deposited with the Central Bank significantly decreased from US\$47.4 billion as of November 1, 2011 to US\$25.6 billion as of December 31, 2015, resulting in a reduced capacity of the Argentine government to intervene in the foreign exchange market and to provide access to such markets to private sector entities like us. The Macri administration recently announced a program intended to increase the level of international reserves deposited with the Central Bank through the execution of certain agreements with several foreign entities. As a result of the measures taken under such program, the international reserves increased to US\$30.0 billion as of January 30, 2016.

Notwithstanding the measures recently adopted by the Macri administration, in the future the Argentine government could impose exchange controls, transfer restrictions or restrictions on the movement of capital 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, principal or dividend payments abroad. 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 and, consequently, adversely affect our business and results of operations and cause the market value of our ADSs and Class B common shares to decline. 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 of the Company.

The actions taken by the Fernández de Kirchner administration to reduce imports may adversely affect our ability to access capital goods that are necessary for our operations

In 2012, the Argentine government adopted an import procedure pursuant to which local authorities must pre-approve any import of products and services to Argentina as a precondition to allowing importers access to the foreign exchange market for the payment of such imported products and services. In 2012, the European Union, the United States of America and Japan filed claims with the World Trade Organization (“WTO”) against certain import-related requirements maintained by Argentina. Recently, the WTO found that those measures are not consistent with Argentina’s obligations under the WTO and requested removal. On December 22, 2015, through Resolution No. 3,823, AFIP removed the import authorization system in place since 2012 denominated Affidavit Advance Import (“DJAI”) and replaced it with the new Comprehensive Import Monitoring System (“SIMI”). Among other changes, local authorities must now reply to any request for approval within a ten-day period from the date in which the request is filed.

We cannot assure that the Argentine government will not modify current export tax rates and import regulations. We cannot predict the impact that any changes may have on our results of operations and financial condition.

Application of certain laws and regulations is uncertain and could adversely affect our results of operations and financial condition.

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 implemented pursuant to the judicial reform bill is a time limitation on injunctions imposed in proceedings brought against the Argentine government and the creation of three new chambers of *Casación*, each of which must hear an appeal before the matter is considered by 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 has the authority to appoint judges, present charges against them and suspend or remove them. As of the date of this annual report several aspects of this legislation have been struck down as unconstitutional by the Argentine Supreme Court.

On August 7, 2014, Law No. 26,944 on State Responsibility was enacted to regulate government actions. Said law governs the responsibility of the Argentine government regarding the damages that its activity or inactivity may cause to individuals' properties or rights. Such law establishes that the Argentine government's responsibility is objective and direct, that the provisions of the civil and commercial codes are not applicable to the actions of the Argentine government in a direct nor subsidiary manner and that dissuasive financial penalties may be imposed on the Argentine Government, its agents or officers.

On September 18, 2014, the Argentine Congress enacted Law No. 26,991 amending Law No. 20,680 (the "Supply Law"), which became effective on September 28, 2014, to increase control over the supply of goods and provision of services. Such initiative includes the ability of the Argentine government to regulate consumer rights under Article 42 of the Constitution and permits the creation of an authority to maintain the prices of goods and services (the "Observer of Prices of Goods and Services"). The Supply Law, as amended: (i) requires the continued production of goods to meet basic requirements; (ii) creates an obligation to publish prices of goods and services produced and borrowed; (iii) allows financial information to be requested and seized; and (iv) increases fines for judicial and fiscal persons. The reforms and creation of the Observer of Prices of Goods and Services could adversely affect our operations. An initiative to regulate questions of consumer rights was also approved, creating the *Conciliación Previa en las Relaciones de Consumo* (Prior Conciliatory Procedures For Consumer Relations, or the "COPREC"), where users and consumers may present claims free of charge and have them resolved within 30 days.

The Supply Law applies to all economic processes linked to goods, facilities and services which, either directly or indirectly, satisfy basic consumer needs ("Basic Needs Goods") and grants a broad range of powers to its enforcing agency. It also grants the enforcing agency the power to order the sale, production, distribution or delivery of Basic Needs Goods throughout the country in case of a shortage of supply.

On October 1, 2014, the Argentine Congress approved the reform, update and unification of the National Civil and Commercial codes. A single new National Civil and Commercial Code became effective on August 1, 2015. The consequences of the reform and its subsequent judicial application cannot be predicted.

The long-term impact of recently adopted legislation on Argentina's legal system and future administrative or judicial proceedings, including potential future claims by us against the Argentine government, cannot be predicted.

A global or regional financial crisis and unfavorable credit and market conditions may negatively affect our liquidity, business and results of operations

The effects of a global or regional 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. Such was the case in 2008, when the global economic crisis led to a sudden economic decline in Argentina in 2009, accompanied by inflationary pressures, depreciation of the Peso and a drop in consumer and investor confidence.

The effect of the economic crisis on our customers and on us cannot be predicted. Weak global and local 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. Weak global and local economic conditions could lead to reduced demand or lower prices for energy, which could have a negative effect on our revenues. The financial and economic situation in Argentina or other countries in Latin America, such as Brazil, may also have a negative impact on us and third parties with whom we do, or may do, business.

In addition, the global economic crisis that began in the fourth quarter of 2008, triggering an international stock market crash and the insolvency of major financial institutions, limited the ability of Argentine companies to access international financial markets as they had in the past or made such access significantly more costly for Argentine issuers. A similar global or regional financial crisis in the future could limit our ability to access credit or capital markets at a time when we require financing, thereby impairing our flexibility to react to changing economic and business conditions (see “Argentina’s ability to obtain financing from international markets is limited, in part due to the unresolved litigation with holdout bondholders, which may impair its ability to foster economic growth and, consequently, affect our business, results of operations and prospects for growth” above). For these reasons, any of the foregoing factors could together or independently 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 could be adversely affected by economic developments in other markets and by more general “contagion” effects

Argentine financial and securities markets are influenced, to varying degrees, by economic and financial conditions in other markets. Argentina’s economy is vulnerable to external shocks, including those related or similar to the global economic crisis that began in 2008 and the economic and financial conditions of Argentina’s major trading partners, in particular, Brazil. Specifically, the current devaluation of the Brazilian currency and the slowdown of its economy may negatively affect the Argentine economy, and in turn, our business and results of operations. Although economic conditions can vary from country to country, investors’ perception of the events occurring in other countries have in the past substantially affected, and may continue to substantially affect capital flows and investments in 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.

The designation of *veedores* (supervisors) by the CNV or other regulator could adversely affect our business, financial condition and results of operations

The Capital Markets Law No. 26,831 provides that the CNV may inspect any entity subject to its oversight (such as the Company, its controlling shareholder or any of its affiliates subject to CNV oversight). If after any inspection the CNV determines that a resolution of the board of directors of such entity violated the interests of its minority shareholders or any holder of its securities subject to the Argentine public offering regime, it may appoint a *veedor* (supervisor) with veto powers. The CNV is additionally empowered to suspend a board of directors for a period of up to 180 days, subject to limited appeals and, alternatively, a *veedor* may be appointed through a judicial request. Any determination by the CNV or any Argentine court that the right of our minority shareholders or holders of our securities issued in Argentina has been violated could result in the direct intervention of the CNV, including the potential suspension of our board of directors for up to 180 days, and, consequently, have an adverse effect on our business, financial condition and results of operations. 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, for a period of six months. We cannot assure you that the CNV, or any other party, will not attempt to pursue a similar course of action with respect to the Company (or to its controlling shareholder), which may have a negative effect on the Company.

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, removing discretionary subsidies, 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, Note No. 8,752 of the SE 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. On November 27, 2012, Resolution No. 2,016/12 of the SE 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, Resolution 95 of the SE 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. The price scheme established by Resolution No. 95/2013 of the SE was amended by Resolution No. 529/2014 of the SE, which provided for the modification of the methodology for calculation of the fixed costs remuneration, the implementation of a new remuneration to cover extraordinary maintenance works for thermal generators and the retroactive adjustment of prices as from February 2014.

On December 16, 2015, the Macri administration declared a state of emergency with respect to the national electricity system that will remain in effect until December 31, 2017. The state of emergency allows the Argentine government to take actions designed to guarantee the supply of electricity in Argentina such as instructing the Ministry of Energy to elaborate and implement, with the cooperation of all federal public entities, a coordinated program to guarantee the quality and security of the electricity system and rationalize public entities’ consumption of energy.

On February 3, 2016, Resolution No. 22/16 of the Ministry of Energy established adjustments to the remuneration of generators to support the operation and maintenance of the generation plants until the regulatory measures currently under review by the Argentine government are enacted and the operation of the WEM is normalized.

On January 25, 2016, the Ministry of Energy issued Resolution No. 6, approving the seasonal WEM prices for each category of users for the period from February 2016 through April 2016. Such resolution adjusted the seasonal prices as required by the regulatory framework. Energy prices in the spot market were set by CAMMESA which determined the price to be charged by generators for energy sold in the spot market of the wholesale electricity market on an hourly basis. The WEM prices resulted in the elimination of certain energy subsidies and a substantial increase in electricity rates for individuals.

Notwithstanding the recent measures adopted by the Macri administration, we cannot assure you that certain 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 increase our obligations, including increased taxes, unfavorable alterations to our tariff structures and other regulatory obligations, compliance with which would increase our costs and may 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. See “Item 4. Information on the Company—Our Business Overview—Edenor Concession.”

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 concession agreements 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 and an increase of distribution costs in real terms, which could no longer be passed on to users 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.

In recent years, 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 to customers. As of the date of this annual report, the Macri administration has been engaged in negotiations with distribution companies, including us, to reestablish the economic and financial equation of the concession agreements. We cannot guarantee 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 customers to pay their electricity bills. In the years following the 2001 and 2002 economic crisis electricity demand experienced significant growth, increasing by an estimated average of approximately 6.0% per annum from 2003 through 2015. This increase in electricity demand since 2003, reflects the relative low cost, in real terms, of electricity to customers due to the freezing of distribution margins, the establishment of subsidies in the purchase price of energy and the elimination of the inflation adjustment provisions in distribution concessions, coupled with the devaluation of the Peso and inflation. Transmission and distribution companies are currently negotiating increases and adjustments to their tariff schemes with the Argentine government. Although the increases in electricity transmission and distribution margins, and the elimination of some subsidies, which increased the cost of electricity to end users, have not had a significant negative effect on demand in the past, we cannot make any assurances that these increases or any future increases in the cost of electricity will not have a material adverse effect on electricity demand or result in a decline in collections from customers. In this respect, we cannot assure you that any future tariff increase will not lead electricity utility companies, like us, to record lower revenues and results of operations, 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 an increased supply of electricity to their customers, which could lead to a decline in the 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.

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 RTI with the ENRE. However, the timeline for completing this process and the favorability to us of the final resolution are both uncertain. Resolution No. 7/16 issued on January 2016 by the Ministry of Energy established a new deadline for the completion of the RTI process at the end of 2016.

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 the ENRE's approval of adjustments have not been sufficient to cover our actual incremental costs in a timely manner. In the past, even when the ENRE has approved adjustments to our tariffs, there has been a lag between the time when we actually experienced increases in our distribution costs and the time when we received increased income following the corresponding adjustments to our distribution margins pursuant to the CMM.

During the years ended December 31, 2012 and 2011, we recorded a significant decrease in net income and operating income (recording an 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 affected the electricity sector, the ENRE issued Resolution No. 347/12 in November 2012, which established the application of fixed and variable charges that have allowed the Company to obtain additional revenue as from November 2012 through 2016. However, Resolution No. 250/13 and Notes No. 6,852/13, No. 4,012/14, No. 486/14 and No. 1,136/14 of the SE and additional revenue obtained through Resolution No. 347/12 were insufficient to make up our operating deficit in 2014, due to the constant increase in operating costs.

In March 2015, Resolution No. 32/15 of the SE granted us a temporary increase in income through funds provided by CAMMESA, applicable retroactively as from February 1, 2015, to cover costs and investments associated with the regular provision of the public service of distribution of energy on account of the future RTI.

In January 2016, the Ministry of Energy issued Resolution No. 7/16, pursuant to which the ENRE implemented a VAD adjustment to the tariff schedule on account of the future RTI in effect as of

February 1, 2016, and is expected to take all necessary action to conclude the RTI process by December 31, 2016.

In addition, such resolution: (i) abrogated the PUREE; (ii) repealed Resolution No. 32/2015 as from the date the ENRE resolution implementing the new tariff schedule becomes effective; (iii) discontinued the application of mechanisms that imply the transfer of funds from CAMMESA in the form of loan agreements with CAMMESA; and (iv) ordered the implementation of the actions required to terminate the trusts created pursuant to Resolution No. 347/2012 of the ENRE.

Pursuant to Resolution No. 7/16, the ENRE issued Resolution No. 1/16 establishing a new tariff structure. However, if we are not able to recover all future cost increases, and/or if there is a significant lag of time between when we incur the incremental costs and when we receive increased income, 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.

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 result in 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 No. 7/16 of the Ministry of Energy and Resolution No. 1/16 of the ENRE established a new tariff scheme pursuant to the terms of the Adjustment Agreement and on account of the future RTI, it did not include any adjustment method to reflect future variations in costs. If inflation levels during 2016 continue the trend of 2015, the increase in tariffs provided by Resolution No. 1/16 of the ENRE may prove insufficient to support the real variation in costs.

Our inability to obtain tariff adjustments in line with future changes in costs could result in our inability to meet obligations vis-a-vis CAMMESA, our major supplier, and have 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. Further, if we were unable to obtain such tariff adjustments, we cannot assure that CAMMESA or any other governmental entity will provide us the financing or that any future financing would be available in favorable terms, which may seriously impair our ability to continue providing the service.

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

In the recent years, 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 administrative 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 was therefore rendered.

In February 2016, we adjusted our tariffs again, and as of the date of this annual report, there had

not been any challenges thereto, but we cannot make assurances that any 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 were successful and prevented 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, in particular as a result of a recent measure adopted by the ENRE

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. Since 2001, the amount of fines and penalties imposed on our company has increased significantly. As of December 31, 2015, 2014 and 2013, our accrued fines and penalties totaled Ps.1,253.1 million (including Ps.186.3 million under the ENRE settlement (See “Item 4. Information on the Company—Our Business Overview—Fines and Penalties.”)), Ps. 1,102.8 million and Ps. 923.8 million, respectively (taking into account adjustments made to fines and penalties following the ratification of the Adjustment Agreement).

Although the Argentine government has agreed to waive a portion of our accrued fines and penalties pursuant to the Adjustment Agreement and to allow us to repay the remaining balance over time, this waiver and repayment plan is subject to a number of conditions, including compliance with quality-of-service standards, reporting obligations and required capital investments. 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.

On April 15, 2016, the ENRE issued Note No. 120,151 (the “Note”) establishing that all fines and penalties imposed by the ENRE after April 15, 2016 (whether with respect to events occurring on or after such date or events occurring prior to the date thereof but for which fines or penalties had not been imposed on us by such date that include a reference to “the Note” must be valued according to the KWh values in effect as of the last date of the semester or period during which the event giving rise to the penalty occurred, including any increases or adjustments applicable to our “remuneration” at such date. In addition, the Note provides that fines and penalties that fall within the purview of the Note are to accrue interest from last day of the semester on which the event giving rise to the penalty occurred until the date they are paid by us. As of the date of this annual report, it is unclear how the ENRE will consider that the fines and penalties not yet imposed on us relating to events that occurred prior to April 15, 2016 should be valued as per our “remuneration” and we have therefore calculated the amount of such fines and penalties according to our interpretation of the Note. Regarding this, we believe that the term “remuneration” should be interpreted to mean those amounts effectively paid by the users through the tariff.

As of the date of this annual report, fines and penalties in an aggregate amount equal to Ps. 757.2 million are subject to the Note. We believe that such amount as adjusted to reflect accrued interest according to the Note would increase by Ps. 129.0 million. If the ENRE interprets that the term “remuneration” includes all amounts received by us in the form, or in lieu, of subsidies, such amount could be significantly higher (in a range of three to five times higher).

In addition, based on recent verbal exchanges with certain officials, the new administration believes that fines and penalties already imposed on us (but not yet paid) should also bear interest until the time of payment or waiver thereof. If interest over such penalties was to be payable by us (which we believe should not be the case), our results of operations could be materially and adversely affected.

In our opinion, any adjustments to our fines and penalties (whether by virtue of the Note or otherwise, and including the accrual of interest as provided in the Note) should not be applicable to us because the delay in imposing such fines and penalties was caused by the Argentine government and was not within our control. Additionally, if any such adjustments are made applicable to us, we believe the Argentine government would be binding us to the terms of the Adjustment Agreement without taking into account that it has not recognized certain of our rights thereunder, such as our right to have tariffs adjusted to reflect increases in operation costs that are necessary for adequately providing our services.

In addition, we may 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 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 tariff schedule and economic turmoil, we do not expect these losses to decrease in the near term. Our energy losses amounted to 14.9% in 2015, 14.3% in 2014 and 13.0% in 2013. We cannot assure you that our energy losses will not increase again in future periods, which may lead us to have lower margins and could adversely affect our financial condition, our results of operations and the market value of our ADSs.

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

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

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

In 2015, the fines and penalties amounted to an estimated Ps. 281.7 million, which represented 7.6% 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 potential foreclosure by the Argentine government on the pledge of our Class A common shares could be deemed to constitute a change of control under the terms of our Senior Notes due 2017 and 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 under our concession agreement or in such a way that our service is materially affected, we may request the termination of our concession, after giving the Argentine government a 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 an additional 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 that may be adopted in the future by the Argentine government could limit or delay our ability to purchase capital goods that are necessary for our operations (including carrying out specific projects) (see "The actions taken by the Fernández de Kirchner administration to reduce imports may adversely affect our ability to access capital goods that are necessary for our operations"). Under our concession, we are obligated to satisfy all of the demand for electricity originated in our concession area, maintaining at all times certain service quality standards that have been established for our concession. If we are not able to purchase significant capital goods to satisfy all of the demand or suffer unexpected delays in the import process, 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, 2015, approximately 87% 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 or labor conditions 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, 2015, Edenor had approximately 2,927 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 will not initiate legal actions to seek indemnification from us based upon a number of judicial rulings issued by labor courts in Argentina which have recognized 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.

Our performance is largely dependent on recruiting and retaining key personnel

Our current and future performance and the operation of our business are dependent upon the contributions of our senior management and our skilled team of engineers and other specialized employees. We depend on our ability to attract, train, motivate and retain key management and specialized personnel with the necessary skills and experience. There is no guarantee that we will be successful in retaining and attracting key personnel and the replacement of any key personnel who were to leave could be difficult and time consuming. The loss of the experience and services of key personnel or the inability to recruit suitable replacements and additional staff could have a material adverse effect on our business, financial condition and results of operations.

We are currently not able to effectively hedge our currency risk in full and, as a result, increased 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 all of our existing financial indebtedness is denominated in U.S. Dollars, which exposes us to the risk of loss from increased devaluation of the Peso. We are currently hedging part of this risk 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 and by entering into currency forward contracts. In 2015, the Peso lost approximately 52% of its value with respect to the U.S. Dollar, including a depreciation of approximately 34% mainly experienced after December 17, 2015 following the announcement of the lifting of a significant portion of exchange restrictions, our hedging contracts did not cover all of our exposure to such depreciation. However, we cannot assure you that the Argentine government will maintain these exchange regulations or that we will find hedging transactions to cover all or a part of our exposure on terms we consider viable for us. 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, 2015, our physical assets were insured for up to U.S.\$ 1,299.5 million. However, we do not carry insurance coverage for losses caused by our network or business interruption, including for 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 court 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 2022, and have a material adverse effect on our results of operations and financial condition.

Our exclusive right to distribute electricity 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 electricity 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 rest of the 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, 2015, we owed approximately Ps.3,360.6 million (Including interest) to CAMMESA. Although we submitted to CAMMESA a repayment plan in November 2015, as of the date of this annual report negotiations with CAMMESA continue with respect to a final repayment schedule. This debt is due and unpaid and we have not secured any waivers from CAMMESA. If CAMMESA requested that we repay such debt in a single payment, 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 resulting from 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.

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 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 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 timely obtained and immediate repayment are required, we 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 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 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, our results of operations could be adversely affected and the market value of our ADSs and Class B common shares could decline.

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

Our losses for 2014 exceeded our reserves plus more than 50% of our capital stock at the end of that year, and we were therefore required to mandatorily reduce our capital stock pursuant to Article 206 of the Argentine Corporations Law unless we received a capital contribution or expected future revenues or results of operations which would result in our liabilities not exceeding 50% of our assets. In the shareholders' meeting held on April 27, 2015 it was decided not to proceed with the mandatory stock reduction considering the better results in the first quarter of 2015. If our losses for any fiscal year exceed our reserves plus 50% or more of our capital stock at the end of any such year, we will fall under the purview of Section 206 of the Argentine Corporations Law and will be required to mandatorily reduce our capital stock. Moreover, 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 can 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.

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 is subject to limited appeals. If the CNV makes an inspection on us and considers that any right of a minority shareholder or holder of any security has been violated, it may proceed to suspend our 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 one of our shareholders, 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 and the requirement for Central Bank approval prior to acquiring foreign currency for certain types of investments. Although the transfer of funds abroad in order to pay dividends no longer requires Central Bank approval to the extent such dividend payments are made in connection with audited financial statements approved by a shareholders' meeting, restrictions on the movement of capital to and from Argentina such as those that previously existed could, if reinstated, impair or prevent the conversion of dividends, distributions, or the proceeds from any sale of shares, as the case may be, from Pesos into U.S. Dollars and the remittance of such U.S. Dollars abroad. We cannot assure you that the Argentine government will not take similar measures in the future. In such a case, the depository for the ADSs may hold the Pesos it cannot otherwise convert for the account of the ADS holders who have not been paid. In addition, 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 financial statements prepared in accordance with IFRS. Our ability to pay dividends, however, is further restricted in accordance with the terms of the Adjustment Agreement, pursuant to which we have agreed not to pay dividends without the ENRE's prior approval until we complete the RTI. We cannot predict with any certainty when this process will be completed.

Our shareholders' ability to receive cash dividends may be limited

Our shareholders' ability to receive cash dividends may be limited by the ability of the depository to convert cash dividends paid in Pesos into U.S. Dollars. Under the terms of our deposit agreement with the depository for the ADSs, the depository will convert any cash dividend or other cash distribution we pay on the common shares underlying the ADSs into U.S. Dollars; if it can do so on a reasonable basis and can transfer the U.S. Dollars to the United States. If this conversion is not possible or if any government approval is needed and cannot be obtained, the deposit agreement allows the depository to distribute the foreign currency only to those ADS holders to whom it is possible to do so. If

the exchange rate fluctuates significantly during a time when the 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 those 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 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 4A. Unresolved Staff Comments

During June 2016, we engaged in discussions with the Commission regarding the comments by the staff of the Commission (the “Staff”) to our annual report on Form 20-F for the year ended December 31, 2014 relating to the presentation in the statement of cash flows of the financial assistance granted by the Argentine Government during 2014 and 2015. Such financial assistance was made through various loan agreements for the consumption and assignment of secured receivables in order for us to pay higher salary costs and also to cover the insufficiency of the funds deriving from the FOCEDE (the “loans for investments and salaries”).

As a result of such discussions, we concluded that the cash inflows from these loans should be presented within financing activities in the Statement of Cash Flows, as relevance must be placed more on the fact that these agreements were instrumented as loans than in the underlying reasons for these agreements, which was to provide an alternative source of cash inflows due to the lack of increases in tariffs and review of the concession contract for the last 15 years.

Accordingly, our statements of cash flows for the years ended December 31, 2015 and 2014 have been restated to present the cash inflows related to such agreements within financing activities in the statement of cash flows, instead of operating activities as previously presented. Also, the increase in the balances of loans with CAMMESA for funds received by the FOCEDE for the years ended December 31, 2015 and 2014 have been restated and are now presented as non-cash financing transactions in the supplementary disclosures to the statement of cash flows instead of operating activities as previously disclosed.

For a further information, see Note 1 to our restated financial statements included elsewhere in this annual report.

Although we have not received formal confirmation that the Staff has no further comments, we believe that the restatement described above and in our restated audited financial statements is appropriately responsive to the Staff’s comments.

Item 5. *Operating and Financial Review and Prospects*

The following discussion should be read in conjunction with our audited financial statements as of and for the years ended December 31, 2015, and 2014, included in Item 18 of this annual report and the “Selected Financial Data”, included in Item 3 herein. Our financial statements have been prepared in accordance with IFRS as issued by the IASB. See “Item 3. Key Information—Selected Financial Data.”

Despite the delay in the implementation of certain provisions of the Adjustment Agreement, particularly in relation to the implementation of the semi-annual rate adjustments resulting from the CMM and the completion of the RTI process, the recent adoption of certain measures, such as Resolution No. 32/15 of the SE and Resolution No. 7/16 of the Ministry of Energy, has allowed us to not only maintain the quality and safety of our service but also to satisfy the constant year-on-year increase in demand for electricity following Argentina’s relative economic growth in recent years (especially, from 2012 through 2015). Accordingly, we have been able to absorb the higher costs associated with the increased supply of electricity and to carry out investments and essential operation and maintenance-related works as planned.

During 2015, we recorded positive operating income and net income reversing the negative economic and financial situation experienced in previous years. Such improvement was achieved mainly as a consequence of the issuance on March 13, 2015 of Resolution No. 32/15 of the SE, which addressed the need for adjustment of the economic and financial situation of distribution companies granting us a temporary increase in income through funds provided by CAMMESA, applicable retroactively as from

February 1, 2015, to cover costs and investments associated with the regular provision of the public service of distribution of energy on account of the future RTI.

Notwithstanding the foregoing, as of December 31, 2015, our negative working capital amounted to Ps. 1,811 million, which included debt owed to CAMMESA of Ps. 1,808.6 million plus accrued interest, as described under Note 2.c.IX.e to our Financial Statements, with respect to which we have submitted to CAMMESA a repayment plan in November 2015 based on available and projected cash flows data. As of the date of this annual report, negotiations with CAMMESA continue with respect to a final repayment schedule. On December 16, 2015, the Macri administration issued Decree No. 134/15, which declared the state of emergency with respect to the national electricity system, authorizing the Ministry of Energy to implement a nation-wide plan of action for the generation, transmission and distribution of electricity and to take actions to guarantee the supply of the electricity under adequate economic and technical conditions.

During January 2016, the Ministry of Energy issued Resolutions No. 6/16 and No. 7/16 implementing a new tariff schedule that improved the income of distribution companies such as us to enable them to make investments, carry out maintenance works and expand their networks during 2016. Pursuant to such resolutions, the ENRE implemented a VAD adjustment to the tariff schedule on account of the future RTI, and is expected to take all necessary action to conclude the RTI process by December 31, 2016.

Notwithstanding the foregoing, our Board of Directors continues evaluating the sufficiency of financial resources allocated to pay for operation costs, investment plans and debt service, together with the impact on the different variables that affect our business, such as demand behavior, losses, penalties and service quality, among others. In addition, our Board of Directors will continue to actively participate in the RTI process, which is expected to be concluded by December 31, 2016 in accordance with Section 5 of Resolution No. 7/16 of the Ministry of Energy.

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, 2015, we had 2,835,229 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.

We had requested several additional increases under the CMM since May 2008, all of which have been recognized by ENRE pursuant to Resolution No. 250/13 and Resolution No. 32/15 with retroactive effect as of May 2008. However, these increases were not incorporated into our tariff structure in a timely manner to reflect increases in our distribution costs. In January 2016, the Ministry of Energy issued Resolution No. 7/16, through which the ENRE implemented a VAD adjustment to the tariff schedule on account of the future RTI in effect as of February 1, 2016. Pursuant to such resolution, the ENRE issued Resolution No. 1/16 on January 29, 2016 establishing a new tariff structure.

If, in the future, we are not able to recover the real incremental cost increases or there is a significant lag of time between when we incur the incremental costs and when we receive increased income, 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, suffer liquidity shortfalls and 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. 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.”

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

	Year ended December 31		
	2015	2014	2013
	(Figures in millions)		
Sales of Electricity (1)	3,720.4	3,536.1	3,393.8
Right of use on poles	76.4	57.5	41.5
Connection Charges	4.2	3.9	4.2
Reconnection Charges	1.1	0.9	1.2
Net sales	<u>3,802.1</u>	<u>3,598.4</u>	<u>3,440.7</u>

(1) Includes revenue from the application of Resolution No. 347/12 for Ps. 535.5 million, Ps. 508.1 million and Ps. 525.9 million for the years ended December 31, 2015, 2014 and 2013, respectively.

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

	Year ended December 31,					
	2015		2014		2013	
Residential	9,671	43%	9,114	43%	9,114	42%
Small Commercial	1,878	8%	1,714	8%	1,780	8%
Medium Commercial	1,828	8%	1,712	8%	1,828	8%
Industrial	3,680	16%	3,431	16%	3,458	16%
Wheeling System ⁽¹⁾	4,200	19%	4,213	20%	4,374	20%
Public Lighting	688	3%	678	3%	683	3%
Shantytowns	436	2%	430	2%	417	2%
Others ⁽²⁾	21	0%	20	0%	20	0%
Total	<u>22,402</u>	<u>100%</u>	<u>21,312</u>	<u>100%</u>	<u>21,674</u>	<u>100%</u>

(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 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 Macri administration in favor of the electricity sector, such as establishing incentives for the construction of additional generation facilities and the creation of trust funds to further enhance generation, transmission and distribution of electricity throughout the country, have set the stage for growth opportunities in our industry.

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

	Year ended December 31,				
	2015	2014	2013	2012	2011
Real GDP (% change)	2.5	0.4	3.1	0.7	8.3
Nominal GDP (in millions of Pesos)	6,041,476	4,425,694	3,406,265	2,765,575	2,312,009
Real Consumption (% change)	1.3	(0.5)	4.3	4.3	10.2
Real Investment (% change)	2.2	(5.5)	3.1	(7.0)	19.4
Industrial Production (% change)	0.1	(1.8)	0.0	(7.8)	6.5
Consumer Price Index **	11.9	21.4	10.6	10.0	9.8
Nominal Exchange Rate (in Ps./U.S.\$ at year end)	13.4	8.6	6.5	4.9	4.3
Exports (in millions of U.S.\$)	59,597	71,977	81,660	80,927	83,950
Imports (in millions of U.S.\$)	57,420	65,324	73,656	68,508	73,937
Trade Balance (in millions of U.S.\$)	2,177	6,653	8,005	12,419	10,013
Current Account (% of GDP)	(1.4)	(0.9)	(0.8)	(0.2)	(0.7)
Reserves (in millions of U.S.\$)	25,563	31,443.0	30,599.0	43,290.0	46,376.0
Tax Collection (in millions of Pesos)	1,537.9	1,169.7	858.8	679,799.0	540,134.0
Primary Surplus (in millions of Pesos)	(106,522)	(38,561.9)	(22,479.0)	(4,374.0)	4,921.0
Public Debt (% of GDP at December 31)*	39.4	41.6	34.6	34.5	34.2
Public Debt Service (% of GDP)	2.8	2.5	2.6	1.9	2.6
External Debt (% of GDP at December 31)	14.7	15.8	11.7	11.8	12.9

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

* Includes hold-outs

** The CPI for 2015 was calculated for the ten-month period ended October 31, 2015. In November 2015, the INDEC suspended the publication of the CPI and the WPI.

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 WPI increased by approximately 118% and the Argentine CPI 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 0.1%, 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 8.4%, 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 0.8%. 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 2.9% in 2013, compared to 0.8% 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.

According to official indicators (data published by INDEC), in 2014, the economic activity grew by approximately 0.2%, compared to 2.9% in 2013.

Private consumption contracted by 0.8% in 2014. The weakening of the internal demand was the main factor in the contraction of the economy, and can be explained in part by an increase in internal prices due to the financing of the fiscal imbalance by Central Bank to Treasury. In 2014 the public accounts contracted 1.2% of GDP compared to a contraction of 0.6% in 2013. The weaker performance of the private sector was mainly due to an increase in prices, a loss of the Peso's purchasing power, a nominal slowdown in credit extended to the private sector and a greater propensity in customers for saving in times of uncertainty.

Regarding internal market, on January 2014, the Peso lost approximately 19% of its value with respect to the US Dollar. During the following month of 2014, the US Dollar remained relatively stable.

During 2015, the economy registered a positive growth, of approximately 2.5%. The level of activity was driven by the effect that the summer crop had on GDP growth in the second and third quarter, while during the last months of the year the economy would evidence a more moderate expansion.

In terms of supply, industrial production continued showing a poor performance, the exchange rate lag, restrictions to import intermediate goods, the deceleration of the main Argentine commercial partners' growth and a weak domestic and external demand impacted on the performance of the manufacturing activity. In terms of expenses, consumption showed a good performance even though consumers continued acting with caution.

With reference to inflationary issues, a significant deceleration in the increase of prices was observed during the first half of 2015, related with the high 2014 baseline. Throughout the last months of the year, retail prices relatively picked up although the average growth rate was lower than that of the previous year.

In January 2016, the new INDEC authorities appointed by the Macri administration announced the discontinuation of the methodology used by the Fernandez de Kirchner administration to measure inflation and declared a state of administrative emergency in the national statistics system, suspending the publication of all indices until the INDEC is able to calculate such indices based on accurate official data. See "Item 3. Key Information—Risk factors—Risks Relating to Our Business—The impact of the recent congressional and presidential elections on the future economic and political environment of Argentina is uncertain, but likely to be material."

On December 17, 2015, the Peso depreciated approximately 36% against the U.S. Dollar following the announcement of the lifting of a significant portion of exchange restrictions (See "—Risk Factors—Factors Relating to Argentina—Fluctuations in the value of the Peso could adversely affect the Argentine economy, and consequently, our results of operations or financial condition"), which caused the Peso to U.S. Dollar exchange rate to reach Ps.13.40 to U.S.\$1.00 as of December 31, 2015.

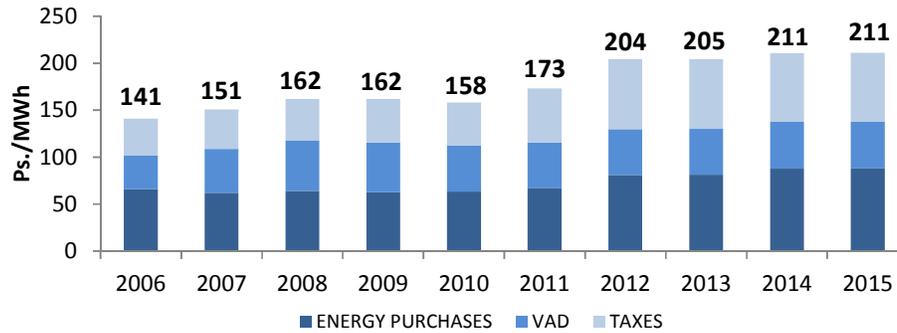
Outlook for 2016

Forecasts for 2016 are characterized by caution. The macroeconomic context and the imbalances (including high inflation, fiscal deficit, monetary and trade restrictions) deriving from certain policies adopted during recent years represent substantial obstacles for the Macri administration to introduce economic policy shifts. As of the date of this annual report, a drop in real GDP is expected for 2016, along with an inflation rate which would remain high, surpassing that of 2015.

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 tariffs, 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 No. 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 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 pricing ladder set 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.

On November 7, 2011, through Resolution No. 1301/2011 of the SE, 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 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 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, Resolution No. 1,537/2011 of the SE implemented the Volunteer Waiver Form Subsidy.

On May 8, 2012, Resolution No. 2,883/2012 of the SE instructed 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 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 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. Resolution No. 7/16 repealed the stabilization factor.

We purchased a total of 22,126 GWh in 2015, 20,694 GWh in 2014 and 20,552 GWh in 2013 (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.

During 2015, 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.

On January 25, 2016, the Ministry of Energy issued Resolution No. 6/16, approving the seasonal WEM prices for each category of users for the period from February 2016 through April 2016. Such Resolution adjusted the seasonal prices as required by the regulatory framework. Energy prices in the spot market were set by CAMMESA, which determined the price to be charged by generators for energy sold in the spot market of the wholesale electricity market on an hourly basis. The WEM prices resulted in the elimination of certain energy subsidies and a substantial increase in electricity rates for individuals. Resolution No. 6/16, introduced different prices depending on the categories of customers. Such

resolution also contemplates a social tariff for residential customers who comply with certain consumption requirements, which includes a full exemption for monthly consumptions below or equal to 150 Kwh and tariffs benefits for customers who exceed such consumption level but achieve a monthly consumption lower than that of the same period in the immediately preceding year.

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 to the increased volume of energy we supplied during those periods. Our total losses amounted to 14.9% in 2015, 14.3% in 2014, and 13% in 2013.

The following table sets forth our estimated breakdown between technical and non-technical energy losses experienced in our concession area since 2006. We believe that non-technical losses could increase in 2016 following the establishment of the new tariff structure pursuant to Resolution No 1/16 of the ENRE.

	Year ended December 31,		
	2015	2014	2013
Technical losses	11.1%	10.8%	10.3%
Non - technical losses	3.8%	3.5%	2.7%
Total losses	14.9%	14.3%	13.0%

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 “Item 5. Operating and Financial Review and Prospects—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 SE issued Resolution No. 1,037/2007, 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.

We had requested several additional increases under the CMM since May 2008, all of which have been recognized by ENRE pursuant to Resolution No. 250/13 and Resolution No. 32/15 with retroactive effect as of May 2008. However, these increases were not incorporated into our tariff structure in a timely manner to reflect increases in our distribution costs.

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 WEM.

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.

Pursuant to the SE's Resolution No. 250/13 and Notes No. 6,852/13, No. 4,012/14, No. 486/14 and No. 1,136/14 of the SE, the Company was authorized to compensate its debt registered under the PUREE against CMM recognitions for the period from May 2008 through December 2014.

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 WEM. We were 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. As of the date of this annual report, all the sale settlements with maturity dates to be determined issued by CAMMESA were compensated with PUREE debts or with Commercial debt with CAMMESA.

As from February 1, 2015, pursuant to Resolution No. 32/15 of the SE, PUREE funds were considered as part of Edenor's income on account of the future RTI. We compensated up to January 31, 2015, the debts for PUREE, with claims arising from the calculation of CMM until that date, including the application of interest that could correspond to both concepts.

In January 2016, the Ministry of Energy issued Resolution No. 7/2016, pursuant to which the ENRE implemented a VAD adjustment to the tariff schedule on account of the future RTI in effect as of February 1, 2016, and is expected to take all necessary action to conclude the RTI process by December 31, 2016.

In addition, such resolution: (i) abrogated the PUREE; (ii) repealed Resolution No. 32/2015 as from the date the ENRE resolution implementing the new tariff schedule; (iii) discontinued the application of mechanisms that imply the transfer of funds from CAMMESA in the form of loan agreements with CAMMESA; and (iv) ordered the implementation of the actions required to terminate

the trusts created pursuant to Resolution No. 347/2012 of the ENRE. Resolution No. 2/2016 of the ENRE partially repealed Resolution No. 347/2012, discontinuing the FOCEDE and ordering us to open a special bank account with a Central Bank authorized entity where the funds received pursuant to Resolution No. 347/2012 must be deposited. Pursuant to Resolution No. 7/16, the ENRE issued Resolution No. 1/16 establishing a new tariff structure.

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 ⁽¹⁾	VAD						Average Taxes						Electric Power Purchases					
	Nov 2001	Jan 2005	Feb 2007	Oct 2008	Res.130 2011 ⁽²⁾	Res.1 2016 ⁽³⁾	Nov 2001	Jan 2005	Feb 2007	Oct 2008	Res.130 2011 ⁽²⁾	Res.1 2016 ⁽²⁾	Nov 2001	Jan 2005	Feb 2007	Oct 2008	Res.130 2011 ⁽²⁾	Res.1 2016 ⁽²⁾
Residential																		
TIR1 (0-300)	49.40%	44.50%	44.50%	44.69%	11.26%	30.63%	28.70%	28.70%	28.70%	28.70%	28.70%	28.70%	21.90%	26.80%	26.80%	26.61%	60.00%	40.65%
TIR2 (301-650)	36.20%	33.00%	33.00%	30.81%	4.80%	15.40%	29.20%	29.20%	29.20%	29.23%	29.23%	29.23%	34.60%	37.80%	37.80%	39.95%	65.91%	55.33%
TIR3 (651-800)				32.08%	4.55%	14.48%				29.23%	29.23%	29.23%				38.68%	66.15%	56.23%
TIR4 (801-900)				31.63%	4.32%	13.91%				29.23%	29.23%	29.23%				39.13%	66.39%	56.81%
TIR5 (90-1000)				32.75%	4.35%	14.04%				29.23%	29.23%	29.23%				38.02%	66.37%	56.69%
TIR6 (1001-1200)				26.29%	4.19%	15.98%				29.23%	29.23%	29.23%				44.48%	66.51%	54.73%
TIR 7 (1201-1400)				27.18%	3.98%	15.25%				29.23%	29.23%	29.23%				43.59%	66.73%	55.47%
TIR8 (1401-2800)				25.94%	4.81%	17.83%				29.23%	29.23%	29.23%				44.83%	65.89%	52.88%
TIR9 (> 2800)				22.50%	3.84%	14.81%				29.23%	29.23%	29.23%				48.26%	66.88%	55.92%
Commercial - small demands																		
TIG1	55.10%	40.00%	47.80%	48.76%	21.91%	53.18%	25.70%	25.70%	25.70%	25.68%	25.68%	25.68%	19.20%	34.30%	26.50%	25.55%	52.34%	21.11%
TIG2	53.60%	31.10%	43.60%	42.39%	15.97%	41.52%	25.60%	25.60%	25.60%	25.64%	25.64%	25.64%	20.70%	43.20%	30.70%	31.97%	58.29%	32.79%
TIG3				37.40%	9.13%	26.24%				25.63%	25.63%	25.63%				37.57%	65.12%	48.04%
Commercial - medium demand																		
T2	43.30%	27.90%	35.50%	38.03%	16.03%	44.80%	25.60%	25.60%	25.60%	25.63%	25.63%	25.63%	31.00%	46.40%	38.90%	36.34%	58.15%	29.47%
Industrial																		
T3 low voltage below 300kw	44.20%	26.50%	34.30%	37.86%	15.37%	43.74%	25.70%	25.70%	25.70%	25.66%	25.66%	25.66%	30.10%	47.80%	40.10%	36.48%	58.84%	30.53%
T3 low voltage over 300kw	42.60%	24.50%	32.10%	27.09%	11.99%	22.80%	25.60%	25.60%	25.60%	25.62%	25.62%	25.62%	31.80%	49.90%	42.30%	47.29%	62.29%	51.55%
T3 medium voltage below 300kw	29.30%	14.10%	19.70%	25.25%	8.46%	30.72%	25.70%	25.70%	25.70%	25.68%	25.68%	25.68%	45.00%	60.30%	54.60%	49.06%	65.73%	43.51%
T3 medium voltage over 300kw	27.30%	12.30%	17.50%	17.71%	7.09%	14.50%	25.70%	25.70%	25.70%	25.69%	25.69%	25.69%	47.00%	62.00%	56.80%	56.60%	67.11%	59.77%
Average Tariff	41.20%	28.50%	33.90%	33.16%	9.57%	28.33%	27.20%	27.20%	27.20%	27.24%	27.24%	27.24%	31.50%	44.20%	38.90%	39.60%	63.10%	44.38%

- (1) TIR1 refers to residential customers whose peak capacity demand is less than 10 kW and whose bimonthly energy demand is less than or equal to 300 kWh. TIR2 refers to residential customers whose peak capacity demand is less than 10 kW and whose bimonthly energy demand is greater than 300 kWh but less than 650 kWh. TIR3 refers to residential customers whose peak capacity demand is less than 10 kW and whose bimonthly energy demand is greater than 650 kWh but less than 800 kWh. TIR4 refers to residential customers whose peak capacity demand is less than 10 kW and whose bimonthly energy demand is greater than 800 kWh but less than 900 kWh. TIR5 refers to residential customers whose peak capacity demand is less than 10 kW and whose bimonthly energy demand is greater than 900 kWh but less than 1,000 kWh. TIR6 refers to residential customers whose peak capacity demand is less than 10 kW and whose bimonthly energy demand is greater than 1,000 kWh but less than 1,200 kWh. TIR7 refers to residential customers whose peak capacity demand is less than 10 kW and whose bimonthly energy demand is greater than 1,200 kWh but less than 1,400 kWh. TIR8 refers to residential customers whose peak capacity demand is less than 10 kW and whose bimonthly energy demand is greater than 1,400 kWh but less than 2,800 kWh. TIR9 refers to residential customers whose peak capacity demand is less than 10 kW and whose bimonthly energy demand is greater than 2,800 kWh. TIG1 refers to commercial customers whose peak capacity demand is less than 10kW and whose bimonthly energy demand is less than or equal to 1600 kWh. TIG2 refers to commercial customers whose peak capacity demand is less than 10 kW and whose bimonthly energy demand is greater than 1600 kWh but less than 4,000 kWh. TIG3 refers to commercial customers whose peak capacity demand is greater than 4,000 kWh. T2 refers to commercial customers whose peak capacity demand is greater than 10 kW but less than 50 KW. T3 refers to customers whose peak capacity demand is equal to or greater than 50 kW. The T3 category is applied to high-demand customers according to the voltage (tension) at which each customer is connected. Low tension is defined as voltage less than or equal to 1 kV and medium tension is defined as voltage greater than 1kV but less than 66 kV.
- (2) On November 7, 2011, the SE issued Resolution No. 1.301/11, 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.
- (3) On January 29, 2016, the ENRE issued Resolution No. 1/16 establishing a new tariff structure.

Integral Tariff Revision (RTI).

An integral tariff proposal includes, among other factors, a recalculation of the compensation we receive for our distribution services, including taxes that are not currently passed onto our customers (such as taxes on financial transactions), a revised analysis of our distribution costs, modifications to our

quality of service standards and penalty scheme and, finally, a revision of our asset base and rate of return. For this purpose, we 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 SE 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 SE issued Resolution No. 865/2008, which reviews the RTI schedule contemplated by the Adjustment Agreement. The SE 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 Resolution No. 467/2008 of the ENRE. 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.

Additionally, in June 2013, we filed a complaint against the Argentine government claiming full compliance with the Adjustment Agreement and compensation for damages as a result of non-compliance of the commitments established therein. The complaint was amended so as to extend it in November 2013. In February 2014, we filed for injunctive relief with the Federal Court requesting that the Argentine government be compelled to provide us with economic assistance during the course of litigation. The petition was rejected in both first and second instance in June and December 2014, respectively.

In our opinion, the RTI process will have to factor in 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, and the balances and other issues resulting from the measures recently adopted by the Argentine government to provide us with temporary and partial relief.

Such issues include, among other: (i) the treatment to be given to the outstanding amounts granted under the loans for consumption (*mutuums*) to cover the insufficiency of the funds deriving from the FOCEDA; (ii) the conditions for the settlement of the outstanding debt with CAMMESA as of the date of issuance of Resolution No. 32/15, for which purpose we have submitted and are currently negotiating a repayment plan; (iii) the treatment to be given to the penalties and discounts determined prior and subsequent to the Adjustment Agreement (in our opinion the generation and accumulation of unpaid balances for this concept are not attributable to us inasmuch as the inaction and discretionary decisions of the Argentine government in the past have led to the deterioration of our economic and financial equation, thus preventing us from complying with its basic and elemental obligations for the provision of the public service); (iv) an agreement on quality levels and a new system of penalties and discounts that provides for an adequate transitional period until the tariff schedule resulting from the RTI is fully implemented; and (v) the termination and liquidation of the FOCEDA and its effects.

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”.

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.

In January 2016, through Resolution No. 6/16, the Government introduced a social tariff for residential customers who comply with certain consumption requirements, which includes a full exemption for monthly consumptions below or equal to 150 Kwh and preferential tariffs for customers who exceed such consumption level but achieve a monthly consumption lower than that of the same period in the immediately preceding year.

Demand

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

Electricity demand

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

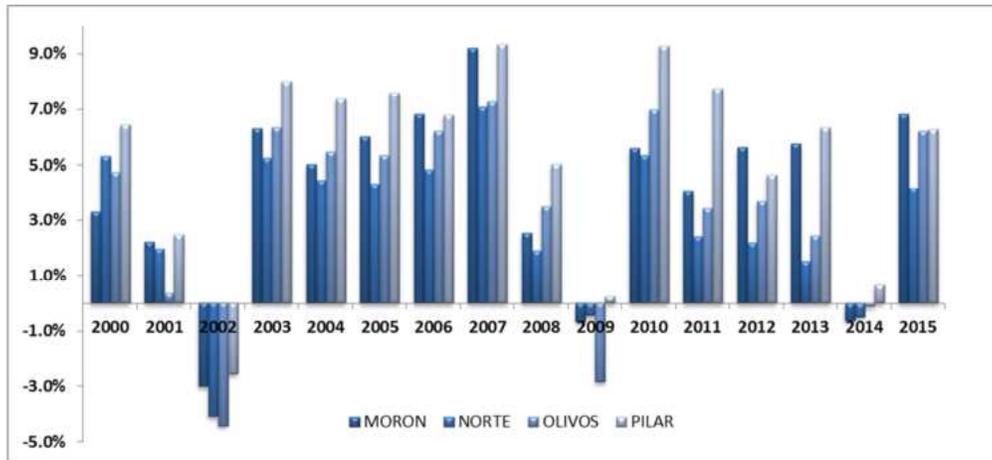
Year	Electricity demand in Gwh⁽¹⁾	Edenor demand in Gwh⁽²⁾	Edenor's demand as % of total demand
1994	55,827	11,386	20.4%
1995	57,839	11,629	20.1%
1996	61,513	12,390	20.1%
1997	66,029	13,046	19.8%
1998	69,103	13,768	19.9%
1999	71,689	14,447	20.2%
2000	75,591	15,148	20.0%
2001	78,098	15,414	19.7%
2002	76,483	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	131,944	23,933	18.1%
2013	125,162	24,902	19.9%
2014	126,397	24,860	19.7%
2015	131,988	26,322	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 6% 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 2015:



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. In 2015, the demand increased by 6% compared to 2014, principally due to a 9.5% increase in small commercial customers and a 6% increase on average in residential and medium commercial customers.

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 SE adopted Resolution No. 1,170/08, 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 SE adopted Resolution No. 45/2010, which revised the calculation of the coefficient used to reward TIR customers with consumption levels below 1,000 KWh. This resolution decreased the rewards that such users are entitled to receive.

On January 25, 2016, through Resolution No. 7/16 the Ministry of Energy abrogated the PUREE.

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 *Plus Energy* 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.”

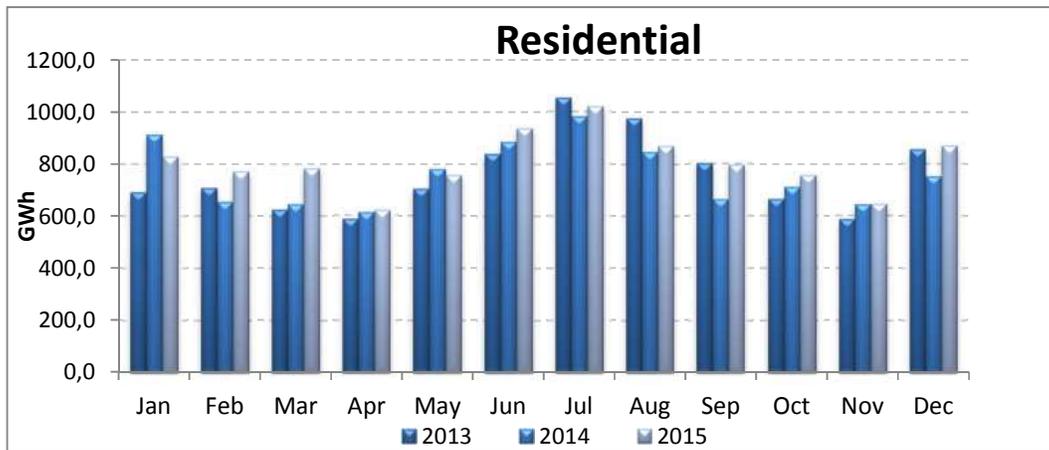
In response to the lack of private investment in new generation plants, the Argentine government undertook a project to construct two 800 MW thermal generation plants, Central Termoeléctrica Manuel Belgrano and Central Termoeléctrica General San Martín. Construction of these two plants was completed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

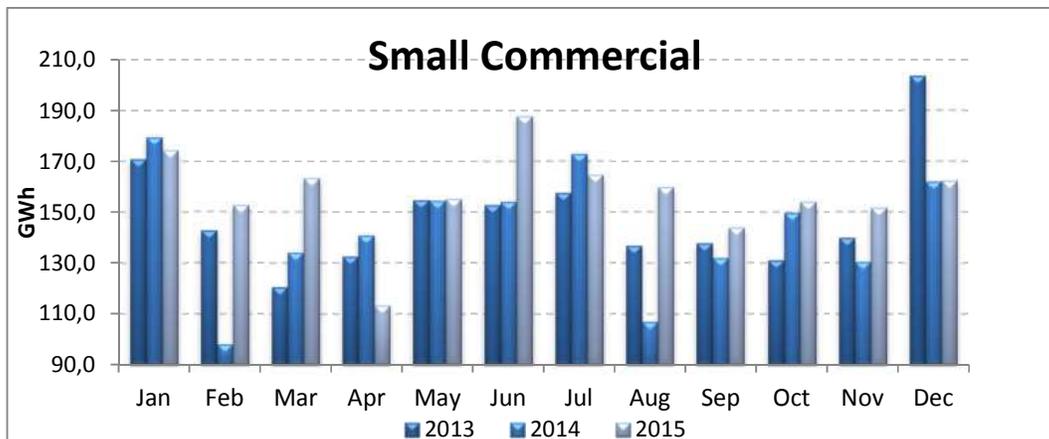
Seasonality of Demand

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.

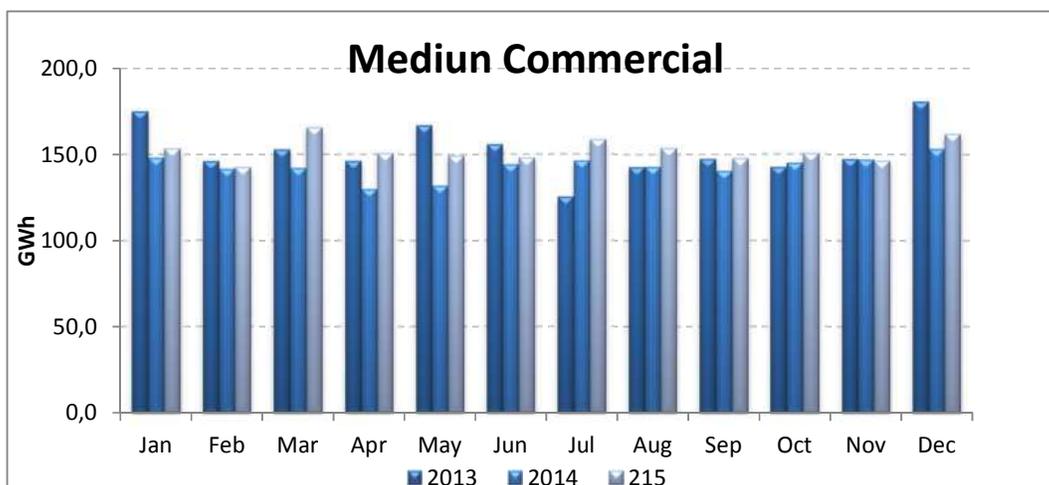
The impact of seasonality on industrial demand for electricity is less pronounced than on the residential and commercial sectors, primarily because different types of industrial activity by their nature have different seasonal peaks, such that the climatic effect is more varied. The chart below shows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



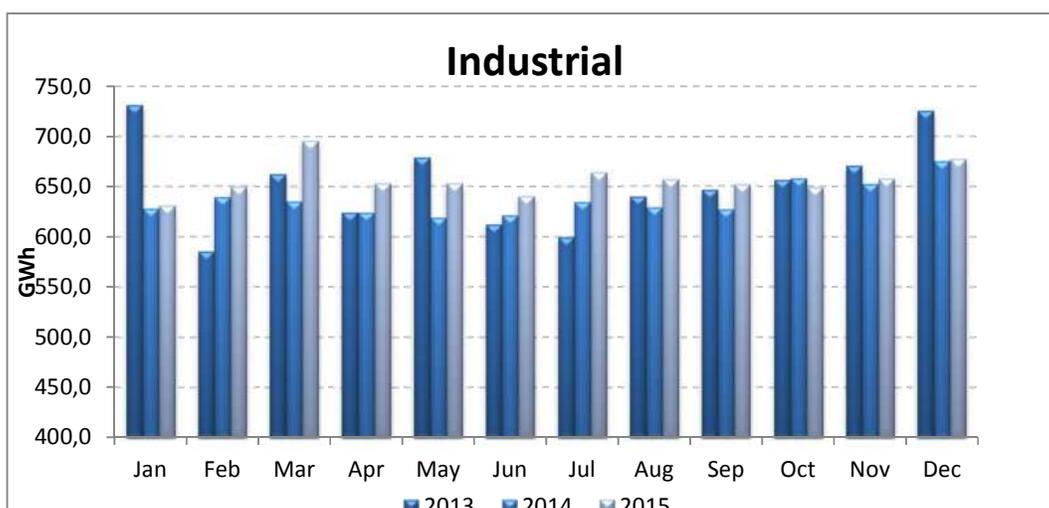
The chart below shows seasonality of demand in Edenor's small commercial customer category for the periods indicated.



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, fines and penalties, 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 to respond more quickly to changes in our market. We had approximately 4,297 employees and 1,847 third party employees under contract with us as of December 31, 2015, 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, 2015, 2014 and 2013.

Statement of comprehensive income (loss)*

	<u>2015</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
	US\$	Ps.	Ps.	Ps.
Continuing operations				
Revenue from sales (1)	291,6	3.802,2	3.598,4	3.440,7
Electric power purchases	(155,1)	(2.022,0)	(1.878,1)	(2.050,3)
Subtotal	136,5	1.780,2	1.720,3	1.390,4
Transmission and distribution expenses	(241,8)	(3.153,7)	(2.825,1)	(2.055,3)
Gross (loss) income	(105,3)	(1.373,5)	(1.104,8)	(664,9)
Selling expenses	(63,9)	(832,8)	(657,9)	(548,3)
Administrative expenses	(54,1)	(706,1)	(496,8)	(324,8)
Other operating income	6,1	79,2	52,4	61,6
Other operating expense	(38,5)	(502,5)	(318,7)	(142,8)
Gain from acquisition of companies	-	-	-	-
Income from non-reimbursable customer contributions	0,1	0,8	0,8	0,7
Operating loss before SE Resolution 250/13 and subsequent Notes	(255,7)	(3.334,9)	(2.525,0)	(1.618,5)
Income recognition on account of the RTI - SE Resolution 32/15	385,4	5.025,1	-	-
Higher costs recognition - SE Resolution 250/13 and subsequent Notes	42,3	551,5	2.271,9	2.933,1
Operating (loss) profit	171,9	2.241,7	(253,1)	1.314,6
Financial income	7,4	96,2	235,5	287,1
Financial expenses (2)	(34,5)	(450,0)	(592,0)	(504,9)
Other financial expense	(43,1)	(561,7)	(324,5)	(273,1)
Net financial expense (income)	(70,2)	(915,5)	(681,0)	(490,9)
(Loss) Profit before taxes	101,7	1.326,2	(934,1)	823,7
Income tax	(14,1)	(183,8)	154,4	44,1
(Loss) Profit for the year from continuing operations	87,6	1.142,4	(779,7)	867,8
Discontinued operations	-	-	-	(95,1)
(Loss) Profit for the year	87,6	1.142,4	(779,7)	772,7
(Loss) Profit for the year attributable to:				
Owners of the Company	87,6	1.142,4	(779,7)	771,7
Non-controlling interests	-	-	-	1,0
(Loss) Profit for the year	87,6	1.142,4	(779,7)	772,7
(Loss) Profit for the year attributable to the owners of the parent				
Continuing operations	87,6	1.142,4	(779,7)	867,9
Discontinued operations	-	-	-	(96,2)
(Loss) Profit for the year	87,6	1.142,4	(779,7)	771,7

	<u>2015</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
	US\$	Ps.	Ps.	Ps.
Other comprehensive income				
<i>Items that will not be reclassified to profit or loss</i>				
Results related to benefit plans	(0,3)	(3,7)	(17,8)	(21,0)
Tax effect of actuarial income (losses) on benefit plans	0,1	1,3	6,2	7,4
Total other comprehensive loss from discontinued operations	-	-	-	-
Total other comprehensive (losses) income	(0,2)	(2,4)	(11,6)	(13,6)
Comprehensive income for the year attributable to:				
Owners of the parent	87,4	1.140,0	(791,3)	758,1
Non-controlling interests	-	-	-	1,0
Comprehensive income for the year	87,4	1.140,0	(791,3)	759,1
(Loss) Profit for the year attributable to the owners of the parent				
Continuing operations	87,4	1.140,0	(791,3)	757,1
Discontinued operations	-	-	-	1,0
	87,4	1.140,0	(791,3)	758,1
Basic and diluted (loss) earnings per share:				
Basic and diluted (loss) earnings per share from continuing operations	0,10	1,27	(0,87)	0,97
Basic and diluted (loss) earnings per share from discontinued operations	-	-	-	(0,11)
Basic and diluted (loss) earnings per ADS (3):				
Basic and diluted (loss) earnings per ADS from continuing operations	1,95	25,40	(17,40)	19,40
Basic and diluted (loss) earnings per ADS from discontinued operations	-	-	-	(2,20)

(*) 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, 2015, which was Ps. 13.04 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 No. 347/12.
- (2) Net of interest capitalized at December 31, 2015, 2014 and 2013 for Ps. 255.9 million, Ps. 123.9 million and Ps. 24.5 million, respectively.
- (3) Each ADS represents 20 Class B common shares.

Year Ended December 31, 2015 compared with Year Ended December 31, 2014.

Revenue from sales

Revenue from sales increased 5.7% to Ps. 3,802.2 million for the year ended December 31, 2015, from Ps. 3,598.4 million for the year ended December 31, 2014.

This increase was mainly due to an increase in the volume of energy sold, which went from 21,312 GWh in 2014 to 22,402 GWh in 2015, representing a 5.1% increase, and to an increase of Ps.19 million in revenue from pole leases.

Net energy sales represented approximately 97.8% of our net sales in 2015 and 98.3% in 2014; late payment charges, pole leases, and connection and reconnection charges account for the balance.

Electric Power Purchases

The amount of electric power purchases increased 7.7 % to Ps. 2,022.0 million for the year ended December 31, 2015, from Ps. 1,878.1 million for the year ended December 31, 2014. This increase of Ps. 143.9 million was mainly due to an increase in the volume of energy sold and to an increase in energy losses due to an increase in non-technical losses.

The volume of electric power purchases of Edenor increased 5.9% to 26,322 GWh for the year ended December 31, 2015, from 24,860 GWh for the year ended December 31, 2014 (in both cases including wheeling system demand).

Energy losses increased to 14.9% for the year ended December 31, 2015, from 14.3% for the year ended December 31, 2014. See “—Factors Affecting Our Results of Operations—Recognition of Cost of Energy Losses.”

Transmission and Distribution Expenses

Transmission and distribution expenses increased 11.6 % to Ps. 3,153.7 million for the year ended December 31, 2015, from Ps. 2,825.1 million for the year ended December 31, 2014. This increase was mainly due to a Ps. 486.5 million increase in salaries and social security taxes attributable to an increase in employee compensation granted in 2015, along with an increase in the number of employees. This increase was partially offset by a decrease of Ps.251.1 million in fees and remuneration for services.

As a percentage of revenue from sales, transmission and distribution expenses increased to 82.9% for the year ended December 31, 2015, from 78.5% for the year ended December 31, 2014.

The following table sets forth the principal components of our transmission and distribution expenses for the years indicated.

	Year ended December 31,					
	2015	% of 2015 net sales		2014	% of 2014 net sales	
Salaries and social security taxes	1,859.70	59.0%	48.9%	1,373.2	48.6%	38.2%
Supplies consumption	211.40	6.7%	5.6%	205.9	7.3%	5.7%
Fees and remuneration for services	463.20	14.7%	12.2%	714.3	25.3%	19.9%
Depreciation of property, plant and equipment	236.80	7.5%	6.2%	208.5	7.4%	5.8%
ENRE penalties	257.30	8.2%	6.8%	233.9	8.3%	6.5%
Others	125.30	3.9%	3.3%	89.3	3.2%	2.5%
Total	3,153.7	100.0%	82.9%	2,825.1	100.0%	78.5%

Gross (loss) profit

Our gross loss, including transmission and distribution expenses, increased by Ps. 268.7 million, or 24.3%, to Ps. 1,373.5 million for the year ended December 31, 2015, from a gross loss of Ps. 1,104.8 million for the year ended December 31, 2014. This increase was basically due to the increase in transmission and distribution expenses described above, which were partially offset by the slight 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 26.6 % to Ps. 832.8 million for the year ended December 31, 2015, from Ps. 657.9 million for the year ended December 31, 2014. This increase of Ps. 174.9 million was mainly due to a Ps. 66.7 million increase in fees and remuneration for services, a Ps. 50.8 million in salaries and social security taxes (attributable to an increase in employee compensation granted in 2015), and a Ps. 19.6 million increase in communications expenses.

As a percentage of net sales, selling expenses increased to 21.9 % of net sales in the year ended December 31, 2015, from 18.3 % for the year ended December 31, 2014.

The following table sets forth the principal components of our selling expenses for the years indicated.

	Year ended December 31,					
	2015	% of 2015 net sales		2014	% of 2014 net sales	
Salaries and social security taxes	299.8	36.0%	7.9%	249.0	37.8%	6.9%
Allowance for the impairment of trade and other receivables	24.1	2.9%	0.6%	21.5	3.3%	0.6%
Communication expenses	58.7	7.0%	1.5%	39.1	5.9%	1.1%
Fees and remuneration for services	329.5	39.6%	8.7%	262.8	39.9%	7.3%
ENRE penalties	24.4	2.9%	0.6%	18.4	2.8%	0.5%
Others	96.3	11.6%	2.5%	67.1	10.2%	1.9%
Total	832.8	100.0%	21.9%	657.9	100.0%	18.3%

Administrative Expenses

Our administrative expenses include, among others, expenses associated with accounting, payroll administration, personnel training, systems operation third-party services and taxes.

Administrative expenses increased 42.1% to Ps. 706.1 million for the year ended December 31, 2015, from Ps. 496.8 million for the year ended December 31, 2014. This increase of Ps. 209.3 million was mainly due to a Ps. 86.3 million increase in salaries and social security taxes attributable to an increase in employee compensation granted in 2015, a Ps. 65.7 million increase in fees and remuneration for services, and Ps. 23.0 million increases in rent and insurance.

As a percentage of revenue from sales, administrative expenses increased to 18.6% for the year ended December 31, 2015, as compared to 13.8% for the year ended December 31, 2014.

The following are the principal components of our administrative expenses for the years indicated.

	Year ended December 31,					
	2015	% of 2015 net sales		2014	% of 2014 net sales	
Salaries and social security taxes	328.4	46.5%	8.6%	242.1	48.7%	6.7%
Rent and insurance	58.2	8.2%	1.5%	35.2	7.1%	1.0%
Fees and remuneration for services	213.8	30.3%	5.6%	148.1	29.8%	4.1%
Security Services	24.1	3.5%	0.6%	15.1	3.0%	0.4%
Others	81.6	11.6%	2.1%	56.3	11.3%	1.6%
Total	706.1	100.0%	18.6%	496.8	100.0%	13.8%

Other operating (expenses) income

Other operating expenses include mainly retirement payments, severance payments and accrual for lawsuits. Other operating expenses, increased by 59.1% to a loss of Ps. 422.5 million for the year ended December 31, 2015, compared to a loss of Ps. 265.5 million for the year ended December 31, 2014. The negative variation of Ps. 157 million was mainly due to a Ps. 151 million increase in accrual for lawsuits, a Ps.27.1 million increase in fees for services provided to third parties and a Ps. 20.4 million increase in debit and credit taxes partially offset by a decrease of Ps.38.1 million in expenses related to FOCEDA.

Operating profit (loss)

Our operating profit increased Ps. 2,494.8 million to a gain of Ps. 2,241.7 million for the year ended December 31, 2015, from a loss of Ps. 253.1 million for the year ended December 31, 2014, mainly due to the recognition of additional income as set forth in Resolution No. 32/15 of the SE of Ps. 5,025.1 million, partially offset by an increase in other operating expenses described above and a decrease of 75.7% in the partial recognition of CMM adjustment pursuant to Resolution No. 250/13 and subsequent notes of the SE, of Ps. 1,720.4 million.

Net Financial Expense

Net financial expense totaled Ps. 915.5 million for the year ended December 31, 2015, compared to Ps. 681.0 million for the year ended December 31, 2014. This increase of Ps. 234.5 million was primarily due to a Ps. 466.9 million increase in exchange differences as a result of exchange rate variations, a Ps. 122.4 million increase in financial expense, which was partially offset by a decrease of Ps. 267.2 million in interest due on the debt with CAMMESA, and to a Ps. 279.5 million gain derived from changes in fair value of financial assets.

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 charge of Ps.183.8 million in 2015, compared to an income tax credit of Ps. 154.4 million in 2014, mainly as a result of the increase in the additional income derived from the application of Resolution No. 32/15 of the SE, partially offset by a tax loss carry forward generated in recent years.

Profit (Loss) for the year

We recorded a profit of Ps. 1,142.4 million for the year ended December 31, 2015, compared to a loss of Ps. 779.7 million for the year ended December 31, 2014 mainly as a consequence of the additional income derived from the application of Resolution No. 32/15 of the SE.

Year Ended December 31, 2014 compared with Year Ended December 31, 2013.

Revenue from sales

Revenue from sales increased 4.6% to Ps. 3,598.4 million for the year ended December 31, 2014, from Ps. 3,440.7 million for the year ended December 31, 2013.

Although the volume of energy sold went from 21,674 GWh in 2013 to 21,312 GWh in 2014, which represents a decrease of 1.7%, the increase in revenue from sales is attributable to the removal in 2014 of subsidies on tariffs for certain categories of users.

Net energy sales represented approximately 98.3% of our net sales in 2014 and 98.6% in 2013; late payment charges, pole leases, and connection and reconnection charges account for the remaining balance.

Electric Power Purchases

The amount of electric power purchases decreased 8.4% to Ps. 1,878.1 million for the year ended December 31, 2014, from Ps. 2,050.3 million for the year ended December 31, 2013. This decrease of Ps. 172.2 million was mainly due to a decrease in the cost of mobile generation (which is the cost of hiring transportable diesel fuel generators to address the failures in the grid), which has been reduced in its use and partially recognized as "distributed energy" (which is subject to lower pricing than energy derived from mobile generation) since November 2013.

The volume of electric power purchases of Edenor for 2014 remained stable compared to purchases registered in 2013, at 24,860 GWh and 24,902 GWh, respectively (in both cases including wheeling system demand).

Energy losses increased to 14.3% for the year ended December 31, 2014, from 13.0% for the year ended December 31, 2013. See "—Factors Affecting Our Results of Operations—Recognition of Cost of Energy Losses."

Transmission and Distribution Expenses

Transmission and distribution expenses increased 37.5 % to Ps. 2,825.1 million for the year ended December 31, 2014, from Ps. 2,055.3 million for the year ended December 31, 2013. This increase was attributable to a Ps. 582.6 million increase in salaries and social security taxes mainly as a result of an increase in the number of employees, and an increase in employee compensation granted in 2014 (7 % as from January 2014 , 15% as from May 2014 and 10% as from July 2014), along with increases in payments for seniority and working modality, and to a lesser extent to a Ps. 84 million increase in supplies consumption and Ps.49.2 million increase in fees and remuneration for services.

As a percentage of revenue from sales, transmission and distribution expenses increased to 78.5% for the year ended December 31, 2014, from 59.7% for the year ended December 31, 2013, basically due to higher expenses not accompanied by increases in tariffs.

The following table sets forth the principal components of our transmission and distribution expenses for the years indicated.

	Year ended December 31,					
	2014	% of 2014 net sales		2013	% of 2013 net sales	
Salaries and social security taxes	1,373.20	48.6%	38.2%	790.7	38.5%	23.0%
Supplies consumption	205.90	7.3%	5.7%	121.9	5.9%	3.5%
Fees and remuneration for services	714.30	25.3%	19.9%	665.1	32.4%	19.3%
Depreciation of property, plant and equipment	208.50	7.4%	5.8%	194.8	9.5%	5.7%
ENRE penalties	233.90	8.3%	6.5%	234.8	11.4%	6.8%
Others	89.30	3.1%	2.4%	48.0	2.3%	1.4%
Total	2,825.1	100.0%	78.5%	2,055.3	100.0%	59.7%

Gross (loss) profit

Our gross loss, including transmission and distribution expenses, increased by Ps. 439.9 million, or 66.2%, to Ps. 1,104.8 million for the year ended December 31, 2014, from a gross loss of Ps. 664.9 million for the year ended December 31, 2013. 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

Selling expenses increased 20.0 % to Ps.657.9 million for the year ended December 31, 2014, from Ps. 548.3 million for the year ended December 31, 2013. This increase of Ps. 109.7 million was mainly due to a Ps. 69.7 million increase in salaries and social security taxes (attributable to an increase in employee compensation granted in 2014 as explained under the line item “Transmission and Distribution Expenses” above and to an increase in the number of employees), a Ps. 64.4 million increase in fees and remuneration for services (a 32.4 % increase as compared to 2013), which was partially offset by Ps. 34.3 million decrease in ENRE penalties.

As a percentage of net sales, selling expenses increased to 18.3 % of net sales in the year ended December 31, 2014, from 15.9 % for the year ended December 31, 2013.

The following table sets forth the principal components of our selling expenses for the years indicated.

	Year ended December 31,					
	2014	% of 2014 net sales		2013	% of 2013 net sales	
Salaries and social security taxes	249.0	37.8%	6.9%	179.4	32.7%	5.2%
Allowance for the impairment of trade and other receivables	21.5	3.3%	0.6%	38.0	6.9%	1.1%
Communication expenses	39.1	5.9%	1.1%	32.6	5.9%	0.9%
Fees and remuneration for services	262.8	39.9%	7.3%	198.5	36.2%	5.8%
ENRE penalties	18.4	2.8%	0.5%	52.7	9.6%	1.5%
Others	67.1	10.2%	1.9%	47.1	8.7%	1.4%
Total	657.9	100.0%	18.3%	548.3	100.0%	15.9%

Administrative Expenses

Administrative expenses increased 53.0% to Ps. 496.8 million for the year ended December 31, 2014, from Ps. 324.8 million for the year ended December 31, 2013. This increase of Ps. 172 million was mainly due to a Ps. 92.2 million increase in salaries and social security taxes attributable to an increase in employee compensation granted in 2014, a Ps. 44.7 million increase in fees and remuneration for services, and Ps. 13.3 million increases in rent and insurance.

As a percentage of revenue from sales, administrative expenses increased to 13.8% for the year ended December 31, 2014, as compared to 9.4% for the year ended December 31, 2013.

The following are the principal components of our administrative expenses for the years indicated.

	Year ended December 31,					
	2014	% of 2014 net sales		2013	% of 2013 net sales	
Salaries and social security taxes	242.1	48.7%	6.7%	149.9	46.2%	4.4%
Rent and insurance	35.2	7.1%	1.0%	21.9	6.7%	0.6%
Fees and remuneration for services	148.1	29.8%	4.1%	103.4	31.8%	3.0%
Security Services	15.1	3.1%	0.4%	10.4	3.2%	0.3%
Others	56.3	11.3%	1.6%	39.2	12.1%	1.1%
Total	496.8	100.0%	13.8%	324.8	100.0%	9.4%

Other operating (expenses) income

Other operating expenses, increased by 229.8% to a loss of Ps. 265.5 million for the year ended December 31, 2014, compared to a loss of Ps. 80.5 million for the year ended December 31, 2013. The negative variation of Ps. 185.1 million was mainly due to a Ps. 97.7 million increase in expenses related to FOCEDE, Ps. 39.4 increase in accrual for lawsuits, Ps. 16.2 in fees for services provided to third parties and a Ps. 9.2 million increase in debit and credit taxes.

Operating (loss) profit

Our operating loss was Ps. 253.1 million for the year ended December 31, 2014, from a profit of Ps. 1,314.6 million for the year ended December 31, 2013. This increase in operating losses was mainly due to the increase in other operating expenses described above and a 22.5% decrease in the partial recognition of a CMM adjustment pursuant to Resolution No. 250/13 and Notes No. 6,852/13, No. 4,012/14, No. 486/14 and No. 1,136/14 of the SE, of Ps. 661.2 million, given that the retroactive effect of higher costs (in accordance with the provisions of Section 4.2 of the Adjustment Agreement) was recognized in 2013 for the period May 2007 through September 2013.

Net Financial Expense

Net financial expense totaled Ps. 681.1 million for the year ended December 31, 2014, compared to Ps. 490.9 million for the year ended December 31, 2013. This increase of Ps. 190.2 million was

primarily due to an increase of Ps. 87.2 million in financial expense, including interest due in connection with debt with CAMMESA of Ps. 133.9 million, a Ps. 62.1 million increase in exchange differences as a result of exchange rate variations, and a Ps.48.1. million decrease in financial income due to lower recognition of interest due in connection with lower income during 2014 arising from the recognition of CMM adjustments (which covered the period October 2013 through December 2014) pursuant to Resolution No. 250/2013 and Notes No. 6,852/13, No. 4,012/14, No. 486/14 and No. 1,136/14 of the SE, in 2014, as compared to non-recurrent higher income during 2013 as a result of the recognition of CMM adjustments (which covered the period May 2007 through September 2013, which period is greater than the period covered by the CMM recognition during 2014).

Income Tax

We recorded an income tax credit of Ps.154.4 million in 2014, compared to an income tax credit of Ps. 102.5 million in 2013. Regarding current tax expenses, we generated a tax loss carry forward in 2014 of Ps. 240.1 million at the applicable tax rate as a result of the increase in operating costs described above, which was offset by an allowance for impairment of tax loss carry forward, compared to a tax payable of Ps. 288.3 million in 2013 due to an increase in taxable income as a result of higher cost recognition in 2013 under Resolution No. 250/13 and Note No.6,852/of the SE. Regarding the deferred tax, in 2014 we recorded a net deferred tax benefit of Ps. 154.4 million compared to Ps. 44.1 million in 2013, mainly due to the gain generated by the tax effects of temporary differences related to other payables for ENRE penalties and salaries and provisions made in connection with seniority-based bonus payments.

(Loss) / Profit from discontinued operations

During 2012 and 2013, Edenor completed the sale of its formerly controlled companies (see “Item 4. Information on the Company”). As a result, in 2014 Edenor did not present results from discontinued operations. In 2013, loss from discontinued operations totaled Ps. 95.1 million 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 loss of Ps. 779.7 million for the year ended December 31, 2014, compared to a profit of Ps. 772.7 million for the year ended December 31, 2013 mainly as a consequence of the increase in other operating costs as described above and lower income during 2014 arising from the recognition of CMM adjustments (which covered the period October 2013 through December 2014) pursuant to Resolution No. 250/2013 and Notes No. 6,852/13, No. 4,012/14, No. 486/14 and No. 1,136/14 of the SE, as compared to non-recurrent higher income during 2013 as a result of the recognition of CMM adjustments (which covered the period May 2007 through September 2013, which period is greater than the period covered by the CMM recognition during 2014).

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, 2015, 2014 and 2013. 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. In 2015, following the issuance of Resolution No. 32/2015, we resumed full payment of our commercial obligations with CAMMESA, but did not cancel past commercial debt. As of December 31, 2015 the commercial debt with CAMMESA amounts to approximately Ps. 2,714.3 million including interests. In November 2015, we submitted to CAMMESA a repayment plan. As of the date of this annual report, negotiations with CAMMESA continue with respect to a final repayment schedule. 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 of 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, all 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.

The Argentine government adopted a series of measures such as the issuance of Resolution No. 347/2012 of the ENRE, Resolution No. 32/15 of the SE and the granting of certain economic assistance program (through the extension of loans for consumption (mutuums)) (the “Program”) for us to be able to cope with our cash needs for specific purposes. We consider the funds received through the Program as a supplementary measure to being granted increases in tariffs/rates. In connection with the foregoing, following the adoption of a new transitional tariff schedule as from February 1, 2016 and until completion of the RTI process, Resolution No. 7/16 of the Ministry of Energy suspended the transfer of funds that we received under the Program. Considering the funds received through the Program temporarily substituted or replaced the funds that we should have received through the collection of adjusted tariffs pursuant to the Concession Agreement and that such an atypical situation is not expressly covered by the accounting framework applicable to us, the obligations deriving from such economic assistance programs were classified in our financial statements as “Other payables” and the related costs as “Financial expenses”.

On June 24, 2014, by Note No. 4012/14, the SE instructed CAMMESA to enter into a loan for consumption (mutuum) and assignment of secured receivables agreement with us in order to pay the higher salary costs indicated in “Item 6. Directors, Senior Management and Employees – Employees”. The aforementioned agreement was entered into on July 10, 2014. The agreement was guaranteed by us with the assignment of the future surplus sale settlements with maturity dates to be determined (Liquidaciones de Venta con Fecha de Vencimiento a Definir - LVFVD) , as a result of the application of Resolution No. 250/13 of the SE.

As of December 31, 2014, our debt related to this financing amounted to Ps. 298 million (comprised of Ps.280.6 million in principal and Ps. 17.4 million in accrued interest).

In September 2014, the SE, through Resolution No. 65/14, instructed CAMMESA to enter into a Loan and Guarantee Assignment Agreement with us in order to provide the necessary financing to cover the Extraordinary Investment Plan approved by the SE as a consequence of a temporary insufficiency of funds received through Resolution No. 347/12. During 2015, after several amendments, such loan agreement reached Ps. 2,913 million for the entire plan.

Resolution No. 32/15 resolved that LVFVDs be issued in our favor for the amounts generated by the salary increases deriving from the application of Resolution No. 836/14 of the Ministry of Labor, Employment and Social Security for which payment we received this loan (Mutuum); allowing the offsetting of any amounts discussed thereunder against outstanding balances of LVFVDs. The LVFVDs were issued on July 16, 2015 to offset the debt under the loan for consumption (mutuum) and assignment of secured receivables agreement entered into to pay for the higher salaries cost.

As of December 31, 2015, the total debt under these loans (mutuums agreements) amounted to Ps. 1,099.8 million, comprised of Ps. 923.6 million in principal for the actual disbursements, and Ps. 176.2 million in accrued interest.

As explained before, these loans were discontinued as from February 1, 2016 under the terms of Resolution No. 7/16 of the Ministry of Energy.

Our principal uses of cash are expected to be operating costs, the servicing of our financial debt and our investment plan. 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”.

Although the ENRE is expected to take all necessary action to conclude the RTI process by December 31, 2016, the outcome of such process is uncertain as to its final form. Thus, if in the future: (i) the new electricity rate schedules are not issued pursuant to the RTI by the ENRE; (ii) we are not granted any other recognition of additional revenue or any other mechanism to compensate for cost increases, and/or; (iii) we do not obtain from the Argentine government any other financing to cover cost increases, it is likely that we will have insufficient liquidity and will therefore be obliged to pursue measures similar to those applied in the past in order to preserve cash and enhance our liquidity.

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 of December 31, 2015, 2014 and 2013, our cash and cash equivalents amounted to Ps. 129.0; Ps. 179.1 million and Ps. 243.5 million, respectively. We generally invest our cash in a range of instruments, including sovereign debt, corporate debt securities and other securities. The table below reflects our cash and cash equivalents position at the dates indicated and the net cash provided by (used in) operating, investing and financing activities during the years indicated:

	Year ended December 31		
	Restated	Restated	
	2015	2014	2013
	(Figures in millions)		
Cash and cash equivalents at beginning of year	179.1	243.5	71.1
Net cash flows provided by operating activities (1)	3,002.1	1,167.4	1,436.6
Net cash flows used in investing activities	(3,103.3)	(1,461.8)	(1,109.0)
Net cash flows generated in financing activities	42.0	224.9	(177.1)
Cash and cash equivalents at beginning of year included in assets of disposal group classified as held for sale	-	-	11.2
Exchange differences in cash and cash equivalents	9.1	5.1	10.7
Cash and cash equivalents at the end of year	129.0	179.1	243.5

(1) Includes CAMMESA financing of Ps. 251.0 million; Ps.2,974.9 million, and Ps. 2,231.5 million as of December 31, 2015, December 31, 2014 and December 31, 2013, respectively.

Net Cash flows provided by operating activities

Net cash flows provided by operating activities increased 157.2% to Ps. 3,002.1 million in the year ended December 31, 2015, from Ps. 1,167.4 million in the year ended December 31, 2014.

Changes in net cash flows provided by operating activities in 2015 were primarily due to the income recognized pursuant Resolution No.32/15, partially offset by a decrease in the commercial debt with CAMMESA of Ps. 251.0 million.

Net cash flows provided by operating activities decreased by 23.1% to Ps. 1,167.4 million in the year ended December 31, 2014, from Ps. 1,436.6 million in the year ended December 31, 2013.

Changes in net cash flows provided by operating activities in 2014 were primarily due to an increase in the commercial debt with CAMMESA (Ps. 2,974.9 million) and to the funds obtained from PUREE (Ps. 482.9 million), partially offset by the recognition of higher costs under Resolution No. 250/13 of the SE and subsequent notes of the SE (Ps. 2,271.9 million), to a decrease in net loss (Ps. 779.7 million) and a decrease in trade payables (Ps. 528.4 million).

Net cash flows provided by operating activities increased 166.8% to Ps. 1,436.6 million in the year ended December 31, 2013, from Ps. 538.4 million in the year ended December 31, 2012.

Changes in net cash flows provided by operating activities in 2013 were primarily due to an increase in the commercial debt with CAMMESA (Ps. 2,231.5 million), to the funds obtained from PUREE (Ps. 491.9 million) and to an increase in net profit (Ps. 772.7 million), partially offset by the

recognition of higher costs by Resolution No. 250/13 and subsequent notes of the SE (Ps. 2,933.1 million).

Net Cash flows used in investing activities

Net cash flows used in investing activities increased by 112.3% to Ps. 3,103.3 million in the year ended December 31, 2015, from Ps. 1,461.7 million in the year ended December 31, 2014.

Changes in net cash flows used in investing activities in 2015 were primarily due to an increase in our capital expenditures (Ps. 695.4 million) and in net payments for the purchase of financial assets at fair value (Ps. 947.5 million).

Net cash flows used in investing activities increased by 31.8% to Ps. 1,461.7 million in the year ended December 31, 2014, from Ps. 1,109 million in the year ended December 31, 2013.

Changes in net cash flows used in investing activities in 2014 were primarily due to variations in our capital expenditures (Ps. 1,400.1 million) and in net payments for the purchase of financial assets at fair value (Ps. 64.6 million).

Net cash flows used in investing activities increased by 87.9% to Ps. 1,109 million in the year ended December 31, 2013, from Ps. 590.3 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. 892.4 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 generated in financing activities

Net cash flows generated in financing activities decreased by 81.3% to Ps. 42.0 million in the year ended December 31, 2015, from Ps. 224.9 million in the year ended December 31, 2014, primarily as a result of the decrease in the proceeds obtained from loans with CAMMESA (Ps. 214.9 million) and due to the payment of interest on loans (Ps. 172.9 million).

Net cash flows generated in financing activities increased by 227% to Ps. 224.9 million in the year ended December 31, 2014, from a use of Ps. 177.1 million in the year ended December 31, 2013, due to the proceeds obtained from loans with CAMMESA (Ps. 380.6 million).

Net cash flows used in investing activities increase by 537.1% to Ps. 177.1 million in the year ended December 31, 2013, from Ps. 27.8 million in the year ended December 31, 2012, primarily as a result of the payment of interest on loans (Ps. 177 million).

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,		
	2015	2014	2013
	<i>(Figures in millions)</i>		
Network Infrastructure ⁽¹⁾	1,468.5	1,284.2	835.5
Network maintenance and improvements	307.5	201.4	174.3
Legal requirements ⁽²⁾	2.9	6.1	11.0
Communications and telecontrol	64.4	55.7	13.3
Others	674.9	154.3	58.4
Total	2,518.2	1,701.7	1,092.5

(1) Includes network infrastructure and additional network supplies.

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

In 2015, in accordance with our capital expenditure program, we invested Ps. 2,518.2 million, a substantial portion of which was dedicated to increasing the capacity of our grid in line with the growth of our customer base. 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. In October 2015, we decided to acquire real property with the aim of concentrating centralized functions and reducing rental costs and the risk of future increases in rent, for a total amount of Ps.439.2 million, which was fully paid, as of December 31, 2015.

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 December 31, 2015, the outstanding amount of Senior Notes due 2022 is U.S.\$ 176.4 million. Edenor repurchased and cancelled U.S.\$ 123.6 million during 2014, of which, U.S.\$ 68 million were repurchased by the Aeseba Sale Trust during 2014 (see Item 4. "Information on the Company").

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.

On February 2, 2016, we repurchased the Senior Notes due 2022 at market prices for a nominal value of U.S.\$ 0.3 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. As of December 31, 2014, this line of credit was cancelled.

Derivatives Contracts

Management of derivative financial instruments

In September 2015, with the aim of hedging the currency risk associated with the payment of the next interest coupon of our Senior Notes 2017 and 2022, we entered into futures contracts to buy U.S. Dollars for a nominal value of U.S. Dollars 10 million, at the average rate of exchange of Ps. 10.829 to U.S.\$1.00, expiring in April 2016.

Those contracts are secured for a value of Ps. 16.5 million. As of December 31, 2015, the economic impact of these transactions resulted in a gain of Ps. 29.2 million, which is recorded in the "Other financial results of the Statement of Comprehensive Income".

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

A summary of our significant financial policies is included in Note 4 to our 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.

Impairment of long-lived assets

Long-lived assets are tested for impairment at the lowest disaggregation level at which independent cash flows can be identified (cash generating units, or CGU).

We analyze the recoverability of its long-lived assets on a periodical basis or when events or changes in circumstances indicate that the recoverable amount of assets, which is measured as the higher of value in use and fair value less costs to sell at the end of the year, may be impaired.

Due to the implementation of Resolution No. 1/16 of the ENRE, which established an increase in income as from February 1, 2016, the projections concerning the recoverability of property, plant and equipment made by the Company, have been updated.

The value in use is determined based on projected and discounted cash flows, using discount rates that reflect the time value of money and the specific risks of the assets considered.

Cash flows are prepared on the basis of estimates concerning the future performance of certain variables that are sensitive to the determination of the recoverable amount, among which the following can be noted: (i) nature, opportunity and modality of electricity rate increases and/or cost adjustment recognition; (ii) demand for electricity projections; (iii) evolution of the costs to be incurred; (iv) investment needs in accordance with the service quality levels required by the regulatory authority, and (v) macroeconomic variables, such as growth rates, inflation rates and foreign currency exchange rates.

The future increase in electricity rates used by us to assess the recoverability of its long-lived assets as of December 31, 2015 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 financial statements included in this annual report. 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 adopted measures, such as those described in Notes 2.c.III, V and VI to the financial statements included in this annual report, have also been considered. Our management estimates that it is reasonable to expect that new increases in revenues will be obtained as from 2017 as a result of the completion of the RTI during 2016.

We have made projections under the assumption that we will obtain higher electricity rates, in addition to the adjustments on account of the VAD provided for by Resolution No. 7/2016. However, due to the complexity of the RTI process our management may not ensure that the future performance of the variables used to make its projections will be in line with what it has estimated at the date of preparation of the financial statements.

In order to contemplate the estimation risk contained in the projections of the aforementioned variables, we have considered three different probability-weighted scenarios. Although in all of them it is estimated that we will succeed in reaching an acceptable agreement with the Argentine government resulting in a gradual tariff increase, we have considered different timing and magnitude of an increase in the VAD (Distribution Added Value).

The scenarios that have been considered are the following:

a) Scenario called “Pessimistic” scenario: in this scenario, the Company assumes modest electricity rate increases as from 2017 as a result of the gradual implementation of the schedule resulting from the RTI. A five-year term payment plan is established for repayment of the penalties owed to customers, whereas those owed to the ENRE are waived. The debt with CAMMESA (for energy and loans for consumption), including interest, is paid in 4 years. Probability of occurrence assigned 20%.

b) Scenario called “Intermediate” scenario: in this case, the Company assumes reasonable electricity rate increases as from 2017 as a result of the gradual implementation of the schedule resulting from the RTI. A five-year term payment plan is established for repayment of the penalties owed to customers, whereas those owed to the ENRE are waived. The debt with CAMMESA (for energy and loans for consumption), including interest, is paid in 10 years with funds deriving from a specific charge included in electricity bills. Probability of occurrence assigned 65%.

c) Scenario called “Optimistic” scenario: in this case, the Company assumes increases in its remuneration, in addition to the ones recognized in the Intermediate scenario, as from 2017 as a result of the gradual implementation of the schedule resulting from the RTI. A five-year term payment plan is established for repayment of the penalties owed to customers, whereas those owed to the ENRE are waived. The debt with CAMMESA (for energy and loans for consumption) is waived as part of the Concession Agreement renegotiation process. Probability of occurrence assigned 15%.

We have assigned to these three scenarios the previously described percentages of probability of occurrence based mainly on experience and considering the present economic and financial situation, the status quo of the conversations that are being held with the Argentine government and the need to maintain the public service, object of the concession, in operation.

In all of the scenarios described above a discount rate (WACC) in Pesos has been used for each year of the projection. For the first 5 years, the average of these rates is 31%.

Sensitivity analysis:

The main factors that could result in impairment charges in future periods are: i) a distortion in the nature, opportunity and modality of the electricity rate increases and recognition of cost adjustments, ii) the development of the costs to be incurred, and iii) the investment needs in accordance with service quality levels required by the regulatory authority in the RTI process, among other factors. These factors have been taken into account in the aforementioned weight of scenarios. Due to the inherent uncertainty involved in these assumptions, the Company estimates that any sensitivity analysis that considers changes in any of them considered individually could lead to distorting conclusions.

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.

Allowances for the doubtful accounts

The allowance for the impairment of accounts receivable is assessed based on the delinquent balance, which comprises all such debt arising from the bills for electricity consumption that remain unpaid 13 working days after their due dates for small-demand (tariff 1) customers and 7 working days after due date for medium and large-demand (tariff 2 and 3) customers. Our management records an allowance applying to the delinquent balances of each customer category an uncollectibility rate that is determined according to each customer category based on the historical comparison of collections made.

Additionally, and faced with temporary and/or exceptional situations, our management may redefine the amount of the allowance, specifying and supporting the criteria used in all the cases.

Current and deferred income tax/ Tax on minimum presumed income

A degree of judgment is required to determine the income tax provision inasmuch as our management has to evaluate, on an ongoing basis, the positions taken in tax returns in respect of situations in which the applicable tax regulation is subject to interpretation and, whenever necessary, make provisions based on the amount expected to be paid to the tax authorities. When the final tax outcome of these matters differs from the amounts initially recognized, such differences will impact on both the income tax and the deferred tax provisions in the period in which such determination is made.

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.

Deferred tax assets are reviewed at each reporting date and reduced in accordance with the 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. The 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, our management takes into consideration the scheduled reversal of deferred tax liabilities, the projections of future taxable income and tax planning strategies.

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 unit credit method.

ENRE penalties and discounts

The Company considers its applicable accounting policy for the recognition of the ENRE penalties and discounts critical because it depends on penalizable events, which are valued on the basis of management best estimate of the expenditure required to settle the present obligation. The balances of the ENRE penalties and discounts are adjusted in accordance with the regulatory framework applicable thereto and estimated based on the Company's estimate of the outcome of the RTI process described in Note 2 to the financial statements includes in this annual report.

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. Our management, with the assistance of legal counsel, periodically analyzes the status of each significant legal matter 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 our 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 our management's estimates proved wrong, the current provisions could be inadequate and result in a charge to profits that could have a significant 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, 2015, 2014 and 2013.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The following table summarizes our contractual liabilities and commitments as of December 31, 2015.

	Payments due by period				
	Total	Less than 1 year	1 - 3 years	4 - 5 years	More than 5 years
	<i>(in millions of Pesos)</i>				
Debt obligations and commercial debt obligations ⁽¹⁾	7.210,2	4.524,2	417,5	-	2.268,5
Accrued fines and penalties ⁽²⁾	1.253,1	116,7	1.136,4	-	-
Financial assistance fees ⁽³⁾	154,9	24,5	97,8	32,6	-
Operating leases ⁽⁴⁾	78,3	47,9	30,1	0,3	-
Capital expenditures ⁽⁵⁾	-	-	-	-	-
Total	8.696,5	4.713,3	1.681,8	32,9	2.268,5

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) See "Item. 4. Information on the Company—Business Overview—Our Concession—Fines and Penalties."

3) Fees payable under our financial services agreement with EASA, our controlling shareholder. This agreement expired in 2015 and was renewed for a five-year period. See "Item 7. Major Shareholders and Related Party Transactions—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."

PART II

Item 15. *Controls and Procedures*

(a) Background

The Company issued its audited annual financial statements under IFRS as of December 31, 2015 and 2014 and for the three years in the period ended December 31, 2015 on March 8, 2016 and filed those financial statements with the Commission on April 27, 2016.

Following discussions with the Staff regarding their comments to the presentation in the statement of cash flows of the financial assistance received from the Argentine government through the loans for investments and salaries, our management restated our financial statements for the years ended on December 31, 2015 and 2014.

(b) Disclosure Controls and Procedures

We had 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 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as of December 31, 2015.

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 our evaluation, we, with the participation of our chief executive officer and chief financial officer, concluded on April 27, 2016 that as of December 31, 2015, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us 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.

However, due to the above mentioned restatement of the Financial Statement, our chief executive officer and chief financial officer have subsequently revised that assessment and concluded that, as a result of the material weakness referred to below, our disclosure controls and procedures were not effective as of December 31, 2015.

(c) Management's Annual Report on Internal Control over Financial Reporting (As Restated)

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that:

- (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of our 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.

Our management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2015. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013).

Our management did not maintain effective controls over the Company's presentation for non-routine, ad-hoc and complex agreements between the Company and the Argentine government. Specifically, controls over the interpretation of the accounting standards related to presentation of transactions in the statement of cash flows did not operate effectively as of December 31, 2015, which, as a result, impacted the classification between operating and financing cash flows and the disclosure of non-cash items related to the transaction. This control deficiency resulted in the restatement of the Company's financial statements for the years ended on December 31, 2015 and 2014. Accordingly, our management has determined that this control deficiency constitutes a material weakness.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. Accordingly, if not remediated, this deficiency could result in misstatements in the classification in the statement of cash flows that could, in turn, result in material misstatements of the Company's financial statements that would not be timely prevented or detected.

Because of this material weakness, our management concluded that the Company did not maintain effective internal control over financial reporting as of December 31, 2015, based on criteria in Internal Control—Integrated Framework issued by the COSO.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2015 has been audited by Price Waterhouse & Co. S.R.L., an independent registered public accounting firm, as stated in their report which appears herein.

(d) Remediation Plan

The Company will streamline and reinforce its current procedures for the proper analysis and interpretation of the accounting standards to appropriately present non-routine, ad-hoc and/or complex agreements in the statement of cash flows. In addition, the Company will provide additional training to personnel to better perform this analysis. Our management believes that the foregoing efforts will effectively remediate the material weakness.

(e) 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-3 of this annual report.

(f) Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting during 2015 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART III

Item 18. *Financial Statements*

Our financial statements are included in this annual report beginning on page F-1.

Item 19. *Exhibits*

Documents filed as exhibits to this Amendment No. 2 to our annual report:

- 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/A 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 Carlos Montero

Name: Leandro Carlos Montero
Title: Chief Financial Officer

Date: July 20, 2016

INDEPENDENT AUDITORS' REPORT

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 statements of financial position and the related 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.) as of December 31, 2015 and 2014, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2015 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Management and we previously concluded that the Company maintained effective internal control over financial reporting as of December 31, 2015. However, management has subsequently determined that a material weakness in internal control over financial reporting related to the presentation in the statement of cash flows of the financial assistance received from the Argentine Government through the loans for investments and salaries existed as of that date. Accordingly, management's report has been restated and our present opinion on internal control over financial reporting, as presented herein, is different from that expressed in our previous report. Also in our opinion, the Company did not maintain, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) because a material weakness in internal control over financial reporting related to the presentation in the statement of cash flows of the financial assistance received from the Argentine Government through the loans for investments and salaries existed as of that date. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness referred to above is described in Management's Annual report on Internal Control over Financial Reporting appearing under Item 15 (c). We considered this material weakness in determining the nature, timing, and extent of audit tests applied in our audit of the 2015 financial statements and our opinion regarding the effectiveness of the Company's internal control over financial reporting does not affect our opinion on those financial statements. The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in management's report referred to above. 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.

As discussed in Note 1 to the financial statements, the Company has restated its 2015 and 2014 statements of cash flows to correct a misstatement.

Without qualifying our opinion, we draw the attention to the situation explained in Notes 1 and 41 to the financial statements of Edenor S.A. in relation to the economic and financial situation and events after the reporting period.

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, July 20, 2016.

/s/ PRICE WATERHOUSE & CO. S.R.L.

Andrés Suarez (Partner)

EDENOR S.A.

**RESTATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2015 AND 2014**

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Glossary of Terms

The following definitions, which are not technical ones, will help readers understand some of the terms used in the text of the notes to the Company's Financial Statements.

<u>Terms</u>	<u>Definitions</u>
AFIP	Federal Administration of Public Revenue
CAMMESA	Compañía Administradora del Mercado Mayorista Eléctrico (the company in charge of the regulation and operation of the wholesale electricity market)
CNV	National Securities Commission
CYCSA	Comunicaciones y Consumos S.A.
EASA	Electricidad Argentina S.A.
Edenor S.A	Empresa Distribuidora y Comercializadora Norte S.A.
Edesur S.A	Empresa Distribuidora Sur S.A.
ENRE	National Regulatory Authority for the Distribution of Electricity
FNEE	National Fund of Electricity
FOCEDE	Fund for Electric Power Distribution Expansion and Consolidation Works
FOTAE	Trust for the Management of Electricity Power Transmission Works
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
LVFVD	Sale Settlements with Maturity Dates to be Determined
MEM	Wholesale Electricity Market
MEyFP	Economy and Public Finance Ministry
MEyM	Energy and Mining Ministry
MMC	Cost Monitoring Mechanism
MPFIPyS	Ministry of Federal Planning, Public Investment and Services
PEN	Federal Executive Power
PEPASA	Petrolera Pampa S.A.
PESA	Pampa Energía S.A.
PISA	Pampa Inversiones S.A.
PUREE	Program for the Rational Use of Electric Power
PYSSA	Préstamos y Servicios S.A.
RTI	Tariff Structure Review
SACME	S.A. Centro de Movimiento de Energía
SE	Energy Secretariat
SEGBA S.A.	Servicios Eléctricos del Gran Buenos Aires S.A.
SIESA	Salta Inversiones Eléctricas S.A.
TERI	Study, Review and Inspection of Works in Public Spaces Fees
VAD	Distribution Added Value
VRD	Debt Securities

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. (EASA)

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

Main business of the parent company: Investment in Edenor S.A.’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, 2015

(amounts stated in pesos)

Class of shares	7.	Subscribed and 8. paid-in (See Note 16)
<hr/>		
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 (2)		1,952,604
		<hr/> 906,455,100 <hr/>

(1) Includes 9,412,500 treasury shares as of December 31, 2015 and 2014.

(2) Shares of the Employee Stock Ownership Program that have not been transferred

Edenor S.A.
Statement of Financial Position
as of December 31, 2015 and 2014
(Stated in thousands of pesos)

ASSETS	Note	12.31.15	12.31.14
Non-current assets			
Property, plant and equipment	9	8,885,789	6,652,482
Interest in joint ventures	7	433	432
Deferred tax asset	24	50,048	87,167
Other receivables	11	153,777	249,235
Financial assets at fair value through profit or loss	13	23,567	-
Total non-current assets		<u>9,113,614</u>	<u>6,989,316</u>
Current assets			
Inventories	14	134,867	73,970
Other receivables	11	1,079,860	250,307
Trade receivables	12	963,005	882,949
Financial assets at fair value through profit or loss	13	1,560,434	254,447
Derivative financial instruments		197	-
Cash and cash equivalents	15	128,952	179,080
Total current assets		<u>3,867,315</u>	<u>1,640,753</u>
TOTAL ASSETS		<u><u>12,980,929</u></u>	<u><u>8,630,069</u></u>

Edenor S.A.
Statement of Financial Position
as of December 31, 2015 and 2014 *(Continued)*
(Stated in thousands of pesos)

	Note	12.31.15	12.31.14
EQUITY			
Share capital	16	897,043	897,043
Adjustment to share capital		397,716	397,716
Additional paid-in capital		3,452	3,452
Treasury stock	16	9,412	9,412
Adjustment to treasury stock		10,347	10,347
Other comprehensive loss		(42,253)	(39,862)
Accumulated losses		249,336	(893,107)
TOTAL EQUITY		1,525,053	385,001
LIABILITIES			
Non-current liabilities			
Trade payables	18	224,966	231,105
Other payables	19	2,391,878	1,644,587
Borrowings	21	2,460,975	1,598,442
Deferred revenue	20	153,816	109,089
Salaries and social security payable	22	80,039	62,858
Benefit plans	23	204,386	150,355
Tax liabilities	25	1,922	3,164
Provisions	27	259,573	112,095
Total non-current liabilities		5,777,555	3,911,695
Current liabilities			
Trade payables	18	4,475,427	3,299,891
Other payables	19	151,674	187,096
Borrowings	21	48,798	33,961
Derivative financial instruments		-	5,895
Deferred revenue	20	764	764
Salaries and social security payable	22	733,131	610,649
Benefit plans	23	28,291	10,566
Tax liabilities	25	169,747	160,483
Provisions	27	70,489	24,068
Total current liabilities		5,678,321	4,333,373
TOTAL LIABILITIES		11,455,876	8,245,068
TOTAL LIABILITIES AND EQUITY		12,980,929	8,630,069

The accompanying notes are an integral part of the restated Financial Statements

Edenor S.A.
Statement of Comprehensive Income (Loss)
for the years ended December 31, 2015, 2014 and 2013
(Stated in thousands of pesos)

	Note	12.31.15	12.31.14	12.31.13
Revenue	28	3,802,162	3,598,376	3,440,691
Electric power purchases		(2,021,981)	(1,878,088)	(2,050,295)
Subtotal		1,780,181	1,720,288	1,390,396
Transmission and distribution expenses	29	(3,153,664)	(2,825,062)	(2,055,285)
Gross loss		(1,373,483)	(1,104,774)	(664,889)
Selling expenses	29	(832,806)	(657,909)	(548,256)
Administrative expenses	29	(706,091)	(496,762)	(324,768)
Other operating expense, net	30	(422,546)	(265,505)	(80,497)
Gain from interest in joint ventures		1	5	5
Operating loss before higher costs recognition and SE Resolution 32/15		(3,334,925)	(2,524,945)	(1,618,405)
Income recognition on account of the RTI - SE Resolution 32/15	2	5,025,114	-	-
Higher cost recognition – SE Resolution 250/13 and subsequent Notes	2	551,498	2,271,927	2,933,052
Operating profit (loss)		2,241,687	(253,018)	1,314,647
Financial income	31	96,225	235,534	276,221
Financial expenses	31	(450,016)	(592,013)	(504,854)
Other financial results	31	(561,723)	(324,575)	(262,263)
Net financial expense		(915,514)	(681,054)	(490,896)
Profit (Loss) before taxes		1,326,173	(934,072)	823,751
Income tax	24	(183,730)	154,356	44,116
Profit (Loss) for the year from continuing operations		1,142,443	(779,716)	867,867
Discontinued operations		-	-	(95,108)
Profit (Loss) for the year		1,142,443	(779,716)	772,759
Profit (Loss) for the year attributable to:				
Owners of the Company		1,142,443	(779,716)	771,739
Non-controlling interests		-	-	1,020
Profit (Loss) for the year		1,142,443	(779,716)	772,759
Profit (Loss) for the year attributable to the owners of the parent				
Continuing operations		1,142,443	(779,716)	867,867
Discontinued operations		-	-	(96,128)
Profit (Loss) for the year		1,142,443	(779,716)	771,739

Edenor S.A.
Statement of Comprehensive Income (Loss)
for the years ended December 31, 2015, 2014 and 2013 (Continued)
(Stated in thousands of pesos)

		<u>12.31.15</u>	<u>12.31.14</u>	<u>12.31.13</u>
Other comprehensive income				
<i>Items that will not be reclassified to profit or loss</i>				
Results related to benefit plans	23	(3,678)	(17,823)	(20,951)
Tax effect of actuarial income on benefit plans	24	1,287	6,238	7,333
Total other comprehensive losses		<u>(2,391)</u>	<u>(11,585)</u>	<u>(13,618)</u>
Comprehensive income for the year attributable to:				
Owners of the parent		1,140,052	(791,301)	758,121
Non-controlling interests		-	-	1,020
Comprehensive income (loss) for the year		<u>1,140,052</u>	<u>(791,301)</u>	<u>759,141</u>
Comprehensive (loss) Profit for the year attributable to the owners of the parent				
Continuing operations		1,140,052	(791,301)	757,101
Discontinued operations		-	-	1,020
		<u>1,140,052</u>	<u>(791,301)</u>	<u>758,121</u>
Basic and diluted earnings (loss) per share:				
Basic and diluted earnings (loss) per share	32	1.27	(0.87)	0.97
Basic and diluted (loss) earnings per share from discontinued operations	32	-	-	(0.11)

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

Edenor S.A.
Statement of Changes in Equity
for the years ended December 31, 2015, 2014 and 2013
(Stated in thousands of pesos)

	Share capital	Adjustment to share capital	Treasury stock	Adjustment to treasury stock	Additional paid-in capital	Other comprehensive loss	Accumulated deficit	Total equity
Balance at December 31, 2012	897,043	397,716	9,412	10,347	3,452	(14,659)	(885,130)	418,181
Absorption of accumulated losses - Shareholders' Meeting of 04/25/2013	(89,704)	(397,716)	(941)	(10,347)	(3,452)	-	502,160	-
Reversion of absorption of accumulated losses - Shareholders' Meeting of 12/20/2013	89,704	397,716	941	10,347	3,452	-	(502,160)	-
Sale of subsidiaries	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	771,739	771,739
Other comprehensive loss for the year	-	-	-	-	-	(13,618)	-	(13,618)
Balance at December 31, 2013	897,043	397,716	9,412	10,347	3,452	(28,277)	(113,391)	1,176,302
Loss for the year	-	-	-	-	-	-	(779,716)	(779,716)
Other comprehensive loss for the year	-	-	-	-	-	(11,585)	-	(11,585)
Balance at December 31, 2014	897,043	397,716	9,412	10,347	3,452	(39,862)	(893,107)	385,001
Profit for the year	-	-	-	-	-	-	1,142,443	1,142,443
Other comprehensive loss for the year	-	-	-	-	-	(2,391)	-	(2,391)
Balance at December 31, 2015	897,043	397,716	9,412	10,347	3,452	(42,253)	249,336	1,525,053

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

Edenor S.A.
Restated Statement of Cash Flows
for the years ended December 31, 2015, 2014 and 2013
(Stated in thousands of pesos)

	Note	12.31.15 <i>(restated)</i>	12.31.14 <i>(restated)</i>	12.31.13
Cash flows from operating activities				
Profit (Loss) for the year		1,142,443	(779,716)	772,759
Adjustments to reconcile net (loss) profit to net cash flows from operating activities:				
Depreciation of property, plants and equipments	29	281,407	237,639	212,148
Loss on disposals of property, plants and equipments	9	3,513	959	1,230
Net accrued interest	31	333,674	340,970	196,626
Exchange differences	31	894,773	427,896	365,759
Income tax	24	183,730	(154,356)	(44,116)
Allowance for the impairment of trade and other receivables, net		24,084	19,692	33,699
Adjustment to present value of receivables	31	(5,387)	(8,128)	(2,378)
Provision for contingencies	27	226,449	75,417	36,033
Other expenses - FOCEDA	30	59,563	97,701	-
Changes in fair value of financial assets	31	(323,610)	(67,591)	(16,097)
Accrual of benefit plans	23	89,254	51,425	22,540
Gain from interest in joint ventures		(1)	(5)	(5)
Higher cost recognition – SE Resolution 250/13 and subsequent	2	(551,498)	(2,271,927)	(2,933,052)
Income recognition on account of the RTI - SE Resolution 32/15	2	(495,516)	-	-
Net gain from the repurchase of Corporate Bonds	31	-	(44,388)	(88,879)
Income from non-reimbursable customer contributions	30	(764)	-	168,628
Changes in operating assets and liabilities:				
Increase in trade receivables		(40,557)	(55,276)	(48,471)
Decrease (Increase) in other receivables		375,620	(134,708)	(111,942)
(Increase) Decrease in inventories		(60,898)	9,883	(42,692)
Increase (Decrease) in deferred revenue		45,490	76,187	(700)
Increase (Decrease) in trade payables		660,835	(528,353)	(87,028)
Increase in salaries and social security payable		139,663	226,689	95,319
Decrease in benefit plans		(21,177)	(11,017)	(7,904)
Decrease in tax liabilities		(140,955)	(28,704)	(44,888)
(Increase) Decrease in other payables		(62,125)	262,316	262,007
Funds obtained from the program for the rational use of electric power (PUREE) (SE Resolution No. 1037/07)		25,612	482,929	491,947
Net decrease in provisions		(32,550)	(33,042)	(25,299)
Subtotal before variations of account payables with Cammesa		2,751,072	(1,807,508)	(794,756)
Increase in account payables with Cammesa		251,045	2,974,876	2,231,477
Net cash flows generated by operating activities		3,002,117	1,167,368	1,436,721

Edenor S.A.
Restated Statement of Cash Flows
for the years ended December 31, 2015, 2014 and 2013 (Continued)
(Stated in thousands of pesos)

	Note	12.31.15 <i>(restated)</i>	12.31.14 <i>(restated)</i>	12.31.13
Cash flows from investing activities				
Payment of property, plants and equipments		(2,095,532)	(1,400,140)	(892,431)
Net (payment for) collection of purchase / sale of financial assets at fair value		(1,012,037)	(64,625)	(97,399)
Collection of financial receivables with related companies		-	-	2,051
Collection of receivables from sale of subsidiaries - SIESA		4,272	2,976	2,940
Discontinued operations		-	-	(124,246)
Net cash flows used in investing activities		<u>(3,103,297)</u>	<u>(1,461,789)</u>	<u>(1,109,085)</u>
Cash flows from financing activities				
Payment of principal on loans	21	-	(424)	(25,535)
Payment of interest on loans	21	(172,923)	(155,251)	(176,976)
Discontinued operations		-	-	25,388
Proceeds from PP&E mutuum		-	100,000	-
Proceeds from Salaries mutuum		214,894	280,622	-
Net cash flows generated by (used in) financing activities		<u>41,971</u>	<u>224,947</u>	<u>(177,123)</u>
(Decrease) Increase in cash and cash equivalents		<u>(59,209)</u>	<u>(69,474)</u>	<u>150,513</u>
Cash and cash equivalents at the beginning of year	15	179,080	243,473	71,108
Cash and cash equivalents at the beginning of year included in assets of disposal group classified as held for sale		-	-	11,154
Exchange differences in cash and cash equivalents		9,081	5,081	10,698
(Decrease) Increase in cash and cash equivalents		<u>(59,209)</u>	<u>(69,474)</u>	<u>150,513</u>
Cash and cash equivalents at the end of the year	15	<u>128,952</u>	<u>179,080</u>	<u>243,473</u>
Supplemental cash flows information				
Non-cash activities				
Financial costs capitalized in property, plants and equipments	9	(255,932)	(123,861)	(24,532)
Acquisitions of property, plant and equipment through increased trade payables		(166,763)	(144,833)	(126,419)
Increase (Decrease) from offsetting of PUREE-related liability against receivables (SE Resolution 250/13, subsequent Notes and SE Resolution 32/15)	2	10,619	(574,010)	(1,661,105)
Increase (Decrease) from offsetting of liability with CAMMESA for electricity purchases against receivables (SE Resolution 250/13, subsequent Notes and SE Resolution 32/15)	2	158,081	(2,218,424)	(1,152,266)
Decrease from offset of other liabilities with CAMMESA for loans for consumption (Mutuums) granted for higher salary costs (SE Resolution 32/15)	2	(495,516)	-	-
Amounts received from CAMMESA through FOCEDE		723,616	100,000	-
Decrease in financial assets at fair value from repurchase of Corporate Bonds	21	-	91,638	165,085
Increase in financial assets at fair value from subsidiary sale		-	-	(334,340)
Decrease of other receivables for collection of receivables from related companies with corporate notes		-	-	52,840
Net increase of trade receivables from sale of assets of disposal group classified as held for sale		-	-	(44,627)
Acquisitions of property, plant and equipment through increased FOTAE debt	34	-	(32,939)	(48,960)

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

1. General information

History and development of the Company

Edenor S.A. 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 SEGBA.

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 EASA, the parent company of Edenor S.A. The award as well as the transfer contract were approved on August 24, 1992 by Executive Order 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, assign the use of 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.

Restatement of previously issued Financial Statements

The Company has restated its financial statements for the year ended December 31, 2015 and 2014 (the "Financial Statements") to correct an error in the presentation of the cash inflows related to a financial assistance program granted by the Argentine Government to the Company, through various loan agreements for the consumption and assignment of secured receivables, in order to pay the higher salary costs and also to cover the insufficiency of the funds deriving from the FOCEDE (the "loans for investments and salaries").

This restatement follows the conclusion of discussions with the Staff of the U.S. Securities and Exchange Commission regarding Staff comments relating to the presentation in the statement of cash flows of the financial assistance received from the Argentine Government through the loans for investments and salaries, as explained in Note 2.C.VIII to the 2015 Financial Statements.

As a result of these discussions, the Company has restated the presentation of the cash inflows related to these agreements, placing more relevance on the fact that these agreements were instrumented as loans and not on the underlying reasons for these agreements, which was to provide an alternative source of cash inflows in the lack of increases in tariffs and review of the concession contract for the last 15 years.

Accordingly, the Company's statements of cash flows for the years ended December 31, 2015 and 2014 have been restated to present the cash inflows related to such agreements within financing activities in the statement of cash flows, instead of operating activities as previously presented. Also, the increase in the balances of the loans with CAMMESA for funds received by the FOCEDE for the years ended December 31, 2015 and 2014 have been restated and are now presented as non-cash financing transactions in the supplementary disclosures to the statement of cash flows instead of operating activities as were previously presented.

The restatement, which is treated as the correction of an error under accounting rules, impacts only the Statement of Cash Flows for the year ended December 31, 2015 and 2014. The restatement impacts only the years ended December 31, 2015 and 2014. No impact was recorded on the Financial Statements for the year ended December 31, 2013.

As a result of the restatement, cash flows from operating activities have decreased by \$ 214.9 million and \$ 380.6 million in 2015 and 2014, respectively, with a corresponding increase for such amounts in the cash flows from financing activities. Of such amounts, \$214.9 million and \$280.6 million in 2015 and 2014, respectively, did not result in future cash outflows, as they were offset with the grant received under Resolution No. 32/15, and disclosed as non-cash transactions under the "Decrease from offsetting liability with CAMMESA from loans for consumption (mutuums) granted for higher salary cost (SE Res. No. 32/15)" heading in the supplementary disclosures to the statement of cash flows for the year ended December 31, 2015 and 2014. Also, the amounts of \$ 723.6 million and \$ 100 million in 2015 and 2014, respectively, are now disclosed as non-cash transaction under the "Amounts received from CAMMESA through FOCEDE" heading in the supplementary disclosures to the statement of cash flows.

There are no impacts in the statements of financial position, comprehensive income, or equity, nor in the basic and diluted earnings per share.

EDENOR S.A.

Notes to the restated Financial Statements as of December 31, 2015 and 2014 (continued)

Following the restatement, these Restated Financial Statements for the years ended December 31, 2015 and 2014 of the Company have been approved and authorized for issue by the Board of Directors on July 20, 2016.

The effect of this restatement on the previously issued statement of cash flows for the years ended December 31, 2015 and 2014 is as follows:

	2015	2015	2015
	(as reported)	(adjustment)	(restated)
Cash flow from operating activities	3,217,011	(214,894) (1)	3,002,117
Cash flow from financing activities	(172,923)	214,894 (1)	41,971
Non cash transactions			
Amounts received from CAMMESA through FOCEDA	-	723,616 (2)	723,616
Decrease from offset of other liabilities with CAMMESA for loans for consumption (Mutuums) granted for higher salary costs (SE Resolution 32/15)	(495,516) (3)	-	(495,516)
	2014	2014	2014
	(as reported)	(adjustment)	(restated)
Cash flow from operating activities	1,547,990	(380,622) (4)	1,167,368
Cash flow from financing activities	(155,675)	380,622 (4)	224,947
Non cash transactions			
Amounts received from CAMMESA through FOCEDA	-	100,000 (2)	100,000

- (1) Corresponds to loans for salaries and were disclosed in the statement of cash flows under the heading "Increase in account payable and loans (MUTUUM) with CAMMESA in distribution". See Note 2.C.VIII.
- (2) Corresponds to loans for investments. See Note 2.C.VIII.
- (3) Corresponds to the grant received under SE Resolution No. 32/15, issued on March 11, 2015 establishing the offsetting of the CAMMESA loans for salaries (2014 and 2015) with this grant. See Note 2.C.IX.
- (4) Corresponds to loans for salaries and investments, \$ 280.6 million and \$ 100 million, respectively.

The Company's economic and financial situation

In fiscal year 2015, the Company recorded positive operating and net results, thus reversing its negative economic and financial situation of the last years. This improvement has been achieved as a consequence of the issuance by the SE on March 13, 2015 of Resolution 32/15, which addresses the need for the adjustment of the economic and financial situation of distribution companies and considers it necessary that urgent and temporary measures should be adopted in order to maintain the normal provision of the public service, object of the concession (Note 2.c.IX).

In spite of the deterioration of the economic and financial equation over the last years as a consequence of the delay in the compliance with certain obligations under the Adjustment Agreement, especially with regard to the recognition of the semiannual rate adjustments resulting from the MMC, and the carrying out of the RTI, thanks to the adoption of certain measures aimed at mitigating the impact thereof, the Company has been able to not only maintain the quality of the electricity distribution service but also satisfy 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. In this regard, the Company absorbed the higher costs associated with the provision of the service and complied with the execution of the investment plan and the carrying out of the essential operation and maintenance works that are necessary to maintain the provision of the public service in a satisfactory manner in terms of quality and safety.

In spite of that which has been mentioned in the first paragraph of this Note, as of December 31, 2015 the Company's negative working capital amounts to \$ 1.8 billion, which includes the amount owed to CAMMESA for \$ 1.8 billion plus interest accrued as of December 31, 2015, as described in Note 2.c.IX.e, in respect of which the Company submitted a payment proposal based on its available and projected cash flows. Until the date of issuance of these financial statements, no answer from CAMMESA has been received.

Furthermore, on December 16, 2015, the Federal Government issued Executive Order No. 134, which declared the state of emergency in the country's electricity sector and authorized the MEyM to implement a plan of action for the generation, transmission and distribution of electricity at national level and guarantee the provision of the electricity public service under adequate economic and technical conditions.

After the closing date of the fiscal year being reported, in January 2016, the MEyM issued, as part of the measures aimed at the restructuring of the electricity sector, Resolutions Nos. 6 and 7 which implemented a new electricity rate system aimed at improving the distribution companies' revenue in order for them to be able to make investments and carry out network maintenance and expansion works. Additionally, the ENRE was instructed to adjust, on account of the RTI, the VAD in electricity rate schedules and to take all the necessary steps to carry out the RTI before December 31, 2016. This new electricity rate system will protect those sectors that cannot afford the full cost of the service through the creation of a "Social Tariff", will be accompanied by a program aimed at reducing the consumption of electricity and will provide for the billing of electricity consumption on a monthly basis in order to soften the impact of the increases on customers.

In view of this scenario, the Company Board of Directors is currently assessing the sufficiency of the financial resources granted to cover the costs of the operation, the investment plans and debt service payments, as well as the impact of the different variables that affect the Company's business, such as behavior of demand, losses, delinquency, service quality and penalties, etc.

Additionally, the Company Board of Directors will continue to take steps to resolve with the Grantor of the Concession and the regulatory agency the issue related to the RTI, which is expected will be concluded in accordance with the provisions of MEyM Resolution 7/16 (Note 2.c.II) in a satisfactory manner with regard to its timing and final form.

Development of the economic context in which the Company operates

On December 17, 2015, the Argentine peso underwent a devaluation of approximately 40% that affected not only the economic context in which the Company operates but also its results in these financial statements.

Such impact resulted in a loss of \$ 683.2 million, almost entirely generated by the Company's net liability exposure to USD, which has been included in the Other financial results line item of the Statement of Comprehensive Income.

At the date of issuance of these financial statements, the devaluation of the Argentine peso increased, as compared to its value at year-end, by approximately 17%. This variation would generate a negative impact of \$ 455 million.

Those impacts have been determined without considering the effects of the hedging contracts mentioned in Note 5.1.a).

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 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 provided for 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 rate 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.

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 ENRE Resolution No. 467/07 pursuant to which the first management period is extended for 5 years to commence as from the date on which the RTI goes into effect, which has not yet occurred. Its original maturity would have taken place on August 31, 2007.

Furthermore, in accordance with the provisions of ENRE Resolution No. 467/07, 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 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 PEN 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 PEN to renegotiate public utility contracts taking certain criteria into account.

Additionally, both the declaration of economic emergency and the period to renegotiate public utility contracts were extended through December 31, 2017 by Law No. 27,200 that came into effect on January 1, 2016.

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Moreover, on December 16, 2015, by Executive Order No. 134/2015, the President of Argentina declared the state of emergency in the country's electricity sector. The declaration of the state of emergency and the measures to be adopted as a consequence thereof, as indicated in Section 2 of the aforementioned Executive Order, will remain in effect until December 31, 2017.

In this regard, the MEyM is instructed to prepare, launch and implement a plan of action for the electricity generation, transmission and distribution segments at national level with the aim of adjusting the quality and safety of the electricity supply and guaranteeing the provision of the electricity public service under adequate economic and technical conditions.

c. Electricity rate situation

I. Adjustment Agreement entered into between Edenor and the Federal Government

On September 21, 2005, Edenor S.A. entered into 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 provides for the following:

- i) The implementation of a Temporary Tariff Structure effective as from November 1, 2005, including a 23% average increase in the distribution margin, which may not result in an increase in the average rate of more than 15%, and an additional 5% average increase in the VAD, allocated to certain specified capital expenditures;
- ii) The requirement that during the term of said temporary tariff structure, dividend payment be subject to the approval of the regulatory authority;
- iii) The establishment of a "social tariff" for the needy and the levels of quality of the service to be rendered;
- iv) The suspension of the claims and legal actions filed by the Company and its shareholders in national or foreign courts due to the effects caused by the Economic Emergency Law;
- v) The carrying out of a 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 the Company 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 by way of discounts, which were notified by such regulatory agency prior to January 6, 2002 as well as of those that have been notified, or whose cause or origin has arisen in the period between January 6, 2002 and the date on which the Adjustment Agreement goes into effect through the date on which they are effectively paid, using, for such purpose, the average increase recorded in the Company's distribution costs as a result of the increases and adjustments granted at each date;
- viii) The waiver of the penalties imposed by the ENRE that are payable to the National State, which have been notified, or their cause or origin has arisen in the period between January 6, 2002 and the date on which the Adjustment Agreement goes into effect;

The payment term of the penalties imposed by the ENRE, which are described in paragraph vii above, is 180 days after the approval of the 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.

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Said agreement was ratified by the PEN by means of Executive Order 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 PEN and the holder of the concession.

Additionally, on February 5, 2007 the *Official Gazette* published ENRE Resolution No. 51/07 which approves the electricity rate schedule resulting from the Temporary Tariff Structure, applicable to consumption recorded as from February 1, 2007. This document provided 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 MMC set forth 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 would be applied to non-residential consumption recorded from May 1, 2006 through January 31, 2007;
- iv) Invoicing in 55 equal and consecutive monthly installments of the differences arising from the application of the new electricity rate schedule for non-residential consumption recorded from November 1, 2005 through January 31, 2007 (paragraphs i) and ii) above) and from May 1, 2006 through January 31, 2007 (paragraph iii) above);
- v) Invoicing of the differences corresponding to deviations between foreseen physical transactions and those effectively carried out and of other concepts associated with 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 provided, among other things, that the obligations and commitments set forth in section 22 of the Adjustment Agreement be extended until the date on which the electricity rate schedule resulting from the RTI goes into effect, allowing the Company and its shareholders to resume the legal actions suspended as a consequence of the Adjustment Agreement if the new electricity rate schedule does not go into effect.

II. Tariff Structure Review

On July 30, 2008, the SE issued Resolution 865/08 which modified Resolution 434/07 and provided that the electricity rate schedule resulting from the RTI would go into effect in February 2009, which, due to the non-compliance therewith, has been resumed as from the issuance of Resolution 7 of the MEyM.

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 made successive and reiterated presentations aimed at ending the aforementioned process as well as obtaining the new electricity rate schedule, filing a Preliminary Administrative Action before the Ministry of Federal Planning, Public Investment and Services in March 2012 and a petition for the immediate resolution thereof 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.

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Additionally, in June 2013, the Company filed a complaint against the Federal Government claiming full compliance with the Adjustment Agreement and compensation for damages due to the non-compliance with the commitments stipulated therein. The complaint was amended so as to extend it in November 2013 (See Note 8.e).

On December 4, 2015, the Company requested the suspension of the procedural time-limits under the terms of section 157 of the Federal Code of Civil and Commercial Procedure, in accordance with the provisions of SE Resolution 32/15, and reiterated the request on February 16, 2016 due to the revocation of SE Resolution 32/15, as indicated below.

By means of MEyM Resolution No. 7/16, SE Resolution 32/15 was repealed and the ENRE was instructed to adopt measures, within its field of competence, to finish the RTI so that the rates resulting therefrom will come into effect before December 31, 2016.

Although in the last years, the Grantor of the Concession adopted palliative measures to allow for the operations to continue, such measures were partial and considered neither all the variables nor the essential elements of the rights and obligations deriving from the Concession Agreement.

In the Company's opinion, the RTI must include, in addition to the definitive Electricity Rate Schedules, a review of costs, the required quality levels and other rights and obligations that would lead to an updated Concession Agreement, which, in turn, must provide for the definitive treatment to be given to all those issues, about which a decision is still pending, resulting from the non-compliance with the Adjustment Agreement, including the remaining balances and other effects caused by the partial measures adopted.

These issues include, among other, the following:

- i) The treatment to be given to the remaining balances received for the fulfillment of the Investment plan through the Loans for consumption (Mutuums) granted to cover the insufficiency of the funds deriving from the FOCEDE,
- ii) The conditions for the settlement of the balance outstanding with CAMMESA at the date of issuance of Resolution 32/15, for which purpose the Company has submitted a payment plan,
- iii) The treatment to be given to the Penalties and Discounts determined prior and subsequent to the Adjustment Agreement.

The Penalties and Discounts are determined by the ENRE when the Company fails to comply with certain quality parameters stipulated in the Concession Agreement. The non-compliance with those parameters is indirectly caused by the insufficiency of the necessary funds to be allocated to the investments that would allow for the maintenance of the initially agreed-upon quality levels, due to the lack of a timely and proper adjustment of the Electricity Rate Schedule. In the Company's opinion the generation and accumulation of unpaid balances for this concept are not attributable to the Distribution Company inasmuch as the inaction and discretionary decisions of the Grantor of the Concession in the past have led to the deterioration of the Company's economic and financial equation, thus preventing it from complying with its basic and elemental obligations for the provision of the public service.

- iv) The establishment, on a mutually agreed basis, of new quality levels and a system of Penalties and Discounts that provides for an adequate transition period for the effective application of the new conditions,
- v) The termination and liquidation of the FOCEDE in order to reach an agreement on the treatment to be given to the obligations assumed by the Fund and the transfer thereof to the trustee and beneficiary.

III. Electricity rate schedules

The SE issued Resolution 1169/08 which approved the new seasonal reference prices of power and energy in the MEM. Consequently, the ENRE issued Resolution 628/08 which approved the values of the electricity rate schedule to be applied as from October 1, 2008. The aforementioned electricity rate schedule included the transfer of the increase in the seasonal energy price to tariffs, with the aim of reducing Federal Government grants to the electricity sector, without increasing the Company's VAD.

The purpose of the PUREE, created by SE Resolution 415/04, is to work on the demand for electricity, promoting energy savings so as to generate surpluses that may be used by those users, like industries, whose energy needs increase as a consequence of the growth in the level of the economic activity.

As in previous years, SE Resolution 1037/07, ratified by SE Note 1383/08, continued to produce effects. The aforementioned resolution modified the earmarking of the funds resulting from the application of the PUREE, being it possible to deduct therefrom 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 FNEE.

By means of MEyM Resolutions Nos. 6/16 and 7/16, as from February 1, 2016 the current electricity rate schedule of Distribution companies is readjusted within the framework of the Temporary Tariff Structure, which is not an electricity rate schedule resulting from the RTI process but rather the adaptation of the existing one to the semiannual readjustment that was pending.

IV. Resolution 6/16 – Seasonal reference prices

By means of MEyM Resolution No. 6/2016 the MEM summer quarterly rescheduling relating to the February 1-April 30, 2016 period is carried out.

The seasonal reference prices fixed by the aforementioned resolution are as follow:

- Power: \$ 1,427.60/MW month
- Energy: \$ 773.02/Mwh, \$ 768.72/Mwh, \$ 763.89/Mwh, in peak hours, other hours and off-peak hours, respectively.

With regard to residential utility customers, who are beneficiaries of the social tariff, the prices are as follow:

- Monthly consumption of up to 150 Kwh/month. \$ 0,00 / Mwh.
- Monthly consumption exceeding 150 kwh/month:
 - i. If it is equal to or lower than the consumption recorded in the same month of 2015, the reference prices will be \$ 31.39/Mwh, \$ 27.09/Mwh, \$ 22.26/Mwh, in peak hours, other hours and off-peak hours, respectively.
 - ii. If it is higher the consumption recorded in the same month of 2015, the reference prices will be \$ 312.39 /Mwh, \$ 317.09/Mwh, \$ 312.26/Mwh, in peak hours, other hours and off-peak hours, respectively.

These are the prices which, together with those for power, are to be applied to the respective electricity rate schedules.

V. Resolution 7/16 and its effects

By MEyM Resolution No. 7/2016 the ENRE is instructed to adjust the VAD in electricity rate schedules, on account of the RTI, and to take all the necessary steps to carry out the RTI before December 31, 2016.

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Furthermore, the aforementioned Resolution provided for: (i) the cancellation of the PUREE (Note 2.c.VI); (ii) the revocation of SE Resolution 32/2015 as from the date on which ENRE Resolution that implements the electricity rate schedule comes into effect (Note 2.c.IV and IX); (iii) the suspension until further instruction of all the effects of the loans for consumption (mutuums) agreements entered into by and between the distribution companies and CAMMESA (Note 2.c.VIII); (iv) the implementation of the necessary actions to end the Trusts created by ENRE Resolution 347/2012 (Note 2.c.VII); the restriction on the distribution of dividends in accordance with the provisions of clause 7.4 of the adjustment agreement (Note 17).

VI. PUREE - MMC (Program for the Rational Use of Electric Power - Cost Monitoring Mechanism)

On May 7, 2013, the SE issued SE Resolution 250/13 and subsequent Notes, whereby it:

- a) Authorized the values of the adjustments resulting from the MMC for the period May 2007 through January 2015, 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 as of December 31, 2015 deriving from the application of the PUREE for the period May 2007 through January 2015.
- c) Authorized the Company to offset until December 2014 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 LVFVD for the MMC 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 past due debts deriving from the economic transactions of the MEM.
- 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 SE, if deemed timely and suitable, may extend, either totally or partially, the application of the aforementioned resolution and amplifying note pursuant to the information provided by the ENRE and CAMMESA. In this regard, on November 6, 2013, October 9, 2014 and December 18, 2014 it issued SE Notes 6852/13, 4012/14, 486/14 and 1136/14 respectively.

Additionally, and in accordance with sections 8 and 9 of SE Resolution 250/2013 –which recognize the Company's right to apply to the payment of its debts with the MEM the amount receivable deriving from the MMC for economic transactions, with charge to the Unified Fund– the Company transferred in lieu of payment the trade liability it has with CAMMESA for energy purchases by applying the balance of the MMC receivable recognized by the ENRE, but not offset, in the periods covered by SE Resolution 250 and the extensions thereof.

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Notes to the restated Financial Statements as of December 31, 2015 and 2014 (continued)

The impacts of SE Resolution 250/13 and subsequent Notes on the Statement of financial position are summarized below:

	2013	2014	2015	Total
<i>Other receivables</i>				
Cost Monitoring Mechanism (1)	2,978,582	2,271,927	186,596	5,437,105
Net interest CMM - PUREE	197,510	157,786	(309)	354,987
Other payables - Program for the rational use of electric power	(1,661,105)	(574,010)	10,619	(2,224,496)
Trade payables - CAMMESA	(1,152,266)	(2,218,424)	(196,906)	(3,567,596)
LVFVD to be issued	362,721	(362,721)	-	-

Furthermore, in November 2015, the SE issued Notes 2097 and 2157, which ordered the application of the MMC percentages of 6.20% and 9.05% as from May 1 and November 1, 2015, respectively.

As of December 31, 2015, the Company recognized a total of \$ 364.9 million for the aforementioned concept.

Pursuant to MEyM Resolution No. 7/16, as from February 1, 2016 the PUREE is cancelled and the Stimulus Plan (a system that rewards energy-saving efforts and results in a reduction of the previously mentioned wholesale electricity Seasonal Price), comes into effect.

VII. ENRE Resolution 347/12

On November 23, 2012, the ENRE issued Resolution 347 pursuant to which distribution companies were authorized, as from the issuance thereof, to include in the bills a fixed amount for small-demand (T1) customers and a variable amount for medium and large-demand (T2 and T3) customers, to be calculated on a percentage of 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 the MEyFP, 2 from the MPFIPyS, 1 from CAMMESA and 1 from the ENRE.

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 VRD to be offered to the market, in accordance with the public offering system authorized by the CNV, for a nominal value of up to \$ 312.5 million. The proceeds will be used to pay the Company's investment plan.

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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 the Private BADLAR rate plus a spread of 4% and will be amortized in 5 years with increasing installments.

In this regard, said 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. Moreover, and in view of the fact that up to now the only income of the trust derives from the Company's contributions and, also, that the VRD have accrued interest that will have to be paid by the trust assets, the Company has decided to record a provision for an amount equivalent to the trust's net financial charges, which has been recorded as other payables and charged to other operating expense.

Additionally, on January 3, 2014, by Resolution 3/2014 of the MPFIPyS, it was established that the investments to be made with the FOCEDE funds will be decided by the Management Control and Coordination Undersecretariat, which will provide the necessary instructions for the carrying out of the works and investments under the FOCEDE to the Implementation Committee of the trust created by ENRE Resolution 347/12 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 ENRE, one representative of the SE, one representative of the Public Works Secretariat, both under the authority of the Ministry of Federal Planning, Public Investment and Services. The MEyFP and the National Comptroller's Office will also be invited to participate.

In this regard, by Resolution No. 2 dated January 29, 2016, the ENRE resolved to discontinue as of January 31, 2016 the current Trust mechanism for the management of the funds resulting from the application of ENRE Resolution No. 347/12, and instructed the Company to open a checking account for the deposit of the funds that will be received as from February 1, 2016 from the application of the fixed amount to afford the investments approved by the ENRE. Additionally, the Company is required to submit to the ENRE a Works Plan, identifying which works of such Plan will be financed with the funds received.

By MEyM Resolution No. 7/2016, the SE is instructed to direct the Execution Committee of the Trusts to discontinue the transfers of resources to the Company, in the name and to the order of the Unified Fund of Law 24,065, as well as to adopt the necessary measures to terminate the Trusts.

At the date of issuance of these financial statements, the Company is taking steps aimed at the termination of the trust and the transfer of the remaining trust assets.

VIII. Loans for consumption (mutuums) and assignments of secured receivables

Due to the delay in obtaining the Tariff Structure Review, which will make it possible to restore the economic and financial equation of the concession, the Company lacks the necessary conditions to come to the financial market to make up the deficit of both its operations and the investment plans necessary to maintain the quality of the service, object of the concession. In order to deal with this situation, the Company has obtained from the Federal Government a series of measures such as the issuance of ENRE Resolution 347/12 (Note 2.c.VII) and SE Resolution 250 (Note 2.c.III), and the granting of loans for consumption (mutuums) to help it cope with its cash needs for specific purposes.

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The obligations deriving from this assistance are classified as Other payables and the related costs as financial expenses, due to both the fact that they result from the lack of adjustment of the Electricity Rate Schedule, which depends exclusively on the Federal Government's resolution, and the fact that such assistance has been granted under these special circumstances. Therefore, such obligations do not constitute financing decisions made by the Company in the ordinary course of business.

As instructed by MEyM Resolution No. 7/16, as from February 1, 2016 CAMMESA shall suspend -until further notice- all the effects of the loans for consumption (mutuums) agreements entered into, as well as the transfers of resources to Distribution companies on behalf and to the order of the FOCEDE. As previously mentioned, the new Works Plan will be exclusively financed with the funds collected from customers.

The loans for consumption (mutuums) granted up to December 31, 2015 are detailed below:

1) Extraordinary Investment Plan - Temporary insufficiency of the revenue deriving from the FOCEDE

Due to the measures adopted by the Ministry of Planning and the fact that the funds of the FOCEDE were insufficient to cover the estimated disbursements under the Investment Plan, the Company has requested of the respective authorities that it be provided with funding assistance, which has been called Extraordinary Investment Plan.

Consequently, on September 26, 2014, the SE, by Resolution 65/14, instructed CAMMESA to enter into a Loan for consumption (Mutuum) and assignment of secured receivables agreement with the Company for a total of \$ 500 million to cover the Extraordinary Investment Plan as a consequence of the temporary insufficiency of the revenue deriving from Resolution 347/12, mentioned in caption V of this note. The aforementioned agreement was entered into on September 30, 2014. On December 18, 2014, said agreement was extended, as instructed by the SE to CAMMESA, for an additional amount of \$ 159.4 million.

In the current fiscal year, the loan for consumption (mutuum) agreement was extended, as instructed by the SE to CAMMESA, for an additional amount of \$ 2.2 billion.

As of December 31, 2015, the debt related to this concept amounts to \$ 1.1 billion (comprised of \$ 923.6 million principal and \$ 176.2 million in accrued interest) which is disclosed in the Other non-current payables account.

Furthermore, as security for the performance of the obligations assumed and the repayment of the funds granted, the Company agreed to assign and transfer in favor of CAMMESA, as from the end of the grace period that the SE will stipulate along with the methodology and terms for the reimbursement of the funds, the amounts receivable which the Company may have with the MEM up to the actual amount of the funds granted. At the date of issuance of these financial statements, the Company does not have any amount receivable with the MEM.

2) Higher salary costs

On June 24, 2014, by Note 4012/14, the SE instructed CAMMESA to enter into a Loan for consumption (Mutuum) and assignment of secured receivables agreement with the Company in order to pay the higher salary costs indicated in Note 5.2. The aforementioned agreement was entered into on July 10, 2014.

The agreement would be guaranteed by the Company with the assignment of the future surplus LVFVD to be issued, as a result of the application of SE Resolution 250/13, as described in Note 2.c.III. At the date of issuance of these financial statements, the Company does not have any surplus LVFVD.

The aforementioned SE Resolution 32/15 (Note 2.c.IX) resolves that LVFVD be issued in favor of the Company for the amounts generated by the salary increases deriving from the application of Resolution 836/14 of the Ministry of Labor, Employment and Social Security for whose payment the Company received this Loan for consumption (Mutuum); allowing for the offsetting thereof against the outstanding balances for this concept. The LVFVD were issued on July 16, 2015.

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Notes to the restated Financial Statements as of December 31, 2015 and 2014 (continued)

In this regard, the Company made the pertinent recordings, fully canceling the \$524.7 million liability for this concept, thus generating a positive result of \$ 495.4 million related to the principal received, which is disclosed in the “Recognition of income on account of the RTI – SE Resolution 32/15” line item of the income statement, and a positive result of \$ 29.3 million, related to interest accrued, which is disclosed in the “Financial expenses” line item of the income statement.

IX. SE Resolution 32/15

The SE issued SE Resolution 32/15, whereby it:

- a) Grants a temporary increase in income to Edenor S.A. effective as from February 1, 2015, and on account of the RTI, in order for the Company to cover the expenses and afford the investments associated with the normal provision of the public service, object of the concession.

The additional income will arise from the difference between the “Theoretical electricity rate schedule” included in the resolution and the electricity rate schedule currently applied to each customer category, according to the ENRE’s calculations, which are to be informed to the SE and CAMMESA on a monthly basis. The above-mentioned funds will be contributed by the Federal Government and transferred to the Company by CAMMESA.

- b) Provides that, as from February 1, 2015, the funds related to the PUREE to which SE Resolution 745/05 refers will be regarded as part of the Company’s income on account of the RTI and earmarked to cover the higher costs of the provision of the public service, object of the concession.
- c) Authorizes the Company to offset, until January 31, 2015, the PUREE-related debts against and up to the amount of the MMC established receivables, including interest, if any, on both concepts.
- d) Instructs CAMMESA to issue LVFVD in favor of the Company for the surplus amounts in favor of the Company, resulting from the offsetting process indicated in the preceding paragraph, and for the amounts owed by the Company under the Loans for consumption (Mutuums) granted for higher salary costs.
- e) Instructs CAMMESA to implement a payment plan to be defined with the Company, with the prior approval of the SE, for the settlement of the remaining balances in favor of the MEM.
- f) Provides that the Company will neither distribute dividends nor use the income deriving from that which has been detailed in caption a) to repay loans to financial entities, restructure financial debts, acquire other companies, grant loans, or carry out other transactions that are not strictly related to the payment of its obligations with the MEM, the payment of salaries of the Company’s own or hired personnel or the making of payments to suppliers of goods and/or services related to the provision of the public service of electricity distribution.
- g) Provides that the Company shall observe the provisions of clause 22.1 of the Adjustment Agreement and suspend any administrative claim and/or judicial action it may have brought against the Federal Government, the SE and/or the ENRE in relation to the compliance with clause 4.2 of the Adjustment Agreement and the provisions of the resolution’s clauses.

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Notes to the restated Financial Statements as of December 31, 2015 and 2014 (continued)

The impacts of SE Resolution 32/2015 and SE Resolution 250/13 on the Statement of Comprehensive Income are summarized below:

	12.31.15
<i>Other income</i>	
Additional increase from the difference between the electricity rate schedules (February-December/15) (1) a)	3,961,378
Funds obtained from the program for the rational use of electric power (PUREE) b)	568,220
Decrease in loans for consumption (Mutuums) granted for higher salary costs d)	495,516
Higher cost recognition c)	551,498
Total other income	5,576,612

(1) As of December 31, 2015, the balance pending collection amounts to \$ 650.9 million. At the date of issuance of this financial statement, there is no balance pending collection.

As of December 31, 2014 CAMMESA had claims against the Company for net late payment charges and compensatory interest for a total of \$ 214 million, which were not recorded by the Company in the framework of IAS 37 provisions, because in its opinion they were not attributable to the Company.

Additionally, and as established by the SE through SE Note No. 1208 dated June 29, 2015, the amounts owed to CAMMESA have been recalculated based on the new adopted criteria. In that regard, on July 22, 2015, the new owed amounts were agreed upon, and CAMMESA issued the LVFVD established in captions c) and d) and the documents supporting that which had been agreed. The net result of this agreement generated a profit of \$ 254.4 million that has been recorded in the "Financial expenses" line item within the Statement of Comprehensive Income.

As from February 1, 2016, by MEyM Resolution No. 7/16, the aforementioned SE Resolution 32/15 was repealed and the application of the new electricity rate schedules came into effect. Additionally, and in relation to that which has been detailed in the preceding caption g) and as indicated in section 14 of SE Resolution 32/15, the Company has requested the suspension of the procedural time-limits, about which no decision has yet been made by the Court.

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, the Federal Government, and the Government of the Province of Buenos Aires entered into an Addendum for the renewal for a term of four years (from January 1, 2011 through December 31, 2014) 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 Resolution 247 of the MPFIPyS.

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 as of December 31, 2010 such Province had with the Company for the electric power supplied to low-income areas.

Due to the fact that at the date of these financial statements the approval of the new Framework Agreement for the period of January 1, 2015 through December 31, 2018 by the Federal Government and the Government of the Province of Buenos Aires is still in process, no revenue for this concept has been recognized in fiscal year 2015

e. Penalties

i. 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 stipulated 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 aforementioned Agreement.

As of December 31, 2015 and 2014, the Company has recognized in its financial statements the penalties accrued, whether imposed or not yet issued by the ENRE, related to the control periods elapsed as of those dates. Additionally, the Company has applied the adjustment set forth in the temporary tariff structure as well as the adjustments established by the electricity rate schedules applied during fiscal year 2008 by Resolutions 324/08 and 628/08.

The ENRE Penalties and Discounts included in the Adjustment Agreement are adjusted as stipulated in such agreement.

With regard to the Penalties and Discounts subsequent to the Adjustment Agreement, adjusted in accordance with the temporary tariff structure and the adjustments established by the electricity rate schedules subsequently applied (Resolutions 324/08 and 628/08), as of December 31, 2015 they have been estimated based on the Company's estimate of the outcome of the previously described RTI process.

Furthermore, as of December 31, 2015, the Company Management has considered that the ENRE has mostly complied with the obligation to suspend lawsuits aimed at collecting the penalties included in the Adjustment Agreement.

ii. Compensation payable to customers

Based on the provisions of ENRE Resolution 1/14, the definitive amount of the compensation payable to customers by way of discounts, as a consequence of the power cuts occurred during the period began on December 16, 2013 and ended on the date on which the service was fully restored, totaled \$ 85.7 million. As of December 31, 2015, an amount of \$ 75.9 million of such total has been reimbursed to Customers, based on consumption recorded.

iii. Discounts to customers

The Company began to credit Customer bills issued as from December 22, 2015 for the penalties included in clauses 9.2.1 and 9.2.2 of the Adjustment Agreement, as well as the adjustments thereof (Note 2.c.I.vii), for \$ 152.2 million. The Company finished crediting customer bills for these amounts in the first two months of 2016. Additionally, an amount of \$ 33.7 million in compensation and adjustments was made available to the customers who as of December 22, 2015 had no active service.

As of December 31, 2015, the liability for this concept amounts to \$ 125.8 million, which is disclosed in the Current trade payables account.

iv. Payment agreements

From May, 2014 through December 31, 2015, the Company entered into three payment plan agreements with the Regulatory Agency pursuant to which it agreed to pay the penalties that had been ratified by the judicial authority for a total of \$ 85.7 million, plus interest for \$ 84.2 million. As of the December 31, 2015, payment plan agreements Nos. 1 and 2 have been complied with in due time and proper manner. With regard to payment plan agreement No. 3, the outstanding balance amounts to \$ 167.3 million, which is disclosed in the ENRE Penalties and Discounts line item of the Other payables account within current and non-current liabilities.

Furthermore, and owing to the setting of fees in favor of ENRE professionals who acted in execution proceedings, the Company entered into two payment agreements for a total of \$ 18.7 million, plus interest. As of December 31, 2015, the outstanding balances of principal and interest accrued under payment agreement No. 2 amounted to \$ 19.1 million and \$ 0.4 million, respectively, which will be paid in 60 installments. The first payment agreement has been complied with in due time and proper manner. They are disclosed in the Other payables account within current and non-current liabilities.

f. Stabilization factor

By Note 2883 dated May 8, 2012 (reference Resolutions MEyFP 693/11 and MPFIPyS 1900/11), the SE has implemented a mechanism whose objective is to keep the amounts billed to residential customers throughout the year stable, thereby minimizing the effects of the seasonal consumption of electricity.

This methodology applies to all residential customers, regardless of whether or not they receive Government grants on electricity rates, who may opt to adhere to this stabilization system.

Average consumption is determined based on the consumption recorded in the last six two-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.

In this regard, by Note No. 119,098 dated January 18, 2016, the ENRE ordered the withdrawal from the stabilization system of all the users who were included therein, starting with the first bill preparation and issuance to be made in 2016.

g. 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 by-laws.

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Notes to the restated Financial Statements as of December 31, 2015 and 2014 (continued)

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 Executive Order 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.

h. 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 set forth 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).

3. Basis of preparation

The restated financial statements for the year ended December 31, 2015 have been prepared in accordance with IFRS issued by the IASB and IFRIC interpretations, incorporated by the CNV.

The balances as of December 31, 2014, disclosed in these restated 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 restated financial statements for the reporting year.

The restated financial statements are stated in thousands of Argentine pesos, unless specifically indicated otherwise.

These restated financial statements were approved for issue by the Company Board of Directors on July 20, 2016.

4. Accounting policies

The main accounting policies used in the preparation of these financial statements are detailed below. These accounting policies have been consistently applied to all the reporting years, unless indicated otherwise.

4.1 Changes in the accounting policies

4.1.1 New standards, amendments and interpretations not effective and not early adopted by the Company

The Company has not early adopted the IFRS or IFRIC detailed below:

- IFRS 15 "Revenue from contracts with customers", issued in May 2014, amended in July 2015, and applicable to annual periods beginning on or after January 1, 2018. It specifies how and when revenue will be recognized, as well as the additional information the Company is required to present in the financial statements. The standard provides a single, principles based five-step model to be applied to all contracts with customers. The Company is currently analyzing the impact. Nevertheless, it estimates that the application of this standard will have no significant impact on the results of its operations or its financial position.
- IFRS 9 "Financial instruments", amended in July 2014. It brings together all the phases of the IASB's project to replace IAS 39 "Financial Instruments: recognition and measurement". Such phases are classification and measurement, impairment and hedge accounting. This version incorporates a new expected loss impairment model and some minor changes to the classification and measurement of financial assets. The new standard replaces all the previous versions of IFRS 9 and is effective for periods beginning on or after January 1, 2018. The Company has adopted the first phase of IFRS 9 at the date of transition. With regard to the second and third phases, the Company is currently analyzing the impact thereof.
- IFRS 16 – "Leases", issued in January 2016. The International Accounting Standards Board (IASB) published IFRS 16, which replaces the current guidance in IAS 17. IFRS 16 defines a lease as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

Under IFRS 16 lessees have to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for almost all lease contracts.

This is a significant change compared to IAS 17 under which lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 contains an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. The new standard is effective for public companies for periods beginning on or after December 15, 2018. The Company is currently analyzing the impact.

4.2 Property, plant and equipment

Additions 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.

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.

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 statement of comprehensive income.

The Company considers three different probability-weighted scenarios and analyzes the recoverability of its long-lived assets as described in Critical accounting estimates and judgments (Note 6.c).

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 the end of each year (Note 6.c).

4.3 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 income and losses are eliminated in accordance with the percentage interest held by the Company in the jointly controlled entity.

The accounting policies of joint ventures have been modified, if applicable, to ensure consistency with the policies adopted by the Company.

Furthermore, taking into account that the interests in joint ventures are not regarded as significant balances, the disclosure requirements of IFRS 12 have not been made.

4.4 Revenue recognition

i. Revenue from sales

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

Revenue 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.VII).

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.

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.

ii. 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 Effects of the changes in foreign currency exchange rates

a. Functional and presentation currency

The information included in the financial statements is measured using the Company's functional currency, which is the currency of the main economic environment in which the entity operates. The financial statements are measured in pesos (legal currency in Argentina), which is also the presentation currency.

b. Transactions and balances

Foreign currency denominated transactions and balances are translated into the functional and presentation currency using the rates of exchange prevailing at the date of the transactions or revaluation, respectively. The gains and losses generated by foreign currency exchange differences resulting from each transaction and from the translation of monetary items valued in foreign currency at the end of the year are recognized in the statement of income, except for the amounts that are capitalized.

The foreign currency exchange rates used are: the bid price for monetary assets, the offer price for monetary liabilities, the average exchange rate at the end of the year for balances with related parties and the specific exchange rate for foreign currency denominated transactions.

4.6 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 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.

The amounts thus determined are net of an allowance for the impairment of receivables. Any debt arising from the bills for electricity consumption that remain unpaid 13 working days after their due dates for small-demand (tariff 1) customers and 7 working days after due date for medium and large-demand (tariff 2 and 3) customers is considered a delinquent balance. The uncollectibility rate is determined per customer category based on the historical comparison of collections made and delinquent balances of each customer group.

Additionally, and faced with temporary and/or exceptional situations, the Company Management may redefine the amount of the allowance, specifying and supporting the criteria used in all the cases.

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.

The MMC amounts receivable, as well as the related income, are recognized to the extent that they have been approved by the ENRE and recognized by the SE by means of a Note or Resolution.

4.7 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), and other costs directly attributable to the acquisition of those assets.

Cost is determined by applying the weighted average cost 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 is 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.

4.8 Financial assets

The Company has adopted phase 1 of IFRS 9 as from the date of transition.

4.8.1 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.

4.8.2 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.

4.8.3 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 measured.

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 income.

4.8.4 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.

4.9 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which the respective 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. As of December 31, 2015 and 2014, the economic impact of these transactions are recorded in the Other financial expense account of the Statement of comprehensive income.

“Derivative financial instruments” have been valued in accordance with the provisions of IFRS 9.

On September 2015, with the aim of hedging the currency risk associated with the payment of the next interest coupon, the Company entered into futures contracts to buy US dollars for a nominal value of USD 10 million, at the average rate of exchange of ARS 10.829 per US dollar, expiring in April 2016.

Those contracts are secured for a value of \$ 16.5 million, disclosed in the “Other Receivables” account.

As of December 31, 2015, the economic impact of these transactions resulted in a gain of \$ 27.2 million, which is recorded in the Other financial results account of the Statement of Comprehensive Income.

4.10 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 the year.
- Time deposits, which include the portion of interest income accrued through the end of the year.
- Money market funds, which have been valued at the prevailing market price at the end of the year. Those that do not qualify as cash equivalents are disclosed in the Financial assets account at fair value through profit or loss.

4.11 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 loss

Represents recognition, at the end of the year, of the actuarial losses associated with the Company's 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.

4.12 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 guarantees

Customer guarantees 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 guarantees 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 guarantees from residential tariff customers.

Customer guarantees 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 guarantees no longer exist, the customer's account is credited for the principal amount plus any interest accrued thereon, 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 other liabilities recorded in Other Payables, including the Loans for consumption (Mutuums) with CAMMESA (Note 2.c.VIII), the Payment agreement with the ENRE (Note 2.e.iv) and the advances for the execution of works, are initially recognized at fair value and subsequently measured at amortized cost.

The recorded liabilities for the debts with the FOCEDE (Note 2.c.VI), the debts with the FOTAE, the penalties accrued, whether imposed or not yet issued by the ENRE (Note 2.e), the PUREE-related debts, and other provisions are the best estimate of the settlement value of the present obligation in the framework of IAS 37 provisions at the date of these financial statements.

The balances of ENRE Penalties and Discounts are adjusted in accordance with the regulatory framework applicable thereto and are based on the Company's estimate of the outcome of the RTI process described in Note 2, whereas the balances of the loans for consumption (mutuums) are adjusted by a rate equivalent to the monthly average yield obtained by CAMMESA from its short-term investments.

4.13 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.

4.14 Deferred revenue

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.

4.15 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 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 gains or losses. The benefit plan obligation is calculated annually by independent actuaries in accordance with the projected unit credit method. The present value of the benefit 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 benefit plans are not funded.

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 period in which they arise.

4.16 Income tax and tax on minimum presumed income

a. Deferred income tax

The income tax is recognized in profit or loss, other comprehensive income or in equity depending on the items from which it originates.

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.

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. 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.

4.17 Assignments of use

The assignments of use in which a significant portion of the risks and rewards of ownership is retained by the assignor are classified as operating. At present, the Company only has assignment of use contracts that are classified as operating.

a. As assignee

The payments with respect to operating assignments of use are recognized as operating expenses in the statement of comprehensive income on a straight-line basis throughout the term of the assignment.

b. As assignor

The assignments of use in which the Company does not transfer substantially all the risks and rewards of the ownership of the asset are classified as operating assignments of use.

The collections with respect to operating assignments of use are recognized as income in the statement of comprehensive income on a straight-line basis throughout the term of the assignment.

4.18 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.

4.19 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.

4.20 Higher costs recognition

The recognition of higher costs (Note 2.c.VI) not transferred to the tariff, as well as the recognition established by SE Resolution 32/15 fall within the scope of IAS 20 inasmuch as they imply a compensation to cover the expenses and afford the investments associated with the normal provision of the public service, object of the concession.

Their recognition is made at fair value when there is reasonable assurance that they will be collected and the conditions attached thereto have been complied with, i.e. provision of the service in the case of the recognition established in SE Resolution 32/15, and the ENRE's approval and the SE's recognition, by means of a Note or Resolution, in the case of the recognition of higher costs (Note 2.c.VI).

As for the income deriving from the funds to which SE Resolution No. 745/05 (Note 2.c.VI) refers, it is recognized on the basis of amounts billed.

Such concepts have been disclosed in the "Recognition of income on account of the RTI – Resolution 32/15" and "Higher Costs Recognition - SE Resolution 250/13 and subsequent Notes" line items of the Statement of Comprehensive Income as of December 31, 2015 and 2014, recognizing the related tax effects. There have been no unfulfilled conditions or any other related contingencies.

5. Financial risk management

5.1 Financial risk factors

The Company's activities and the market in which it operates expose it to a series of financial risks: market risk (including currency risk, cash flows interest rate risk, fair value interest rate risk and price risk), credit risk and liquidity risk.

The management of the financial risk is part of the Company's overall policies, which focus on the unpredictability of the financial markets and seek to minimize potential adverse effects on its financial performance. Financial risks are the risks derived from the financial instruments to which the Company is exposed during or at the end of each year. The Company uses derivative instruments to hedge exposure to certain 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.

a. Market risks

i. Currency risk

Currency risk is the risk of fluctuation in the fair value or future cash flows of a financial instrument due to changes in foreign currency exchange rates. The Company's exposure to currency risk relates to the collection of its revenue in pesos, in conformity with regulated electricity rates that are not indexed in relation to the US dollar, whereas a significant portion of its existing financial liabilities is denominated in US dollars. Therefore, the Company is exposed to the risk of a loss resulting from a devaluation of the peso. The Company may hedge its currency risk trying to enter into currency futures. 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.

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If the Company continued 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 as of December 31, 2015 and 2014 are \$ 13.04 and \$ 8.56 per USD, respectively.

As of December 31, 2015 and 2014, the Company's balances in foreign currency are as follow:

	Currency	Amount in foreign currency	Exchange rate (1)	Total 12.31.2015	Total 12.31.2014
ASSETS					
NON-CURRENT ASSETS					
Other receivables	USD	-	12.940	-	2,807
TOTAL NON-CURRENT ASSETS					
CURRENT ASSETS					
Other receivables	USD	865	12.940	11,193	-
Financial assets at fair value through profit or loss	USD	-	12.940	-	26,002
Cash and cash equivalents	USD	820	12.940	10,607	6,392
	EUR	13	14.068	181	148
TOTAL CURRENT ASSETS					
TOTAL ASSETS					
		1,698		21,981	32,542
		1,698		21,981	35,349
LIABILITIES					
NON-CURRENT LIABILITIES					
Borrowings	USD	179,532	13.040	2,341,098	1,598,442
Related parties	USD	9,193	13.040	119,877	-
TOTAL NON-CURRENT LIABILITIES					
CURRENT LIABILITIES					
Trade payables	USD	14,256	13.040	185,900	76,502
	EUR	849	14.210	12,063	20,053
	CHF	30	13.084	397	262
	NOK	68	1.488	101	79
Borrowings	USD	3,580	13.040	46,688	33,961
Related parties	USD	162	13.040	2,110	-
TOTAL CURRENT LIABILITIES					
TOTAL LIABILITIES					
		18,945		247,259	130,857
		207,670		2,708,234	1,729,299

- (1) The Exchange rates used are those of Banco Nación in effect as of December 31, 2015 for US Dollars (USD), Euros (EUR), Swiss Francs (CHF) and Norwegian Kroner (NOK).

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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.

	<u>12.31.15</u>	<u>12.31.14</u>
Net position Assets/(Liabilities)		
US dollar	(2,673,873)	(1,673,704)
Euro	(11,882)	(19,905)
Norwegian krone	(101)	(79)
Swiss franc	(397)	(262)
Total	<u>(2,686,253)</u>	<u>(1,693,950)</u>

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

	<u>12.31.15</u>	<u>12.31.14</u>
Net position Assets/(Liabilities)		
US dollar	(267,387)	(167,370)
Euro	(1,188)	(1,991)
Norwegian krone	(10)	(8)
Swiss franc	(40)	(26)
Decrease in the results of operations	<u>(268,625)</u>	<u>(169,395)</u>

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. As of December 31, 2015 and 2014 100% of the loans were obtained at fixed interest rates. 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.

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Notes to the restated Financial Statements as of December 31, 2015 and 2014 (continued)

The table below shows the breakdown of the Company's loans according to interest rate and the currency in which they are denominated:

	12.31.15	12.31.14
Fixed rate:		
Argentine peso	-	-
US dollar	2,509,773	1,632,403
Subtotal loans at fixed rates	2,509,773	1,632,403

Due to the fact that the totality of the loans accrue interest at a fixed rate, and, also, that none of the Company's indebtedness is valued at fair value, there is no interest rate sensitivity impact.

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 each year-end, the Company analyzes whether the recording of an impairment is necessary. As of December 31, 2015 and 2014, delinquent trade receivables totaled approximately \$ 209.3 million and \$ 229.3 million, respectively. As of December 31, 2015 and 2014, the financial statements included allowances for \$ 79.3 million and \$ 84.6 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 balances of the bills for electricity consumption that remain unpaid 13 and 7 working days after the bills' due dates for small-demand (tariff 1) and medium and large-demand (tariff 2 and 3) customers, respectively are considered delinquent trade receivables. Additionally, the amounts related to the Framework Agreement are not considered within delinquent balances.

The Company's maximum exposure to credit risk is based on the book value of each financial asset in the financial statements, after deducting the corresponding allowances.

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Notes to the restated Financial Statements as of December 31, 2015 and 2014 (continued)

c. Liquidity risk

The Company monitors the risk of a deficit in cash flows on a periodical basis. The Finance Department supervises the updated projections of the Company's liquidity requirements in order to ensure that there is enough cash to meet its operational needs, permanently maintaining sufficient margin for undrawn credit lines so that the Company does not fail to comply with the indebtedness limits or covenants, if applicable, of any line of credit. Such projections give consideration to the Company's debt financing plans, compliance with covenants, with internal balance sheet financial ratios objectives and, if applicable, with external regulations and legal requirements, such as, restrictions on the use of foreign currency.

Cash surpluses held by the 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, 2015 and 2014, the Company's current financial assets at fair value amount to \$ 1.6 billion and \$ 254.4 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 derivative financial instruments, which have been classified into maturity groupings based on the remaining period between the closing date of the fiscal year and 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.

	Less than 3	From 3	From 1 to 2	From 2 to 5	More than 5	Total
As of December 31, 2015						
Trade and other payables	4.322.334	304.771	134.943	90.023	-	4.852.071
Borrowings	-	256.959	439.325	710.250	2.655.238	4.061.772
Total	4.322.334	561.730	574.268	800.273	2.655.238	8.913.843
As of December 31, 2014						
Trade and other payables	3.278.287	120.587	129.233	207.515	-	3.735.622
Borrowings	-	102.202	102.202	406.315	1.775.152	2.385.871
Derivative financial instruments	-	5.895	-	-	-	5.895
Total	3.278.287	228.684	231.435	613.830	1.775.152	6.127.388

5.2 Concentration risk factors

a. Related to customers

The Company's receivables derive primarily from the sale of electricity.

No single customer accounted for more than 10% of sales for the years ended December 31, 2015 and 2014. The collectibility of trade receivables balances related to the Framework Agreement, which amount to \$ 73.1 million and \$ 75.8 million as of December 31, 2015 and 2014, 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

On June 8, 2015, an agreement was entered into by the Ministry of Labor, Employment and Social Security, EDESUR S.A., the *Sindicato de Luz y Fuerza Capital Federal* (Electric Light and Power Labor Union), the *Asociación del Personal Superior de Empresas de Energía* (Association of Supervisory Personnel of Energy Companies) and the Company, pursuant to which the following was established:

- A salary increase, until April 30, 2016, of 16% from May 1, 2015 and of a non-cumulative 11.8% from September 1, 2015.
- An 11.9% increase, for the period May-October 2016, to be calculated on the salaries of April 2016.
- The aforementioned Resolution applies also to the contractors whose employees are included in the collective bargaining agreements of the above-mentioned union/association

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 statement of financial position plus net debt.

As of December 31, 2015 and 2014, gearing ratios were as follow:

	12.31.15	12.31.14
Total liabilities	11,455,876	8,245,068
Less: cash and cash equivalents	(128,952)	(179,080)
Net debt	11,326,924	8,065,988
Total Equity	1,525,053	385,001
Total capital attributable to owners	12,851,977	8,450,989
Gearing ratio	88.13%	95.44%

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, 2015 and 2014:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
At December 31, 2015				
Assets				
<i>Cash and cash equivalents</i>				
Money market funds	93,488	-	-	93,488
<i>Financial assets at fair value through profit or loss:</i>				
Government bonds	370,161	-	-	370,161
Money market funds	1,213,840	-	-	1,213,840
Derivative financial instruments	-	197	-	197
Total assets	1,677,489	197	-	1,677,686
At December 31, 2014				
Assets				
<i>Cash and cash equivalents</i>				
Money market funds	135,537	-	-	135,537
<i>Financial assets at fair value through profit or loss:</i>				
Government bonds	21,150	-	-	21,150
Money market funds	233,297	-	-	233,297
Total assets	389,984	-	-	389,984
Liabilities				
Derivative financial instruments	-	5,895	-	5,895
Total liabilities	-	5,895	-	5,895

The value of the financial instruments negotiated in active markets is based on the market quoted prices on the date of the statement 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 negotiated 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. These derivative financial instruments arise from the variation between the market prices at year-end or sale thereof and the time of negotiation. The market value used is obtained from the "Report on US Dollar futures – ROFEX" issued by Banco Finansur.

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 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.

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 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 allowance for the impairment of accounts receivable is assessed based on the delinquent balance, which comprises all such debt arising from the bills for electricity consumption that remain unpaid 13 working days after their due dates for small-demand (tariff 1) customers and 7 working days after due date for medium and large-demand (tariff 2 and 3) customers. The Company Management records an allowance applying to the delinquent balances of each customer category an uncollectibility rate that is determined according to each customer category based on the historical comparison of collections made.

Additionally, and faced with temporary and/or exceptional situations, the Company Management may redefine the amount of the allowance, specifying and supporting the criteria used in all the cases.

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 disaggregation level at which independent cash flows can be identified (cash generating units, or CGU).

Recoverability analysis

The Company analyzes the recoverability of its long-lived assets on a periodical basis or when events or changes in circumstances indicate that the recoverable amount of assets, which is measured as the higher of value in use and fair value less costs to sell at the end of the year, may be impaired.

Due to the implementation of ENRE Resolution No. 1/16, which established an increase in income as from February 1, the projections concerning the recoverability of property, plant and equipment made by the Company, have been updated.

The value in use is determined based on projected and discounted cash flows, using discount rates that reflect the time value of money and the specific risks of the assets considered.

Cash flows are prepared on the basis of estimates concerning the future performance of certain variables that are sensitive to the determination of the recoverable amount, among which the following can be noted: (i) nature, opportunity and modality of electricity rate increases and/or cost adjustment recognition; (ii) demand for electricity projections; (iii) evolution of the costs to be incurred; (iv) investment needs in accordance with the service quality levels required by the regulatory authority, and (v) macroeconomic variables, such as growth rates, inflation rates and foreign currency exchange rates.

The future increase in electricity rates used by the Company to assess the recoverability of its long-lived assets as of December 31, 2015 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 adopted measures, such as those described in Notes 2.c.III, V and VI 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 2017 as a result of the carrying out during 2016 of the RTI.

The Company has made its projections under the assumption that it will obtain better electricity rates, in addition to the adjustments on account of the VAD provided for by Resolution 7/2016. However, due to the complexity of the RTI process the Company Management may not ensure that the future performance of the variables used to make its projections will be in line with what it has estimated 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 it is estimated that the Company will succeed in reaching an acceptable agreement with the Government resulting in a gradual tariff increase, the Company has considered different timing and magnitude of an increase in the VAD (Distribution Added Value).

The scenarios that have been considered are the following:

a) Scenario called Pessimistic scenario: in this scenario, the Company assumes modest electricity rate increases as from 2017 as a result of the gradual implementation of the RTI. A five-year term payment plan is established for the penalties owed to customers, whereas those owed to the ENRE are waived. The debt with CAMMESA (for energy and loans for consumption), including interest, is paid in 4 years. Probability of occurrence assigned 20%.

b) Scenario called Intermediate scenario: in this case, the Company assumes reasonable electricity rate increases as from 2017 as a result of the gradual implementation of the RTI. A five-year term payment plan is established for the penalties owed to customers, whereas those owed to the ENRE are waived. The debt with CAMMESA (for energy and loans for consumption), including interest, is paid in 10 years with funds deriving from a specific charge included in electricity bills. Probability of occurrence assigned 65%.

c) Scenario called Optimistic scenario: in this case, the Company assumes increases in its remuneration, in addition to the ones recognized in the Intermediate scenario, as from 2017 as a result of the gradual implementation of the RTI. A five-year term payment plan is established for the penalties owed to customers, whereas those owed to the ENRE are waived. The debt with CAMMESA (for energy and loans for consumption) is waived as part of the Concession Agreement renegotiation process. Probability of occurrence assigned 15%.

The Company has assigned to these three scenarios the previously described percentages of probability of occurrence based mainly on experience and considering the present economic and financial situation, the status quo of the conversations that are being held with the Federal Government and the need to maintain the public service, object of the concession, in operation.

In all the scenarios a discount rate (WACC) in pesos has been used for each year of the projection. For the first 5 years, the average of these rates is 31%.

Sensitivity analysis:

The main factors that could result in impairment charges in future periods are: i) a distortion in the nature, opportunity and modality of the electricity rate increases and recognition of cost adjustments, ii) the development of the costs to be incurred, and iii) the investment needs in accordance with the service quality levels required by the regulatory authority in the RTI, among other factors. These factors have been taken into account in the aforementioned weight of scenarios. Due to the inherent uncertainty involved in these assumptions, the Company estimates that any sensitivity analysis that considers changes in any of them considered individually could lead to distorting conclusions.

d. Current and deferred income tax

A degree of judgment is required to determine the income tax provision inasmuch as the Company Management has to evaluate, on an ongoing basis, the positions taken in tax returns in respect of situations in which the applicable tax regulation is subject to interpretation and, whenever necessary, make provisions based on the amount expected to be paid to the tax authorities. When the final tax outcome of these matters differs from the amounts initially recognized, such differences will impact on both the income tax and the deferred tax provisions in the period in which such determination is made.

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.

Deferred tax assets are reviewed at each reporting date and reduced in accordance with the 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. The 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, the Company Management takes into consideration the scheduled reversal of deferred tax liabilities, the projections of future taxable income and tax planning strategies.

e. 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 unit credit method.

f. ENRE penalties and discounts

The Company considers its applicable accounting policy for the recognition of ENRE penalties and discounts critical because it depends on penalizable events, which are valued on the basis of management best estimate of the expenditure required to settle the present obligation at the date of these financial statements. The balances of ENRE penalties and discounts are adjusted in accordance with the regulatory framework applicable thereto and have been estimated based on the Company's estimate of the outcome of the RTI process described in Note 2.

g. 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. The Company Management, with the assistance of its legal advisors (attorneys), periodically analyzes the status of each significant matter 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 significant effect on the statements of financial position, comprehensive income, changes in equity and cash flows.

7. Interest in joint venture

Percentage interest held in capital stock and votes		Equity attributable to the owners	
		12.31.15	12.31.14
SACME	50.00%	433	432

8. 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, the Company 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 related to legal actions for individual non-significant amounts for which a provision, which as of December 31, 2015 amounts to \$ 330.1 million, has been recorded.

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

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

Purpose:

a) That all the last resolutions concerning electricity rates issued by the ENRE and the SE 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 RTI.

c) That the resolutions issued by the SE 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 stipulated 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 sustained the request and CAMMESA answered the service of notice in due time and proper 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. At present no resolution has been issued modifying the procedural stage of the proceedings; however, the records have been made available to the Prosecutor, and after they were returned the defendant submitted the report required by section 4, sub-section 1 of Law No. 26,854

Conclusion: no provision has been recorded for these claims in these financial statements as the Company believes, based on both that which has been previously mentioned and the opinion of its legal advisors, that there exist solid arguments for them to be considered unfounded. It is estimated that this legal action will not be terminated in 2016.

b. 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 (FNEE) on which no VAT had been paid by the defendants when CAMMESA (the company in charge of the regulation and operation of the MEM) invoiced them the electricity purchased for distribution purposes.

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Notes to the restated Financial Statements as of December 31, 2015 and 2014 (continued)

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, requesting, at such opportunity, that a summons be served upon the Federal Government, the AFIP and the ENRE as third-party defendants. Notice of this was served upon 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 financial statements as the Company believes, based on both that which has been previously mentioned and the opinion of its legal advisors, that there exist solid arguments for them to be considered unfounded. It is estimated that the proceedings will not be terminated in 2016

c. Legal action brought by the Company (“Edenor S.A. vs ENRE Resolution No. 32/11”)

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

- That 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.

- That 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 ENRE Resolution No. 905/1999.

- That 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 upon 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 to the Supreme Court concerning the provisional relief sought and not granted. On April 24, 2013, the Company was notified of Division I's decision dated March 21, 2013, pursuant to which the appeal filed by Edenor S.A. was declared formally inadmissible. On May 3, 2013, the Company filed an ordinary appeal to the Supreme Court. Additionally, on May 13, 2013, an extraordinary appeal was also filed to the same Court. On November 7, 2014, it was notified to the Company that Division I had rejected the ordinary appeal but partially granted the extraordinary appeal, considering for the granting thereof the federal nature of the regulations being challenged and rejecting it in relation to the arbitrariness raised by Edenor S.A. Therefore, and within the procedural term granted for such purpose, the Company filed an appeal requesting that the extraordinary appeal dismissed be sustained. As of the date of this report, no decision has yet been issued on this regard.

Conclusion: As of the closing date of the year ended December 31, 2014, the provision recorded by the Company for principal and interest accrued amounts to \$ 34.9 million. It is estimated that this legal action may be terminated in 2016.

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

Purpose: that the Company be ordered to reduce or mitigate the default or late payment interest rates charged to customers who pay their bills after the first due date, inasmuch as they violate section 31 of Law No. 24,240, ordering both the non application of pacts or accords that stipulate the interest rates that are being applied to the users of electricity –their unconstitutional nature– as well as the reimbursement of interest amounts illegally collected from users of the service from 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 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. Notice of these pleadings was served upon 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, for breach of contract". At the date of issuance of these financial statements, the Court has received the requested file. On April 8, 2014, the Court in Civil and Commercial Federal Matters No. 9 – Clerk's Office No. 17 admitted the motion to dismiss due to the fact that the claims at issue were being litigated in another lawsuit, and ordered that the proceedings be sent to Federal Court No. 2 – Clerk's Office No. 3 to be dealt with thereat, thus joining them to the case entitled "consumidores financieros vs Edesur and other defendants, for breach of contract". Apart from the fact that the proceedings have been received in the court that currently hears the case, which continues in process, no significant events have occurred.

Conclusion: It is estimated that this action will not be terminated in 2016.

e. 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 WITHOUT LIABILITY FOR COURT FEES OR COSTS")

On June 28, 2013, the Company instituted these proceedings for the recognizance of a claim and the related leave to proceed without liability for court fees or costs, 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" 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, the Company 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". On February 3, 2015, the court hearing the case ordered that notice of the complaint be served to be answered within the time limit prescribed by law, which was answered by the Federal Government in due time and in proper manner. Subsequently, Edenor S.A. reported as new event, under the terms of Section 365 of the Federal Code of Civil and Commercial Procedure, the issuance by the SE of Resolution 32/15. After notice was served, the court rejected the treatment thereof as an "event", holding the Company liable for costs. The Company filed an appeal, which was admitted "with a postponed effect" (i.e. the Appellate Court will grant or reject the appeal when deciding on the granting or rejection of the appeal against final judgment). On October 16, 2015, the Attorney General's Office requested to borrow the records for a term of 20 days, which were returned on December 1, 2015, in order to control the work done by the state's attorneys. On December 4, 2015, the Company requested the suspension of the procedural time-limits under the terms of section 157 of the Federal Code of Civil and Commercial Procedure, in accordance with the provisions of SE Resolution 32/15, notice of which has been served upon the defendant. On February 16, 2016, the Company reiterated the request due to the revocation of SE Resolution 32/15.

The motion to litigate without liability for court fees or costs, which was filed on July 2, 2013, is at present at the discovery period.

Additionally, and in the same action, in February 2014, the Company applied for the immediate granting of a provisional remedy in order to maintain an efficient and safe service, requesting that until judgment is passed on the merits of the case, the Federal Government be compelled to provide the Company with economic assistance, whether by means of a temporary rate adjustment or through government grants. After notice was served upon and answered by the Federal Government – Ministry of Federal Planning, on May 27, 2014, the court hearing the case rejected the provisional remedy sought by the Company, decision which was confirmed by Division V of the Appellate Court and notified to Edenor S.A. on December 19, 2014.

Conclusion: It is estimated that this action will not be terminated in 2016.

f. Administrative proceedings DJ/36/14 initiated by the Federal Administration of Public Revenue

Purpose: To accuse the Company of and have it fined for the filing of an inaccurate Minimum Presumed Income Tax return for fiscal period 2011.

Amount: \$ 5,464,418.71

Status: In May, 2012, the Company filed the original minimum presumed income tax return for fiscal period 2011 with no assessed tax amount in the understanding that the payment of the tax for fiscal period 2011 when the Company's cumulative income tax losses carry forward amounted to \$ 258 million, violated recognized constitutional guarantees and reflected its lack of payment capacity in relation to the taxes levied on income, such as the Minimum Presumed Income Tax (IGMP). This situation was duly informed to the AFIP.

At the same time, in accordance with the terms of Section 322 of the Federal Code of Civil and Commercial Procedure, the Company filed a declaratory judgment action with the Federal Court against the Federal Government – Federal Administration of Public Revenue - General Tax Bureau, with the aim of obtaining a declaratory judgment as to whether or not the minimum presumed income tax related to fiscal period 2011 applied in the sense resolved by the Supreme Court in the "Hermitage" case on June 15, 2010. In this case, the Supreme Court had declared that this tax was unconstitutional as it was deemed confiscatory.

Subsequently, the Court of Original Jurisdiction in Contentious and Administrative Federal Matters No. 7 rejected the action requested by the Company, decision which was ratified by the Court of Appeals.

Faced with this situation, and in order to avoid possible attachments or prohibitions to dispose of property that could affect the normal development of its activities for the provision of the public service, the Company decided to rectify the Minimum Presumed Income Tax Return for fiscal period 2011 and adhere to the easy payment plan implemented by AFIP General Resolution 3451.

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Notes to the restated Financial Statements as of December 31, 2015 and 2014 (continued)

On November 19, 2015, by means of administrative proceedings DJ/36/14 initiated by the AFIP, the Company is accused of and fined for the filing of an inaccurate Minimum Presumed Income Tax Return for fiscal period 2011.

On December 30, 2015, the Company filed a post-judgement motion for reversal with the tax authority, requesting that the administrative proceedings be revoked, the fine imposed be annulled and the respective records be filed.

As is evident from the preceding paragraphs, it was not the Company's intention to cause any harm whatsoever to the national treasury, particularly considering that a rectifying tax return has been filed.

Conclusion: no provision has been recorded for this claim in these Financial Statements as the Company believes, based on that which has been previously mentioned, that there exist solid arguments for it to be considered unfounded.

g. Legal action brought by the Company (Study, Review and Inspection of Works in Public Spaces Fees "TERI")

In December 2015, the Company filed with the City of Buenos Aires Court in Contentious and Tax-Related Matters, a petition for declaratory judgment, together with a petition for the granting of a precautionary measure, in order to obtain a favorable judgment that would put an end to the controversy, declaring the unlawfulness of the Government of the City of Buenos Aires's claim concerning compliance by Edenor S.A. with the payment of the TERI. The precautionary measure requested, if granted, would stop the executory proceedings in process and eliminate the possibility that an attachment be levied on the Company's assets. It must be pointed out that as of the date of the filing of the petition, the Company has received assessment and demand for payment notices from the Government of the City of Buenos Aires for a total amount of \$ 28.8 million for such concept.

In the Company's opinion, these fees are not applicable in accordance with federal regulations, the case law and the procedural status of judicial decisions. Therefore, the Management of the Company as well as its external legal advisors believe that there exist good reasons to support the Company's position and have this tax claim rejected by a court of law. Therefore, the probability of an outflow of resources on account of such contingency has been regarded as low.

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Notes to the restated Financial Statements as of December 31, 2015 and 2014 (continued)

9. Property, plant and equipment

	Lands and buildings	Substations	High, medium and low voltage lines	Meters and Transformer chambers and platforms	Tools, Furniture, vehicles, equipment, communications and advances to suppliers	Construction in process	Supplies and spare parts	Total
At 12.31.14								
Cost	162,192	1,444,310	4,086,201	1,953,167	632,114	1,960,435	136,188	10,374,607
Accumulated depreciation	(44,821)	(536,338)	(1,962,744)	(773,126)	(405,096)	-	-	(3,722,125)
Net amount	117,371	907,972	2,123,457	1,180,041	227,018	1,960,435	136,188	6,652,482
Additions	-	-	9,599	-	621,357	1,834,857	52,414	2,518,227
Disposals	-	-	(3,398)	(115)	-	-	-	(3,513)
Transfers	40,189	230,026	733,053	279,138	773	(1,283,179)	-	-
Depreciation for the year	(11,555)	(40,402)	(107,959)	(66,349)	(55,142)	-	-	(281,407)
Net amount 12.31.15	146,005	1,097,596	2,754,752	1,392,715	794,006	2,512,113	188,602	8,885,789
At 12.31.15								
Cost	202,381	1,674,336	4,809,485	2,232,104	1,254,245	2,512,113	188,602	12,873,266
Accumulated depreciation	(56,376)	(576,740)	(2,054,733)	(839,389)	(460,239)	-	-	(3,987,477)
Net amount	146,005	1,097,596	2,754,752	1,392,715	794,006	2,512,113	188,602	8,885,789

- During the year ended December 31, 2015, direct costs capitalized amounted to \$ 271.6 million.
- Financial costs capitalized for the year ended December 31, 2015 amounted to \$ 255.9 million.

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Notes to the restated Financial Statements as of December 31, 2015 and 2014 (continued)

	Lands and buildings	Substations	High, medium and low voltage lines	Meters and Transformer chambers and platforms	Tools, Furniture, vehicles, equipment, communications and advances to suppliers	Construction in process	Supplies and spare parts	Total
At 12.31.13								
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)
Net amount	96,103	865,413	1,906,187	1,055,920	172,517	1,042,590	50,577	5,189,307
Additions	-	-	-	-	12,666	1,603,496	85,611	1,701,773
Disposals	-	(62)	(622)	(273)	(2)	-	-	(959)
Transfers	29,037	81,682	310,166	183,893	80,873	(685,651)	-	-
Depreciation for the year	(7,769)	(39,061)	(92,274)	(59,499)	(39,036)	-	-	(237,639)
Net amount 12.31.14	117,371	907,972	2,123,457	1,180,041	227,018	1,960,435	136,188	6,652,482
At 12.31.14								
Cost	162,192	1,444,310	4,086,201	1,953,167	632,114	1,960,435	136,188	10,374,607
Accumulated depreciation	(44,821)	(536,338)	(1,962,744)	(773,126)	(405,096)	-	-	(3,722,125)
Net amount	117,371	907,972	2,123,457	1,180,041	227,018	1,960,435	136,188	6,652,482

- During the year ended December 31, 2014, direct costs capitalized amounted to \$ 156 million.
- Financial costs capitalized for the year ended December 31, 2014 amounted to \$ 123.9 million.

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Notes to the restated Financial Statements as of December 31, 2015 and 2014 (continued)

Acquisition of real property:

On October 7, 2015, the Company Board of Directors approved the acquisition of a real property with the aim of concentrating centralized functions and reducing rental costs and the risk of future increases, for a total amount of \$ 439.2 million, which, as of December 31, 2015, is fully paid.

As security for the amount paid, the Company has received a surety bond from the seller.

Disclosed in the Additions line of the Furniture, tools, vehicles, equipment, communication and advances to suppliers column.

10. Financial instruments

10.1 Financial instruments by category

	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Non-financial assets	Total
As of December 31, 2015				
Assets				
Trade receivables	963,005	-	-	963,005
Other receivables	842,716	43,219	347,702	1,233,637
<i>Cash and cash equivalents</i>				
Cash and Banks	35,145	-	-	35,145
Checks to be deposited	319	-	-	319
Time deposits	-	-	-	-
Money market funds	-	93,488	-	93,488
<i>Financial assets at fair value through profit or loss:</i>				
Government bonds	-	370,161	-	370,161
Derivative financial instruments	-	197	-	197
Money market funds	-	1,213,840	-	1,213,840
Total	1,841,185	1,720,905	347,702	3,909,792
As of December 31, 2014				
Assets				
Trade receivables	882,949	-	-	882,949
Other receivables	110,212	38,396	350,934	499,542
<i>Cash and cash equivalents</i>				
Cash and Banks	38,390	-	-	38,390
Checks to be deposited	301	-	-	301
Time deposits	-	4,852	-	4,852
Money market funds	-	135,537	-	135,537
<i>Financial assets at fair value through profit or loss:</i>				
Government bonds	-	21,150	-	21,150
Government bonds - AESEBA trust	-	-	-	-
Money market funds	-	233,297	-	233,297
Total	1,031,852	433,232	350,934	1,816,018

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Notes to the restated Financial Statements as of December 31, 2015 and 2014 (continued)

	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Non-financial liabilities	Total
As of December 31, 2015				
Liabilities				
Trade and other payables	5,045,959	-	2,197,986	7,243,945
Borrowings	2,509,773	-	-	2,509,773
Total	7,555,732	-	2,197,986	9,753,718
As of December 31, 2014				
Liabilities				
Trade and other payables	3,724,971	-	1,637,708	5,362,679
Borrowings	1,632,403	-	-	1,632,403
Derivative financial instruments	-	5,895	-	5,895
Total	5,357,374	5,895	1,637,708	7,000,977

Financial instruments categories have been determined based on IFRS 9.

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

	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Total
As of December 31, 2015			
Interest income	96,225	-	96,225
Exchange differences	14,326	5,745	20,071
Bank fees and expenses	(20,117)	-	(20,117)
Changes in fair value of financial assets	-	350,543	350,543
Adjustment to present value	3,984	1,403	5,387
Total	94,418	357,691	452,109
As of December 31, 2014			
Interest income	235,534	-	235,534
Exchange differences	17,432	8,082	25,514
Bank fees and expenses	(15,509)	-	(15,509)
Changes in fair value of financial assets	-	71,029	71,029
Adjustment to present value	8,282	(154)	8,128
Total	245,739	78,957	324,696
As of December 31, 2013			
Interest income	287,068	-	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
Total	308,543	16,155	324,698

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Notes to the restated Financial Statements as of December 31, 2015 and 2014 (continued)

	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Non-financial instruments	Total
As of December 31, 2015				
Interest expense	(429,899)	-	-	(429,899)
Other financial results	(22,880)	-	-	(22,880)
Exchange differences	(914,844)	-	-	(914,844)
Total	(1,367,623)	-	-	(1,367,623)
As of December 31, 2014				
Interest expense	(576,504)	-	-	(576,504)
Other financial results	(20,224)	-	-	(20,224)
Exchange differences	(453,410)	-	-	(453,410)
Net gain from the repurchase of Corporate Notes	44,388	-	-	44,388
Total	(1,005,750)	-	-	(1,005,750)
As of December 31, 2013				
Interest expense	(481,184)	-	(13,357)	(494,541)
Other financial results	(14,763)	-	-	(14,763)
Bank fees and expenses	-	-	-	-
Exchange differences	(395,169)	-	-	(395,169)
Net gain from the repurchase of Corporate Notes	88,879	-	-	88,879
Total	(802,237)	-	(13,357)	(815,594)

10.2 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:

	12.31.15	12.31.14
Customers with no external credit rating:		
Group 1 (i)	432,295	359,024
Group 2 (ii)	216,248	179,364
Group 3 (iii)	314,462	91,525
Group 4 (iv)	-	253,036
Total trade receivables	963,005	882,949

- (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.*

At the Statement of financial position date, the maximum exposure to credit risk is the carrying amount of these financial assets.

EDENOR S.A.
Notes to the restated Financial Statements as of December 31, 2015 and 2014 (continued)

11. Other receivables

	<u>Note</u>	<u>12.31.15</u>	<u>12.31.14</u>
Non-current:			
Minimum national income tax		74,056	168,588
Tax credits		-	2,089
Financial credit		72,656	71,192
Related parties	33.d	7,065	7,366
Total Non-current		<u>153,777</u>	<u>249,235</u>
Current:			
Prepaid expenses		3,473	3,198
Credit form Income recognition on account of the RTI - SE Resolution 32/15	2	650,938	-
Value added tax		248,364	167,207
Advances to suppliers		20,762	8,070
Advances to personnel		1,047	1,782
Security deposits		6,933	2,424
Financial credit		16,362	6,658
Receivable with FOCEDE (1)		49,536	-
Receivables from electric activities		65,694	48,581
Related parties	33.d	7,076	753
Guarantee deposits on derivative financial instruments		16,555	15,322
Allowance for the impairment of other receivables		10,482	11,900
Judicial deposits		390	1,059
Other		(17,752)	(16,647)
Total Current		<u>1,079,860</u>	<u>250,307</u>

(1) As of December 31, 2015, the net position held by the Company with the FOCEDE is comprised of the following:

	<u>12.31.15</u>
Fixed charge Res. 347/12 collected from customers and not transferred	(7,204)
Funds received in excess of that transferred to FOCEDE from fixed charge Res. 347/12	191,722
Outstanding receivables from extraordinary Investment Plan	18,281
Provision for FOCEDE expenses	(153,263)
	<u>49,536</u>

The carrying amount of the Company's other financial receivables approximates their fair value. The other non-current receivables are measured at amortized cost, which does not differ significantly from their fair value.

EDENOR S.A.

Notes to the restated Financial Statements as of December 31, 2015 and 2014 (continued)

The aging analysis of other receivables is as follows:

	<u>12.31.15</u>	<u>12.31.14</u>
Unexpired	49,536	-
Past due	63,281	25,980
Up to 3 months	929,022	17,270
From 3 to 6 months	11,380	177,238
From 6 to 9 months	5,366	6,476
From 9 to 12 months	21,275	23,343
More than 12 months	153,777	249,235
Total other receivables	<u>1,233,637</u>	<u>499,542</u>

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

	<u>12.31.15</u>	<u>12.31.14</u>
Balance at beginning of year	16,647	20,412
Increase	1,105	2,845
Decrease	-	(4,771)
Recovery	-	(1,839)
Balance at end of the year	<u>17,752</u>	<u>16,647</u>

At the 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>12.31.15</u>	<u>12.31.14</u>
Argentine pesos	1,222,444	496,735
US dollars	11,193	2,807
Total other receivables	<u>1,233,637</u>	<u>499,542</u>

12. Trade receivables

	<u>12.31.15</u>	<u>12.31.14</u>
Current:		
Sales of electricity - Billed (1)	709,568	641,920
Sales of electricity – Unbilled	216,012	207,653
Framework Agreement	73,097	75,815
National Fund of Electricity	-	3,428
Fee payable for the expansion of the transportation and others	20,842	16,851
Receivables in litigation	22,847	21,844
Allowance for the impairment of trade receivables	(79,361)	(84,562)
Total Current	<u>963,005</u>	<u>882,949</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 restated Financial Statements as of December 31, 2015 and 2014 (continued)

The aging analysis of these trade receivables is as follows:

	<u>12.31.15</u>	<u>12.31.14</u>
Past due	530,710	523,925
Up to 3 months	432,295	359,024
Total trade receivables	<u>963,005</u>	<u>882,949</u>

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

	<u>12.31.15</u>	<u>12.31.14</u>
Balance at beginning of year	84,562	73,185
Increase	22,979	18,686
Decrease	(28,180)	(7,309)
Balance at end of the year	<u>79,361</u>	<u>84,562</u>

At the statement of financial position date, 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>12.31.15</u>	<u>12.31.14</u>
Argentine pesos	963,005	882,949
Total other receivables	<u>963,005</u>	<u>882,949</u>

Sensitivity analysis:

5% increase in the uncollectibility rate estimate

	<u>12.31.15</u>
Contingencies change	82,539
	2,917

5% decrease in the uncollectibility rate estimate

	<u>12.31.15</u>
Contingencies change	76,706
	(2,917)

13. Financial assets at fair value through profit or loss

	<u>12.31.15</u>	<u>12.31.14</u>
Non-current		
Government bonds	23,567	-
Total Non-current	<u>23,567</u>	<u>-</u>
	<u>12.31.15</u>	<u>12.31.14</u>
Current		
Government bonds	346,594	21,150
Money market funds	1,213,840	233,297
Total current	<u>1,560,434</u>	<u>254,447</u>

14. Inventories

	12.31.15	12.31.14
Current		
Supplies and spare-parts	120,512	61,561
Advance to suppliers	14,355	12,409
Total inventories	134,867	73,970

15. Cash and cash equivalents

	12.31.15	12.31.14
Cash and banks	35,464	38,691
Time deposits	-	4,852
Money market funds	93,488	135,537
Total cash and cash equivalents	128,952	179,080

16. Share capital and additional paid-in capital

As of December 31, 2015, 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.

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

The listing of ADSs on 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 \$ 6.13 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 financial statements, these shares are held as "treasury stock". The Company is entitled to reissue these shares at a future date.

On November 18, 2014, the Company held the General Annual Meeting which resolved by majority of votes to extend for another 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 677/01). All the shares issued have been fully paid-in.

17. 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 29, 2014 resolved that the profit for the year ended December 31, 2013 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.
- vi. MEyM Resolution No. 7/16, issued after the closing date of the year being reported, provides that the Company shall not distribute dividends in accordance with clause 7.4 of the Adjustment Agreement.

18. Trade payables

	<u>12.31.15</u>	<u>12.31.14</u>
Non-current		
Suppliers	-	364
Customer guarantees	67,509	60,743
Customer contributions	105,757	118,298
Funding contributions - substations	51,700	51,700
Total Non-current	<u>224,966</u>	<u>231,105</u>
Current		
Payables for purchase of electricity - CAMMESA	2,714,263	2,257,059
Provision for unbilled electricity purchases - CAMMESA	646,183	305,890
Suppliers	817,891	570,434
Customer contributions	147,775	148,076
Discounts to customers (Note 2.e.iii)	125,809	-
Funding contributions - substations	23,506	18,432
Total Current	<u>4,475,427</u>	<u>3,299,891</u>

The fair values of non-current customer contributions as of December 31, 2015 and 2014 amount to \$ 127.1 million and \$ 109.9 million, respectively. The fair values are determined based on estimated discounted cash flows in accordance with a market rate for this type of transactions. This fair value is classified as level 2.

EDENOR S.A.
Notes to the restated Financial Statements as of December 31, 2015 and 2014 (continued)

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

19. Other payables

	<u>12.31.15</u>	<u>12.31.14</u>
Non-current		
Loans (mutuum) with CAMMESA	1,099,760	506,753
ENRE penalties and discounts	1,004,043	1,032,193
Liability with FOTAE	155,752	105,641
Payment agreements with ENRE (Note 2.e).iv)	132,323	-
Total Non-current	<u>2,391,878</u>	<u>1,644,587</u>
Current		
Program for the rational use of electric power (1)	-	17,522
ENRE penalties and discounts	62,720	70,589
Liability with FOCEDE (2)	-	85,386
Related parties (Note 33.c)	3,447	2,706
Advances for works to be performed	31,462	10,650
Payment agreements with ENRE (Note 2.e).iv)	54,006	-
Other	39	243
Total Current	<u>151,674</u>	<u>187,096</u>

(1) As of December 31, 2014, the net position held by the Company with the FOCEDE is comprised of the following:

	<u>12.31.14</u>
Fixed charge Resolution 347/12 charged to customers and not transferred	6,105
Funds received in excess of the amount transferred to the FOCEDE for fixed charge Resolution 347/12	74,713
Receivable from funds pending collection for Extraordinary Investment Plan	(93,133)
Provision for FOCEDE expenses	97,701
	<u>85,386</u>

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

20. Deferred revenue

	<u>12.31.15</u>	<u>12.31.14</u>
Non-current		
Nonrefundable customer contributions	153,816	109,089
Total Non-current	<u>153,816</u>	<u>109,089</u>
Current		
Nonrefundable customer contributions	764	764
Total Current	<u>764</u>	<u>764</u>

EDENOR S.A.
Notes to the restated Financial Statements as of December 31, 2015 and 2014 (continued)

21. Borrowings

	12.31.15	12.31.14
Non-current		
Corporate notes (1)	2,341,098	1,598,442
Related parties (Note 33.e)	119,877	-
Total non-current	2,460,975	1,598,442
Current		
Interest	46,688	33,961
Related parties (Note 33.e)	2,110	-
Total current	48,798	33,961

(1) Net of debt repurchase and issuance expenses.

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

	12.31.15	12.31.14
Fixed rate		
Less than 1 year	48,798	33,961
From 2 to 4 years	192,470	126,213
More than 4 years	2,268,505	1,472,229
	2,509,773	1,632,403

As of December 31, 2015 and 2014, the fair values of the Company's non-current borrowings (Corporate Notes) amount approximately to \$ 2.3 billion and \$ 1.1 billion, respectively. Such values were calculated on the basis of the estimated market price of the Company's corporate notes at the end of each year. This fair value is classified as level 1.

On February 2, 2016, the Company has repurchased at market prices the "class 9, fixed rate par Corporate Notes" due 2022 for a nominal value of USD 0.3 million.

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

	12.31.15	12.31.14
Argentine pesos	-	-
US dollars	2,509,773	1,632,403
	2,509,773	1,632,403

EDENOR S.A.

Notes to the restated Financial Statements as of December 31, 2015 and 2014 (continued)

The roll forward of the Company's borrowings during the year was as follows:

Balance at 12.31.2012	1,453,843
Discontinued operations	(60,629)
Principal repaid	(25,535)
Interest paid	(176,976)
Repurchase of Corporate Notes	(165,085)
Repurchase of Corporate Notes from collection of receivables with related companies	(52,840)
Gain from the repurchase of Corporate Notes	(176,104)
Exchange difference and interest accrued	553,858
Balance at 12.31.2013	1,350,532
Principal repaid	(424)
Interest paid	(155,251)
Repurchase of Corporate Notes	(91,638)
Gain from the repurchase of Corporate Notes	(52,848)
Exchange difference and interest accrued	490,814
Cost capitalized	91,218
Balance at 12.31.2014	1,632,403
Interest paid	(172,923)
Exchange difference and interest accrued	961,519
Costs capitalized	88,774
Balance at 12.31.2015	2,509,773

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 01.01.15	Debt repurchase	Debt structure at 12.31.15	At 12.31.15
Fixed Rate Par Note	7	10,5	2017	14,76	-	14,76	192,47
Fixed Rate Par Note (1)	9	9,75	2022	172,17	-	172,17	2.268,51
Total				186,93	-	186,93	2.460,98

Corporate Notes	Class	Rate	Year of Maturity	Million of USD			Million of \$
				Debt structure at 01.01.14	Debt repurchase (2)	Debt structure at 12.31.14	At 12.31.14
Fixed Rate Par Note	7	10,5	2017	14,76	-	14,76	126,21
Fixed Rate Par Note (1)	9	9,75	2022	186,12	(13,95)	172,17	1.472,23
Total				200,88	(13,95)	186,93	1.598,44

(1) Net of issuance expenses.

(2) Includes collection, through the trust, of proceeds from subsidiary sales and collection of financial receivables with related companies. On March 27, 2014, the repurchased Corporate Notes that the Company held in its portfolio were written off.

The main covenants are the following:

i. Negative Covenants

The terms and conditions of the Corporate Notes include a number 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 adapted if:

- The Company's long-term debt rating is raised to Investment Grade, or
- The Company's Level of Indebtedness calculated on the shareholders' equity 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 financial statements, the previously mentioned ratios have been complied with.

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

	<u>12.31.15</u>	<u>12.31.14</u>
Non-current		
Early retirements payable	6,324	3,116
Seniority-based bonus	<u>73,715</u>	<u>59,742</u>
Total non-current	<u>80,039</u>	<u>62,858</u>
Current		
Salaries payable and provisions	639,293	543,564
Social security payable	89,331	64,899
Early retirements payable	<u>4,507</u>	<u>2,186</u>
Total current	<u>733,131</u>	<u>610,649</u>

b. Salaries and social security taxes charged to profit or loss

	<u>12.31.15</u>	<u>12.31.14</u>	<u>12.31.13</u>
Salaries	1,791,286	1,414,922	892,679
Social security taxes	<u>696,611</u>	<u>449,464</u>	<u>227,276</u>
Total salaries and social security taxes	<u>2,487,897</u>	<u>1,864,386</u>	<u>1,119,955</u>

EDENOR S.A.

Notes to the restated Financial Statements as of December 31, 2015 and 2014 (continued)

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 as of December 31, 2015 and 2014 amount to \$ 4.5 million and \$ 2.2 million (current) and \$ 6.3 million and \$ 3.1 million (non-current), respectively.

The seniority-based bonus included in collective bargaining agreements in effect consists of a bonus to be granted to personnel with a certain amount of years of service. As of December 31, 2015 and 2014, the liabilities related to these obligations amount to \$ 73.7 million and \$ 59.7 million, respectively.

As of December 31, 2015 and 2014, the number of employees amounts to 4,696 and 4,314, respectively.

23. Benefit plans

The defined benefit plans granted to Company employees consist of a bonus for all the employees who have the necessary years of service and have 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>12.31.15</u>	<u>12.31.14</u>
Non-current	204,386	150,355
Current	28,291	10,566
Total Benefit plans	<u>232,677</u>	<u>160,921</u>

The detail of the benefit plan obligations as of December 31, 2015 and 2014 is as follows:

	<u>12.31.15</u>	<u>12.31.14</u>
Benefit payment obligations at beginning of year	160,921	102,691
Current service cost	29,241	8,080
Interest cost	60,013	43,345
Actuarial losses	3,678	17,823
Benefits paid to participating employees	(21,176)	(11,018)
Benefit payment obligations at year end	<u>232,677</u>	<u>160,921</u>

As of December 31, 2015 and 2014, the Company does not have any assets related to post-retirement benefit plans.

The detail of the charge recognized in the statement of comprehensive income is as follows:

	<u>12.31.15</u>	<u>12.31.14</u>	<u>12.31.13</u>
Cost	29,241	8,080	3,678
Interest	60,013	43,345	18,862
Actuarial results - Other comprehensive loss	3,678	17,823	20,951
	<u>92,932</u>	<u>69,248</u>	<u>43,491</u>

EDENOR S.A.
Notes to the restated Financial Statements as of December 31, 2015 and 2014 (continued)

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

	<u>12.31.15</u>	<u>12.31.14</u>
Discount rate	6%	6%
Salary increase	2%	2%
Inflation	32%	32%

The annual 6% real discount rate is reasonable considering the market rates for Argentine government bonds as of 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 expected 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.

Sensitivity analysis:

	<u>12.31.2015</u>
Discount Rate: 5%	
Obligation	251,671
Variation	18,994 8.16%
Discount Rate: 7%	
Obligation	216,358
Variation	(16,319) (7.01%)
Salary Increase : 1%	
Obligation	217,340
Variation	(15,337) (6.59%)
Salary Increase: 3%	
Obligation	250,224
Variation	17,547 7.54%

The expected payments of benefits are as follow:

	<u>Less than 1 year</u>	<u>From 1 to 2 years</u>	<u>From 2 to 3 years</u>	<u>From 3 to 4 years</u>	<u>More than 4 years</u>
At December 31, 2015					
Benefit payment obligations	28,291	10,824	16,533	16,446	119,878

Estimates based on actuarial techniques imply the use of statistical tools, such as the so-called demographic tables used in the actuarial valuation of the Company active personnel.

EDENOR S.A.

Notes to the restated Financial Statements as of December 31, 2015 and 2014 (continued)

In order to determine the mortality of the Company 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, 2015.

These benefits do not apply to key management personnel.

24. Income tax and tax on minimum presumed income / Deferred tax

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

	12.31.14	Charged to profit and loss	Charged to other comprehensive income	12.31.15
<i>Deferred tax assets</i>				
Tax loss carry forward	-	-	-	-
Inventories	197	112	-	309
Derivative financial instruments	2,063	(2,063)	-	-
Trade receivables and other receivables	26,851	15,961	-	42,812
Trade payables and other payables	347,324	(13,982)	-	333,342
Salaries and social security taxes payable	20,935	(2,012)	-	18,923
Benefit plans	56,323	23,827	1,287	81,437
Tax liabilities	13,893	572	-	14,465
Provisions	47,657	67,865	-	115,522
Deferred tax asset	515,243	90,280	1,287	606,810
<i>Deferred tax liabilities:</i>				
Property, plant and equipment	(417,006)	(88,522)	-	(505,528)
Trade receivables and other receivables	-	(1,482)	-	(1,482)
Trade payables and other payables	-	(403)	-	(403)
Financial assets at fair value through profit or loss	-	(39,608)	-	(39,608)
Borrowings	(11,070)	1,329	-	(9,741)
Deferred tax liability	(428,076)	(128,686)	-	(556,762)
Net deferred tax (liabilities) assets	87,167	(38,406)	1,287	50,048

EDENOR S.A.

Notes to the restated Financial Statements as of December 31, 2015 and 2014 (continued)

	<u>12.31.13</u>	<u>Charged to profit and loss</u>	<u>Charged to other comprehensive income</u>	<u>12.31.14</u>
<i>Deferred tax assets</i>				
Tax loss carry forward	-	-	-	-
Intangible assets	-	-	-	-
Inventories	92	105	-	197
Derivative financial instruments	-	2,063	-	2,063
Trade receivables and other receivables	26,244	607	-	26,851
Trade payables and other payables	223,966	123,358	-	347,324
Salaries and social security taxes payable	4,318	16,617	-	20,935
Benefit plans	35,942	14,143	6,238	56,323
Tax liabilities	15,725	(1,832)	-	13,893
Provisions	32,826	14,831	-	47,657
Tax loss carry forward	-	-	-	-
Deferred tax asset	<u>339,113</u>	<u>169,892</u>	<u>6,238</u>	<u>515,243</u>
<i>Deferred tax liabilities:</i>				
Property, plant and equipment	(398,953)	(18,053)	-	(417,006)
Financial assets at fair value through profit or loss	(1,231)	1,231	-	-
Borrowings	(12,356)	1,286	-	(11,070)
Deferred tax liability	<u>(412,540)</u>	<u>(15,536)</u>	<u>-</u>	<u>(428,076)</u>
Net deferred tax (liabilities) assets	<u>(73,427)</u>	<u>154,356</u>	<u>6,238</u>	<u>87,167</u>

	<u>12.31.15</u>	<u>12.31.14</u>
<i>Deferred tax assets:</i>		
To be recover in less than 12 months	311,207	91,079
To be recover in more than 12 months	295,602	424,164
Deferred tax asset	<u>606,809</u>	<u>515,243</u>
<i>Deferred tax liabilities:</i>		
To be recover in less than 12 months	(135,879)	(22,004)
To be recover in more than 12 months	(420,882)	(406,072)
Deferred tax liability	<u>(556,761)</u>	<u>(428,076)</u>
Net deferred tax assets (liabilities)	<u>50,048</u>	<u>87,167</u>

The income tax expense for the year includes two effects: (i) the current tax for the year payable in accordance with the tax legislation applicable to the Company; (ii) the effect of applying the deferred tax method which recognizes the effect of the temporary differences arising from the valuation of assets and liabilities for accounting and tax purposes.

	<u>12.31.15</u>	<u>12.31.14</u>	<u>12.31.13</u>
Deferred tax	(38,406)	154,356	(44,116)
Current tax	(145,324)	-	(105,535)
Income tax expense	<u>(183,730)</u>	<u>154,356</u>	<u>(149,651)</u>

EDENOR S.A.

Notes to the restated Financial Statements as of December 31, 2015 and 2014 (continued)

	<u>12.31.15</u>	<u>12.31.14</u>	<u>12.31.13</u>
Profit (Loss) before taxes	1,326,173	(934,072)	823,751
Applicable tax rate	35%	35%	35%
(Loss) Profit at the tax rate	<u>(464,161)</u>	<u>326,925</u>	<u>288,313</u>
Gain from interest in joint ventures	-	2	(2)
Non-taxable income / Non-deductible loss	44,595	-	-
Difference between provision and tax return	(42,332)	10,521	-
Discontinued operations	-	-	(56,456)
Other	-	(25)	4,338
Subtotal	<u>(461,898)</u>	<u>337,423</u>	<u>236,193</u>
Unrecognized net deferred tax assets/liabilities	282,399	(183,067)	(385,844)
Expiration of tax loss-carry forwards	(4,231)	-	-
Income tax expense	<u>(183,730)</u>	<u>154,356</u>	<u>(149,651)</u>
Continuing operations	<u>(183,730)</u>	<u>154,356</u>	<u>(44,116)</u>
Discontinued operations	<u>-</u>	<u>-</u>	<u>(105,535)</u>

25. Tax liabilities

	<u>12.31.15</u>	<u>12.31.14</u>
Non-current		
Tax regularization plan	1,922	3,164
Total Non-current	<u>1,922</u>	<u>3,164</u>
Current		
Income tax provision net (1)	16,332	-
Tax on minimum national income tax payable, net	-	14,730
Provincial, municipal and federal contributions and taxes	73,805	67,999
Tax withholdings	32,750	34,625
SUSS (Social Security System) withholdings	-	1,485
Municipal taxes	44,983	39,870
Tax regularization plan	1,877	1,774
Total Current	<u>169,747</u>	<u>160,483</u>

(1) As of December 31, 2015, the Company generated positive tax results, which allowed for the recognition in the period of accrued tax losses carry forward.

EDENOR S.A.
Notes to the restated Financial Statements as of December 31, 2015 and 2014 (continued)

The income tax liability is comprised of the following:

	12.31.2015
Income tax provision	425,555
Tax loss carry forward	(280,231)
Income tax provision net of tax loss carry forward	145,324
Minimum presumed income tax credit	(66,714)
Unrestricted tax credit	(43,510)
Tax withholdings	(18,768)
Income tax provision net	16,332

26. Assignments of use

- **As assignee**

The features that these assignments of use have in common are that payments (installments) are established as fixed amounts; there are neither purchase option clauses nor renewal term clauses (except for the assignment of use 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 assignment of use contracts have cancelable terms and assignment 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, 2015 and 2014, future minimum payments with respect to operating assignments of use are as follow:

	12.31.15	12.31.14
2015	-	26,123
2016	47,897	19,864
2017	19,464	15,740
2018	6,321	5,698
2019	4,310	4,310
2020	147	147
2021	147	-
Total future minimum lease payments	78,286	71,883

Total expenses for operating assignments of use for the years ended December 31, 2015, 2014 and 2013 are as follow:

	12.31.15	12.31.14	12.31.13
Total lease expenses	38,569	31,043	19,786

EDENOR S.A.

Notes to the restated Financial Statements as of December 31, 2015 and 2014 (continued)

- **As assignor**

The Company has entered into operating assignment of use contracts with certain cable television companies granting them the right to use the poles of the Company's network. Most of these contracts include automatic renewal clauses.

As of December 31, 2015 and 2014, future minimum collections with respect to operating assignments of use are as follow:

	<u>12.31.15</u>	<u>12.31.14</u>
2015	90,522	72,922
2016	84,949	5,481
2017	251	200
2018	-	157
2019	-	-
2020	-	-
2021	-	-
Total future minimum lease collections	175,722	78,760

Total income from operating assignments of use for the years ended December 31, 2015; 2014 and 2013 is as follows:

	<u>12.31.15</u>	<u>12.31.14</u>	<u>12.31.13</u>
Total lease income	76,417	57,463	41,538

27. Provisions

	<u>Non-current liabilities</u>	<u>Current liabilities</u>
	<u>Contingencies</u>	<u>Contingencies</u>
At 12.31.13	83,121	10,667
Increases	34,860	40,557
Decreases	(5,886)	(27,156)
At 12.31.14	112,095	24,068
Increases	147,478	78,971
Decreases	-	(32,550)
At 12.31.15	259,573	70,489

EDENOR S.A.
Notes to the restated Financial Statements as of December 31, 2015 and 2014 (continued)

28. Revenue from sales

	12.31.15	12.31.14	12.31.13
Sales of electricity (1)	3,720,442	3,536,147	3,393,759
Right of use on poles	76,417	57,463	41,538
Connection charges	4,195	3,929	4,218
Reconnection charges	1,108	837	1,176
Total Revenue from sales	3,802,162	3,598,376	3,440,691

(1) Includes revenue from the application of Resolution 347/12 for \$ 535.5 million, \$ 508.1 million and \$ 525.9 million for the years ended December 31, 2015, 2014 and 2013, respectively.

29. Expenses by nature

The detail of expenses by nature is as follows:

Description	Transmission and distribution expenses	Selling expenses	Administrative expenses	Total
Salaries and social security taxes	1,859,710	299,835	328,352	2,487,897
Pension plans	65,379	12,332	11,543	89,254
Communications expenses	13,729	58,735	3,422	75,886
Allowance for the impairment of trade and other receivables	-	24,084	-	24,084
Supplies consumption	211,448	-	23,040	234,488
Leases and insurance	510	-	58,194	58,704
Security service	43,738	839	24,060	68,637
Fees and remuneration for services	463,159	329,497	213,816	1,006,472
Public relations and marketing	-	-	10,185	10,185
Advertising and sponsorship	-	-	5,247	5,247
Reimbursements to personnel	1,189	214	834	2,237
Depreciation of property, plants and equipments	236,758	34,771	9,878	281,407
Directors and Supervisory Committee members' fees	-	-	3,652	3,652
ENRE penalties	257,282	24,371	-	281,653
Taxes and charges	-	47,901	10,047	57,948
Other	762	227	3,821	4,810
At 12.31.15	3,153,664	832,806	706,091	4,692,561

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, 2015 for \$ 271.6 million.

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Notes to the restated Financial Statements as of December 31, 2015 and 2014 (continued)

Description	Transmission and distribution expenses	Selling expenses	Administrative expenses	Total
Salaries and social security taxes	1,373,247	249,037	242,102	1,864,386
Pension plans	37,878	6,869	6,678	51,425
Communications expenses	13,207	39,088	2,920	55,215
Allowance for the impairment of trade and other receivables	-	21,531	-	21,531
Supplies consumption	205,853	-	13,117	218,970
Leases and insurance	7,871	-	35,193	43,064
Security service	28,874	201	15,122	44,197
Fees and remuneration for services	714,258	262,845	148,134	1,125,237
Public relations and marketing	-	-	5,719	5,719
Advertising and sponsorship	-	-	2,946	2,946
Reimbursements to personnel	1,164	309	1,514	2,987
Depreciation of property, plants and equipments	208,483	18,377	10,779	237,639
Directors and Supervisory Committee members' fees	-	-	2,947	2,947
ENRE penalties	233,855	18,360	-	252,215
Taxes and charges	-	41,170	7,658	48,828
Other	372	122	1,933	2,427
At 12.31.14	2,825,062	657,909	496,762	3,979,733

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, 2014 for \$ 156 million.

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

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.

EDENOR S.A.

Notes to the restated Financial Statements as of December 31, 2015 and 2014 (continued)

30. Other operating expense, net

	<u>12.31.15</u>	<u>12.31.14</u>	<u>12.31.13</u>
Other operating income			
Services provided to third parties	53,621	33,305	21,700
Commissions on municipal taxes collection	14,775	12,040	8,638
Other net income with Related Companies	6,188	5,020	3,857
Recovery of allowance of trade receivables and other receivables	-	1,839	4,318
Not refundable advance payments received for subsidiaries sale agreements	-	-	8,868
Income from non-reimbursable customer contributions	764	764	700
Others	4,613	205	14,199
Total other operating income	<u>79,961</u>	<u>53,173</u>	<u>62,280</u>
Other operating expense			
Net expense from technical services	(12,900)	(16,236)	(15,541)
Gratifications for services	(43,192)	(24,985)	(15,876)
Cost for services provided to third parties	(52,421)	(25,265)	(9,035)
Severance paid	(11,801)	(8,202)	(4,924)
Debit and Credit Tax	(85,138)	(64,720)	(55,548)
Other expenses - FOCEDA	(59,563)	(97,701)	-
Provision for contingencies	(226,449)	(75,417)	(36,033)
Disposals of property, plant and equipment	(3,513)	(959)	(1,230)
Related parties (Note 3.3.b)	(679)	(1,230)	(1,069)
Other	(6,851)	(3,963)	(3,521)
Total other operating expense	<u>(502,507)</u>	<u>(318,678)</u>	<u>(142,777)</u>

31. Net financial expense

	<u>12.31.15</u>	<u>12.31.14</u>	<u>12.31.13</u>
<u>Financial income</u>			
Commercial interest	46,109	43,265	45,383
Financial interest	50,116	192,269	230,838
Total financial income	<u>96,225</u>	<u>235,534</u>	<u>276,221</u>
<u>Financial expenses</u>			
Interest and other (1)	(233,769)	(111,356)	(155,388)
Fiscal interest	(3,652)	(5,477)	(13,357)
Commercial interest (3)	(192,478)	(459,671)	(325,796)
Bank fees and expenses	(20,117)	(15,509)	(10,313)
Total financial expenses	<u>(450,016)</u>	<u>(592,013)</u>	<u>(504,854)</u>
<u>Other financial results</u>			
Exchange differences	(894,773)	(427,896)	(365,759)
Adjustment to present value of receivables	5,387	8,128	2,378
Changes in fair value of financial assets (2)	350,543	71,029	26,944
Net gain from the repurchase of Corporate Notes	-	44,388	88,879
Other financial expense	(22,880)	(20,224)	(14,705)
Total other financial expense	<u>(561,723)</u>	<u>(324,575)</u>	<u>(262,263)</u>
Total net financial expense	<u>(915,514)</u>	<u>(681,054)</u>	<u>(490,896)</u>

(1) Net of interest capitalized as of December 31, 2015, 2014 and 2013 for \$ 255.9 million, \$ 123.9 million and \$ 24.5 respectively.

(2) Includes changes in the fair value of financial assets on cash equivalents as of December 31, 2015, 2014 and 2013 for \$ 26.9 million, \$ 17.6 million and \$ 10.6 million, respectively.

(3) Net of the profit recorded due to the agreement with CAMMESA described in Note 2.c.IX).

32. 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 as of December 31, 2015 and 2014, 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.

	12.31.15	12.31.14	12.31.13	
	Continuing operations	Continuing operations	Continuing operations	Discontinued operations
Profit (Loss) for the year attributable to the owners of the Company	1,142,443	(779,716)	867,867	(96,128)
Weighted average number of common shares outstanding	897,043	897,043	897,043	897,043
Basic and diluted earnings (loss) per share – in pesos	1.27	(0.87)	0.97	(0.11)

33. Related-party transactions

- The following transactions were carried out with related parties:

a. Income

Company	Concept	12.31.15	12.31.14	12.31.13
CYCSA	Other income	6,188	5,018	3,857
PYSSA	Advertising on EDENOR bill	-	2	-
PESA	Interest	-	-	11,606
		6,188	5,020	15,463

b. Expense

Company	Concept	12.31.15	12.31.14	12.31.13
EASA	Technical advisory services on financial matters	(22,791)	(20,134)	(13,599)
SACME	Operation and oversight of the electric power transmission system	(27,331)	(19,605)	(14,745)
Salaverri, Dellatorre, Burgio y Wetzler Malbran	Legal fees	(679)	(1,230)	(1,069)
PYSSA	Financial and granting of loan services to customers	(89)	(90)	(95)
PISA	Interest Corporate Notes 2022	(2,110)	-	-
		(53,000)	(41,059)	(29,508)

c. Key management personnel's remuneration

	12.31.15	12.31.14	12.31.13
Salaries	70,545	54,853	40,539
	70,545	54,853	40,539

- The balances with related parties are as follow:

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Notes to the restated Financial Statements as of December 31, 2015 and 2014 (continued)

d. Receivables and payables

	<u>12.31.15</u>	<u>12.31.14</u>
<u>Other receivables - Non current</u>		
SACME	7,065	7,366
	<u>7,065</u>	<u>7,366</u>
<u>Other receivables - Current</u>		
CYCSA	6,406	86
SACME	662	667
PYSSA	8	-
	<u>7,076</u>	<u>753</u>
	<u>12.31.15</u>	<u>12.31.14</u>
<u>Other payables</u>		
SACME	(3,447)	(2,706)
	<u>(3,447)</u>	<u>(2,706)</u>

e. Borrowings

	<u>12.31.15</u>	<u>12.31.14</u>
<u>Borrowings - Non current</u>		
PISA	(119,877)	-
	<u>(119,877)</u>	<u>-</u>
<u>Borrowings - Current</u>		
PISA	(2,110)	-
	<u>(2,110)</u>	<u>-</u>

The 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 agreements entered into with related parties in 2015 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 Executive Order 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's license to render telecommunications services were approved, 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 SACME

In the framework of the regulation of the Argentine electric power sector established by Law 24,065 and SEE Resolution No. 61/92, and after the awarding of the distribution areas of the city and metropolitan area of Buenos Aires to Edenor S.A. and Edesur S.A., the bidding terms and conditions of the privatization provided that both companies were required to organize SACME to operate the electric power supervision and control center of the transmission and sub-transmission system that feeds the market areas transferred to those companies. For such purpose, on September 18, 1992 SACME was organized by Edenor S.A. and Edesur S.A.

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Notes to the restated Financial Statements as of December 31, 2015 and 2014 (continued)

The purpose of this company is to manage, supervise and control the operation of both the electric power generation, transmission and sub-transmission system in the City of Buenos Aires and the Buenos Aires metropolitan area and the interconnections with the Argentine Interconnection System (SADI), to represent Distribution Companies in the operational management before CAMMESA, and, in general, to carry out the necessary actions for the proper development of its activities.

The share capital of SACME is divided into 12,000 common, registered non-endorsable shares, of which 6,000 class I shares are owned by Edenor S.A. and 6,000 class II shares are owned by Edesur S.A.

The operating costs borne by the Company during 2015 amounted to \$ 27.3 million.

(c) Agreement with EASA.

The agreement stipulates the provision to the Company of technical advisory services on financial matters for a term of five years to commence as from September 19, 2015. The term of the agreement will be extended if so agreed by the parties. 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.

- The ultimate controlling company of Edenor S.A. is PESA.

34. 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 SE, 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 S.A. and Edesur S.A.'s networks. In addition, it established that a fraction of the electricity rate increase granted to distribution companies by ENRE Resolution 51/07 (as mentioned in Note 2.c.I), would 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 related to the aforementioned expansion works are managed by the Works Trust Fund SE Resolution 1/03, which will act as the link among CAMMESA, 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.

The amount transferred to CAMMESA by the Company as from the commencement date of the project, through contributions in cash, supplies and services totaled \$ 45.8 million.

In accordance with the agreements entered into on August 16, 2007 by and between the Company and the SE 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 SE 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 related to the Malaver-Colegiales and Malaver-Costanera electrical transmission lines, the expansion of Malaver Substation and the remaining expansion works of Puerto Nuevo Substation.

The works were developed in different stages, and the Company complied with its responsibility with regard to the development of each of them, as well as with the operation and the planned and reactive maintenance of the facilities comprising the expansion works. The final conclusion of the works occurred in fiscal year 2014.

Furthermore, on January 15, 2015, CAMMESA not only informed the Company of the amounts disbursed by the BICE and CAMMESA for the execution of the aforementioned works, but also requested that the Company carry out the pertinent actions to comply with the provisions of Resolution 1875/05. Consequently, the Company has begun to carry out actions aimed at coordinating and reaching agreement, with the different parties involved, on the steps to be followed to have this process finalized.

As of December 31, 2015, the Company recognized as facilities in service in the Property, plant and equipment account its participation in the works for an estimated value of \$ 141.8 million, including financial charges, \$ 155.8 million of which have not yet been contributed, a debt which is disclosed in the Other payables account of non-current liabilities.

35. 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.

In this manner, as of December 31, 2013, the Company divested the AESEBA segment, which resulted in a loss of \$ 96.5 million, included within the loss from discontinued operations, after tax-related effects and without considering the results of the repurchase of Corporate Notes, which were recognized by the Company when such transaction took 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 (Loss) Income.

The Trust has purchased the totality of Edenor Corporate Notes due in 2017 and 2022 indicated in the respective trust agreement for USD 10 million and USD 68 million of nominal value, respectively. On March 27, 2014, these Corporate Notes were written off.

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Due to the repurchases of the Company's own debt made by the Trust, as of December 31, 2014, the Company recorded a gain of \$ 44.4 million, which has been included in the "Other financial expense" line item of the Statement of Comprehensive (Loss) Income.

Additionally, on April 5, 2014, the Trust was terminated and liquidated.

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.

Discontinued operations

The financial statements related to discontinued operations included in this financial statement are disclosed below:

a. Statements of comprehensive loss

	<u>12.31.15</u>	<u>12.31.14</u>	<u>12.31.13</u>
Revenue for services	-	-	399,619
Revenue from construction	-	-	9,028
Cost of sales	-	-	(164,241)
Cost of construction	-	-	(9,028)
Gross profit	-	-	235,378
Transmission and distribution expenses	-	-	(104,392)
Selling expenses	-	-	(56,439)
Administrative expenses	-	-	(36,855)
Other operating income	-	-	1,865
Other operating expense	-	-	(2,600)
Operating profit	-	-	36,957
Financial income	-	-	14,803
Financial expenses	-	-	(28,576)
Other financial results	-	-	(7,473)
Net financial expense	-	-	(21,246)
Profit before taxes	-	-	15,711
Income tax and minimum national income tax	-	-	(7,136)
Profit after taxes	-	-	8,575
Loss on subsidiary sale	-	-	(185,959)
Loss from assets made available for sale	-	-	(7,146)
Tax effect	-	-	89,422
Loss for the year	-	-	(95,108)
Gain (loss) for the year attributable to:			
Owners of the parent	-	-	(96,128)
Non-controlling interests	-	-	1,020
	-	-	(95,108)

36. 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 is retroactive to October 1, 2013. At 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.

37. 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.

During the fiscal year being reported, the Company received disbursements for \$ 9.9 million, related to installment 5. As of December 31, 2015, the Company recorded \$ 57.2 million as Non-current deferred revenue and \$ 51.9 million as Non-current trade payables – Customer contributions.

38. 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.

The works, whose ownership was assigned to the Company, were carried out by the Company with the contributions made by ENARSA. As of December 31, 2015, the Company continues to recognize liabilities for this concept in the Deferred revenue account. The recognized amount is \$ 32.1 million.

39. Agreement for the execution of works - La Matanza District

In April 2015, the Company and La Matanza District entered into an agreement for the execution of works aimed at improving the electricity service. The amount of the agreement totals \$ 103.75 million, including applicable taxes and charges.

It was agreed that after the completion of each work and upon the presentation of the respective invoices, the new facilities will be assigned free of charge in order for the Company to proceed with the start-up of the facilities and the subsequent operation and maintenance thereof

The Public Works Secretariat of the Ministry of Federal Planning, Public Investments and Services agrees to provide financial assistance to La Matanza District, on the basis of an arrangement signed between the parties, for the total amount of the agreement.

As of December 31, 2015, the Company recorded \$ 16.9 million as non-current deferred revenue.

40. Safekeeping of documentation

On August 14, 2014, the CNV issued General Resolution No. 629 which introduced changes to its regulations concerning the safekeeping and preservation of corporate books, accounting books and commercial documentation. In this regard, it is informed that for safekeeping purposes the Company has sent its workpapers and non-sensitive information, whose periods for retention have not expired, to the warehouses of the firm Iron Mountain Argentina S.A., located at:

- 1245 Azara St. – City of Buenos Aires
- 2163 Don Pedro de Mendoza Av. – City of Buenos Aires
- 2482 Amancio Alcorta Av. – City of Buenos Aires
- Tucumán St. on the corner of El Zonda, Carlos Spegazzini City, Ezeiza, Province of Buenos Aires

The detail of the documentation stored outside the Company's offices for safekeeping purposes, as well as the documentation referred to in section 5 sub-section a.3) of Caption I of Chapter V of Title II of the REGULATIONS (Technical Rule 2013, as amended) is available at the Company's registered office.

41. Events after the reporting period**41.1. Extraordinary bonus to employees**

Salaries and social security charges: on January 18, 2016, the Company entered into two agreements, one with the *Sindicato de Luz y Fuerza de Capital Federal* (Electric Light and Power Labor Union Federal Capital) and another one with the *Asociación del Personal Superior de Empresas de Energía* (Association of Supervisory Personnel of Energy Companies), pursuant to which the Company agreed to grant, on a voluntary and one-time basis, an extraordinary bonus of \$ 5,000 to all the employees subject to the collective bargaining agreements of the aforementioned union/association.

The bonus was paid in two installments of \$ 2,000 and \$ 3,000 on January 21 and March 21, 2016, respectively. The payment of the aforementioned bonus was extended to all Company employees.

The total recorded charge amounted to \$24.9 million.

41.2. New measures aimed at the restructuring of the electricity sectorPenalties

By means of ENRE Note No. 120,151, which establishes the new criterion to calculate penalties, the Company is informed of the payment in Argentine pesos of the penalties stated in kWh. The effect of these resolution has been recorded during 2016.

Additionally, considering the aforementioned ENRE Note, the Company is evaluating with the regulatory authority the scope of the provisions thereof with regard to all the penalties recorded. This includes, for example, clarifying the ENRE's criterion to define what constitutes "remuneration" for purposes of determining the penalties accrued prior to April 15, 2016 and not yet issued, as well as the obligation to accrue interest on the penalties issued until the date of their cancellation or payment. If the term "remuneration" were interpreted by the ENRE as to include all the amounts received in the form of, for example, government grants, or if the accrual of interest on penalties issued were, in the ENRE's opinion, applicable, the amount of the provision for penalties could increase significantly.

Compensation payable to Customers

On March 21, 2016, the ENRE issued Resolution 31/2016, pursuant to which it was provided that each small-demand residential customer (T1R) who suffered power outages between February 12 and 18 2016 must be paid a compensation of (i) six hundred pesos if the power cut lasted more than 12 continuous hours but did not exceed 24 continuous hours; (ii) nine hundred thirty-one pesos if the power cut lasted more than 24 continuous hours but did not exceed 48 hours; and (iii) one thousand sixty-five pesos if the power cut lasted more than 48 continuous hours.

The total amount of the compensation payable to customers by way of discounts amounts \$ 73 million, which started being credited to customer bills issued as from April 25, 2016.

Redemption of corporate notes

On July 12th 2016 The Company proceeded to redeem the corporate senior notes due on 2017 .

The outstanding amount redeemed was US dollars 14.76 million, 100 % of its nominal value with accrued interest of \$ 0.40 million.

ENRE Resolution 347/12 - Fund for Electric Power Distribution Expansion and Consolidation Works (FOCEDE)

According to the provisions of Resolution ENRE No. 2/16, on the discontinuation of the FOCEDE trust, on June 23, 2016 the Company received \$ 86.3 million pesos as reimbursement for the sums transferred to FOCEDE. At the date of issuance of these financial statements, consequently the Company proceeded to the final settlement of that trust.

41.3. Ordinary and Extraordinary Shareholders' Meeting

The Company Ordinary and Extraordinary Shareholders' Meeting held on April 28, 2016 decided among other issues, the following:

- To approve the Annual Report and the Financial Statements of Edenor S.A. as of December 31, 2015;
- To Appoint Directors and alternate directors;
- To approve the actions taken by the Directors and Supervisory Committee members, together with the remuneration thereof;
- To appoint the authorities and the external auditors for the current fiscal year;
- To allocate a the legal reserve of \$ 73.3 million, of which \$ 64 million correspond to the restoring of the reserve used to solve accumulated losses, and \$ 9.3 million to the mandatory allocation;
- To record a voluntary reserve in accordance with the terms of section 70 of the General Law of Commercial Corporations for an amount of \$ 176.1 million aimed at investments and other financial needs, authorizing the Company Board of Directors to apply the amount thereof, whether in full or in part, and to approve the methodology, time periods and conditions of those investments.

41.4. Precautionary measures

As from May 2016 and until the date of issuance of these financial statements, Edenor has been notified by several courts from the Province of Buenos Aires of precautionary measures requested by different customers, both individual and districts (Private Hospital de la Merced S.A., Municipio de La Matanza, Club Atlético 3 de Febrero, Club Ferrocarril Mitre Deportivo Social y Cultural, Sociedad Alemana de Gimnasia de Villa Ballester, Club Social y Deportivo Las Heras, Club Sportivo San Andrés, Cooperativa de Trabajo 19 de Diciembre, San Martín, Pilar and Escobar Municipality's inhabitants), which all together represent more than 30% of Edenor's sales, ordering the suspension of the tariff increase provided by Resolutions No. 6/2016 and 7/2016 of the Energy and Mining Ministry and Resolution No. 1/2016 of the ENRE, retroactively to the date such resolutions entered in force (February 2016).

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Notes to the restated Financial Statements as of December 31, 2015 and 2014 (continued)

These measures (except for the one covering all the Province of Buenos Aires discussed in the paragraph below) required Edenor to refrain from invoicing with the tariff increase, and to return any amounts of the increases already collected, through a credit on the customers' accounts. Edenor complied with the courts' resolutions and started to re-issue the invoices based on previous tariff scheme, crediting amounts collected in addition to those tariffs in each client account. The estimated impact of complying with these resolutions at June 30, 2016 amounts to approximately \$ 1,470 million in revenues. The incremental cost related to those revenues are of an estimated amount of \$ 681 million.

Also, on July 15, 2016 Edenor has been notified by the ENRE of the issuance by the Second Division of the Federal Court of the City of La Plata, instructing the suspension of the aforementioned tariff increase, applicable to the Province of Buenos Aires. In this case, the resolution from the Court suspends application of the Resolutions mentioned above for a period of three months as from the date of issuance of the injunction, but it does not establish the retroactive application of such suspension.

Edenor has requested the intervening courts to give notice to CAMMESA of the suspension of the resolutions mentioned above, so as to avoid CAMMESA to continue invoicing the energy being purchased by Edenor, and affected by the precautionary measures, with the increased seasonal price established by Resolution 6/2016 of the Ministry of Energy and Mining. Furthermore, Edenor has itself given notice to CAMMESA of such situation.

Edenor has taken all steps within its reach from a judicial standpoint in order to revert this situation and while it awaits courts definitions, it is evaluating its consequences and any further actions to be taken.

Due to these judicial resolutions the Executive Branch, who initially established the tariff increases, requested the Supreme Court of Justice to address the matter and decide on the legality, correspondence and applicability of tariff increases.

Application of Resolutions 6 and 7 of the Ministry of Energy and Mining, and 1/2016 of the ENRE, as of June 30, 2016 purport additional revenue to Edenor for an estimated amount of \$ 4,898 million. They also gave place to additional costs (for energy received from CAMMESA) for an estimated amount of \$ 2,204 million. Should the Supreme Court declare these Resolutions null and void, such amounts represent the maximum effect in the financial statements as of June 30, 2016.

Notwithstanding the foregoing, in case such resolutions are declared null and void, the Company understands that the former scheme of Resolution SE 32 would re-enter into force, since it was abrogated by Resolution 7, which is now being questioned. In such case the National Government should restart granting assistance to the Company to pay for its obligations until a new tariff increase is established.

At this moment, it is not possible to estimate the final outcome of this situation. In any case, the company continues to prepare its financial statements on a going concern basis, as it believes that, until this situation is solved, the government will not require the Company to pay CAMMESA for the electricity sold, and will also provide funding to the company to settle other liabilities (such as salaries) through the Resolution 32 or a similar regime.

RICARDO TORRES
Chairman